CANADA

HOUSE OF COMMONS DEBATES

OFFICIAL REPORT

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HOUSE OF COMMONS

Wednesday, October 20, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

TABLING OF GENERAL EXCHANGES AGREEMENT BETWEEN CANADA AND SOVIET UNION

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I would like to table copies in English and French of the Canada-U.S.S.R. General Exchanges Agreement which was signed today by the Chairman of the Council of Ministers of the Soviet Union and the Prime Minister of Canada.

QUESTIONS ON THE ORDER PAPER

On the order: Questions on Order Paper

Mr. Speaker: Shall this order stand?

Some hon. Members: Stand.

Mr. Speaker: Stand.

MOTIONS FOR PAPERS

On the order: Notices of Motions for the Production of Papers.

Mr. Speaker: Shall this order stand?

Some hon. Members: Stand.

Mr. Speaker: Stand.

• (2:10 p.m.)

ORAL QUESTION PERIOD

EXTERNAL AFFAIRS

CANADA—U.S.S.R. GENERAL EXCHANGES AGREEMENT—PROVISION FOR FREE FLOW OF INFORMATION AND FREER ACCESS FOR CANADIAN WRITERS AND JOURNALISTS

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Acting Prime Minister a question about the agreement he has just tabled. Did Canada press for a provision in that agreement relating to the free flow of information between Canada and the U.S.S.R. and freer access by Canadian writers and journalists to examine and report on life and developments in the U.S.S.R., because if we are talking about cultural exchange in a meaningful way this surely includes—

Some hon. Members: Order.

Mr. Speaker: Order, please.

Mr. Stanfield: —life in its many facets in both our countries, despite all the static opposite.

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the agreement which has just been signed pledges both countries to facilitate exchanges on a broad basis, scientific and cultural exchanges, exchanges of all kinds, between the peoples of the two countries. This is, of course, subject to the laws of the respective countries, but I would think this agreement does mark another step forward not only in relations between our two nations but also to the extent that it indicates that the Soviet Union itself is prepared to see greater exchanges of the kind which I know the Leader of the Opposition as well as myself would like to see happen.

Mr. Stanfield: Perhaps the Acting Prime Minister did not hear my question because of the noise coming from behind him. I should like to ask the hon. gentleman whether in relation to this agreement the government of Canada pressed for some provision regarding the free flow of information between the two countries and freer access by Canadian writers and journalists to examine and report upon affairs and developments in the U.S.S.R.?

Mr. Sharp: The purpose of this agreement is to facilitate exchanges. It is to enable authors, writers, artists and scientists to exchange views with their counterparts in the other country. We did not, of course, press to change the laws of the Soviet Union. That is a matter, as I am sure the hon. gentleman will agree, for the Soviet authorities to decide for themselves. What we are interested in and what this agreement does promote is exchanges of information between the two countries and it therefore contributes to the purpose the Leader of the Opposition has in mind.

CANADA-U.S.S.R. TRADE RELATIONS—RESULTS OF DISCUSSIONS WITH PREMIER KOSYGIN AND PARTY DURING VISIT TO CANADA

Hon. Robert L. Stanfield (Leader of the Opposition): With regard to the visit of Premier Kosygin, can the Acting Prime Minister give us any indication whether any specific results have come out of the discussions between the representatives of the two governments in connection

with trade relations between Canada and the Soviet Union and, if so, when the House may learn of those results?

Hon. Mitchell Sharp (Acting Prime Minister): During the discussions an extensive exchange of views on trade matters took place. It seemed to us that both in Canada and in the Soviet Union there is a desire to promote greater trade. We talked about the renewal of the trade agreement which is due to expire shortly and agreed we would resume discussions on that agreement at the beginning of the year. I think all the discussions which took place indicated the desire of both countries to promote trade.

DISCUSSIONS BETWEEN PRIME MINISTER AND PREMIER KOSYGIN ON EMIGRATION FROM RUSSIA AND RIGHTS OF ETHNIC GROUPS—REQUEST FOR STATEMENT

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, in the absence of the Prime Minister may I ask the Secretary of State for External Affairs whether the government will shortly be in a position to make a statement to the House, for the information of the country, concerning the results of the discussions between the Prime Minister and Mr. Kosygin respecting persons in the Soviet Union who wish to emigrate to other countries, particularly those who desire to be united with their families, and also on the question of the rights of Jewish and other cultural and ethnic groups in the Soviet Union?

Hon. Mitchell Sharp (Secretary of State for External Affairs): I am quite sure that the Prime Minister, when he comes to the House, will be happy to answer questions of that kind. As to the rights of Jews in the Soviet Union there has, of course, been an opportunity for Members of Parliament to ask Mr. Kosygin these questions directly in a committee of the House. So from both sources I think we shall learn a good deal.

Mr. Knowles (Winnipeg North Centre): In view of the fact that what we heard this morning in the committee room was off the record, it being understood that we are supposed to treat it in that way, may we have an early public statement by the Prime Minister?

Mr. Sharp: Mr. Speaker, I am sure that the Prime Minister will be very happy, when he returns to the House—he is with Mr. Kosygin now—to answer such questions.

DISCUSSIONS WITH PREMIER KOSYGIN ON EXCHANGE OF CONSULAR REPRESENTATIVES BETWEEN CANADA AND UKRAINIAN REPUBLIC

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, since this matter comes under the direct jurisdiction of the Secretary of State for External Affairs I would ask him whether or not discussions took place with Premier Kosygin with reference to the exchange of consular representatives between Canada and the Ukrainian Republic so as to enable people of Ukrainian origin to visit the old land, without unnecessary and almost insurmountable delays, as well as people from the Ukraine to visit their relatives in Canada?

[Mr. Stanfield.]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, we did not discuss specifically the question of exchanging consular representatives but the whole spirit of the discussions that took place encourages the visits that the right hon. gentleman and I both hope for.

Mr. Diefenbaker: I should like to know the basis upon which the minister was encouraged by something which was not discussed.

Mr. Sharp: Mr. Speaker, I think I was quite specific. The right hon. gentleman asked me about consular representatives and I answered that that was not discussed. The general question of exchanges and visits of Canadians to the Soviet Union and of Soviet citizens to Canada was discussed.

Mr. Diefenbaker: Will the minister, having now gone that far, elucidate what conclusions he came to in his optimistic state of mind in regard to what might take place in consequence of these discussions?

Mr. Sharp: An improved exchange of citizens of our two countries, visiting one another and helping to promote understanding on both sides.

RESPONSE OF PREMIER KOSYGIN TO CANADIAN REPRESENTATIONS RESPECTING FISH CONSERVATION MEASURES

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, I have a supplementary question for the Acting Prime Minister. Could the Acting Prime Minister advise the House what was the reply of the Soviet premier to Canada's plea for immediate conservation measures in regard to fish stocks on the east and west coasts of Canada, and did the Canadian government ask the Soviet Union to enter into a bilateral agreement in regard to establishing fishing quotas, especially in relation to fishing off the east coast?

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, the question of conservation of fish stocks off both our coasts was discussed.

REASON FOR REFUSAL OF SOVIET UNION TO SIGN AGREEMENT ON ARCTIC SOVEREIGNTY

Mr. Erik Nielsen (Yukon): Mr. Speaker, I have a question for the Acting Prime Minister. In view of the failure of the government's stated objective to obtain a mutual agreement with the U.S.S.R. on Arctic sovereignty, could he advise the House as to the reason for the refusal of the Soviet Union to sign such an agreement?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I do not think it is right to say that the Soviet and Canadian governments are not agreed on the objectives. The Soviet government, however, was concerned or had some misgivings or objections in regard to the signing of a treaty. They have not in any way refused to co-operate with us in promoting our mutual objectives in the Arctic; indeed, they offered to co-operate most closely.

Mr. Nielsen: Mr. Speaker—

Mr. Speaker: Order. I believe the hon. member for Humber-St. George's-St. Barbe wishes to rise on a point of order. I realize that he wants to ask a supplementary, and if that is his point of order I will return to him in a moment.

Mr. Marshall: Mr. Speaker, my point of order is that the Minister of Fisheries did not answer my question. I asked him what the answer was to our plea and the minister replied that the matter was discussed. I know it was discussed. Could he answer my question?

Mr. Speaker: I think we are getting confused. We might allow the hon. member for the Yukon to ask a supplementary and then I will recognize the hon. member for Humber-St. George's-St. Barbe.

Mr. Nielsen: Mr. Speaker, may I ask the Acting Prime Minister whether he is prepared to inform the House of the contents of the agreement that the government wished to obtain with the U.S.S.R. with respect to Arctic sovereignty? If so, would he do so on motions on another occasion when there is more time?

Mr. Sharp: Mr. Speaker, before the Soviet delegation under Premier Kosygin leaves Canada a communiqué will be issued expressing the views of the two governments on the matters that have been discussed, and perhaps this might serve as the basis for further questions.

• (2:20 p.m.)

RESPONSE OF PREMIER KOSYGIN TO CANADIAN REPRESENTATIONS RESPECTING FISH CONSERVATION MEASURES

Mr. Jack Marshall (Humber-St. George's-St. Barbe): May I pose my question to the Minister of Fisheries again and ask whether he would elaborate briefly on the discussions with the Soviet Premier on conservation of fish stocks? Is there anything definite to hope for?

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, we endeavoured to describe the plight of the fishermen, particularly the Canadian inshore fishermen, and the Premier of the U.S.S.R. said that he would consider our representations carefully.

CRITICISM BY PREMIER KOSYGIN OF UNITED STATES ECONOMIC POLICY

Mr. Eldon M. Woolliams (Calgary North): I have a supplementary question for the Acting Prime Minister. In light of the questions that have been put recently in reference to negotiations on the United States surtax and in light of the fact that the distinguished guest of this country criticized United States policy while visiting Canada, may I ask if that was done at the request of the Prime Minister—

Some hon. Members: Oh, oh!

Mr. Woolliams: —or did our distinguished guest do that on his own?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, although I think the question is frivolous I want to say that Mr. Kosygin is quite well able to express his own views on anything.

Mr. Woolliams: On a question of privilege, Mr. Speaker, if anybody is frivolous it is the Secretary of State for External Affairs.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The hon. member for Skeena.

* * *

MANPOWER

AVAILABILITY OF JOB VACANCY SURVEY DATA

Mr. Frank Howard (Skeena): To come back home again, Mr. Speaker, I should like to direct a question to the Minister of Manpower and Immigration. With respect to the job vacancy survey conducted by the minister's department which took four years, employed 106 persons and cost more than $3 million, would the minister be prepared to explain why the data from that survey will not be available until the end of the year?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the work being done on the job vacancy survey is of a developmental nature and will be extremely important and valuable when the results are sufficiently firm to be the base for firm conclusions and planning. This is the whole point of it. The work is developmental; it is coming along very well and before long we will have regular reports as a result of it.

Mr. Howard (Skeena): Inasmuch as the minister evaded the question completely I wonder if I could ask him whether there would be any connection between the job vacancy survey program and the incompetence with which it has been handled and the fact that his department's job placement program has declined more than 30 per cent in the last four years while his departmental staff has doubled and the cost has doubled?

Mr. Speaker: Order, please. I suggest to the hon. member that the question is argumentative and in the form of debate. It is hardly acceptable when put in those terms.

Mr. Howard (Skeena): Could I rephrase the question and ask the hon. gentleman if he would be prepared, perhaps tomorrow because of the urgency of the matter, to take the opportunity on motions to explain the job placement program of his department and the fact that it has failed and that all he is doing is building a bureaucracy?

Mr. Speaker: Order, please.

* * *

[*Translation*]

EXTERNAL AFFAIRS

CULTURAL EXCHANGE WITH U.S.S.R.

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I would like to ask the hon. Secretary of State for External Affairs a supplementary question.

He told us earlier that there would be exchanges between the U.S.S.R. and Canada in the technical, scientific and cultural fields. With regard to cultural exchanges, can he say that there is no question of exchanging some of the freedom we enjoy here in Canada for the slavery that prevails over there?

[*English*]

Mr. Speaker: Order, please. The hon. member for Edmonton West.

* * *

FINANCE

NATURE OF DISCUSSIONS BETWEEN FEDERAL AND PROVINCIAL OFFICIALS—DATE OF MINISTERS' MEETING AND SUBJECTS ON AGENDA

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is directed to the Minister of Finance. Would the minister advise the House precisely at what level the conference between representatives of his department and their counterparts in the provincial administrations will take place and what will be the agenda of the discussions this week? Do they tie in with the announcement made by the minister last week or do they have to do with further discussions on Bill C-259?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, the discussions that are going on are dealing with the announcement I made last week on Thursday, basically, and are preparatory to a meeting of the Ministers of Finance which is to take place as soon as we can possibly arrange it, which will be early in November.

Mr. Lambert (Edmonton West): Mr. Speaker, could the minister indicate at what target date he is aiming for the conference of ministers and will the provisions of Bill C-259, particularly those elements involving co-operation between the federal and provincial governments, be a particular part of the agenda of that conference?

Mr. Benson: Mr. Speaker, the meeting is to take place as early in November as possible. Obviously it cannot take place before tomorrow because of certain other events which are taking place. The earliest dates we have had people indicate might be possible are in very early November. Of course Bill C-259, or the tax proposals, will be part of the discussions that take place with the Ministers of Finance of the provinces, as well as the economic outlook and the proposals I announced to the House last Thursday.

* * *

HOUSE OF COMMONS

PRESENCE IN SPEAKER'S GALLERY OF CHAIRMAN OF COUNCIL OF MINISTERS OF UNION OF SOVIET SOCIALIST REPUBLICS

Mr. Speaker: May I be allowed to call the attention of hon. members to the presence in the Speaker's gallery of the distinguished Chairman of the Council of Ministers of the Union of Soviet Socialist Republics, Mr. Alexei Kosygin.

Some hon. Members: Hear, hear!

Mr. Speaker: As hon. members know, this is the first official visit to Canada of the head of the government of the Soviet Union. For this reason and for many others, it is an occasion of considerable significance.

All members of this House are confident that the visit will prove to be a fruitful one. We hope that the discussions on matters of mutual interest will contribute to the growing friendly relationship between our two countries. Hon. members are particularly appreciative of the occasion they had this morning to submit representations directly to Mr. Kosygin, and to engage with him in a frank and open discussion of matters which preoccupy us all.

We hope, sir, that you and your colleagues, including the Chairman of the Council of Ministers of the Georgian Soviet Socialist Republic and the Soviet Minister of Maritime Shipping, will enjoy your stay in Canada, in Ottawa, as well as in the other cities which you will visit during the days ahead.

[*Translation*]

We trust that everywhere you will be cordially welcomed by Canadians of good will who seek co-operation between nations and peace throughout the world. Once again, Mr. Prime Minister, we wish you and your colleagues a most cordial welcome in Canada and more particularly in our country's Parliament.

* * *

[*English*]

FINANCE

REQUEST FOR STATEMENT ON MEETING OF GROUP OF TEN OFFICIALS—POSSIBLE LIFTING OF UNITED STATES IMPORT SURTAX BEFORE CHRISTMAS

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to ask the Minister of Finance whether he would take the earliest opportunity to make a statement giving some indication to the House of the effect of the meeting held recently in Europe of officials of the ten countries and in particular whether there is any reason to believe that the United States surcharge may be lifted before Christmas?

Hon. E. J. Benson (Minister of Finance): Well, Mr. Speaker, we are of course represented at the officials' meeting. There has been some contact back and forth with the officials there. When they return to Canada I will take my hon. friend's suggestion under consideration.

* * *

REGIONAL ECONOMIC EXPANSION

ATLANTIC PROVINCES—ASSESSMENT AND REVAMPING OF DEPARTMENTAL PROGRAMS IN LIGHT OF CRITICISMS—LONG-TERM TARGETS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct a question to the Minister of Regional Economic Expansion arising out of the meeting

of the Atlantic Provinces Economic Council which is being held. In view of the criticisms of the DREE programs, describing them as crude, unsophisticated and unco-ordinated, and the statement by the minister's own former deputy that the results of the DREE programs have been disappointing, is the minister in the process of assessing the programs of his department and does he intend in the near future to announce any revamping of the programs in light of criticisms which have been levelled at them so far?

• (2:30 p.m.)

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I have followed fairly closely what has happened in the Atlantic provinces. It is true that the department has been criticized, with reason, I believe, in some cases. We shall remedy what is wrong.

Obviously, the hon. member has forgotten part of it, because even the chairman of APEC has stated that he supported the department and that, on the whole, he was satisfied, even if there were deficiencies.

At any rate, the report that was published includes some very serious errors, and we are considering all that. We shall, no doubt, correct what needs to be corrected. But to claim that, as a whole, the programs of the department have been inefficient is to make an altogether gratuitous statement based on prejudices.

[*English*]

Mr. Douglas: In view of the fact that the chairman and others indicated that their main criticism was levelled at the fact that the programs were ad hoc and were lacking in long-term planning and co-ordination, does the minister intend to make a statement to the House regarding any long-term targets which his department is establishing and, if so, when may we expect such a statement?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, we do a lot of planning with the Atlantic provinces and it would take too long to enumerate all the cases. I do not feel that I ought to do it now. I shall certainly have the opportunity of indicating to the House to what extent we have worked with the provinces in order to achieve long term objectives. This opportunity will no doubt be offered to us in the near future, and I shall seize it with pleasure.

[*English*]

ATLANTIC PROVINCES—REQUEST FOR INDICATION OF DEPARTMENTAL GOALS AND STRATEGY

Mr. David MacDonald (Egmont): In view of the fact that not only the recent APEC report but an earlier and much more direct report of the minister's own agency, the Atlantic Development Council, suggested a strategy and some specific goals with regard to the development and economic improvement of the Atlantic region, and as the latter report has been on the minister's desk for some months, I wonder when the minister will be in a position to indicate to the House and to the people in the Atlantic provinces what particular goals and strategy will be acceptable to his department and to the government?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, we have already accepted several recommendations made by the Atlantic Council, among others the establishment of a management institute as well as a labour institute. We have accepted several others, but it would take too long to list them. Some appear to us to be unacceptable and unrealistic. The APEC report contains gross errors. For example, it is mentioned that there is an extensive centralization in the department—

Mr. Speaker: Order. I do not think that the minister now wishes to make a general statement. We should allow the hon. member for Malpèque—

[*English*]

The hon. member for Malpeque has a supplementary question, then I will return to the hon. member for Egmont.

RENEGOTIATION OF PRINCE EDWARD ISLAND DEVELOPMENT PLAN

Hon. J. A. MacLean (Malpeque): In light of the fact that the development plan which is in force between the government of Canada and that of Quebec with regard to eastern Quebec has been amended and extended, I believe, and also that consideration is being given to doing the same with regard to the development plan in north-eastern New Brunswick, has there been any request from the government of Prince Edward Island to renegotiate or amend the comprehensive development plan which applies in that province to make it more effective?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Not to my knowledge, Mr. Speaker. The agreement with Prince Edward Island was renegotiated barely a year ago. Elections were held shortly after and the people seemed quite satisfied.

In any event, as soon as the government of that province makes a request, we will be happy to discuss the matter with the minister responsible, should he feel that there are weaknesses in the present program.

[*English*]

ATLANTIC PROVINCES—REQUEST FOR INDICATION OF DEPARTMENTAL GOALS AND STRATEGY

Mr. David MacDonald (Egmont): Perhaps the minister did not hear me correctly. I was referring to the Atlantic Development Council, which is his own agency, not to the Atlantic Provinces Economic Council. In view of the fact he has indicated that some of these recommendations may have been implemented and some are not acceptable, and since there has been no clear statement from either him or his officials as to what the over-all view of the department is as to the effect of this strategy, could he indicate, not in detail now, when he might be in a position to make a clear statement and also whether, in view of the many questions raised about consultation with regions, any steps are going forward to consult adequately with

the regions in order that a fully acceptable Atlantic development strategy can be evolved?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, if I start answering that question, you will stop me, undoubtedly with reason.

I am asked to give the opinion of the department on all the reports. As I said a few minutes ago, I hope to be able soon to give the opinion of the department on the bulk of the recommendations that were made.

* * *

FAMILY INCOME SECURITY

CO-ORDINATION OF FEDERAL AND QUEBEC PLANS—RESUMPTION OF DISCUSSIONS

Hon. Martial Asselin (Charlevoix): Mr. Speaker, yesterday I put a question to the Parliamentary Secretary to the Minister of National Health and Welfare and he referred me to the minister. I would therefore like to direct my question to the Minister of National Health and Welfare.

The Quebec Minister of Social Affairs recently announced that negotiations with the federal government concerning the new family allowances program had come to a standstill, and had even been broken. Can the minister tell whether, after his discussions with the Quebec government, and more particularly with the Minister of Social Affairs, he intends to change the national family allowances program in order to reconcile it with the needs of the province of Quebec?

[*English*]

Hon. John C. Munro (Minister of National Health and Welfare): It is too early to say what changes there will be, if any. Discussions will be going on with the government of Quebec on this matter, and I can only advise the House as to what specifically will happen after those discussions have taken place.

[*Translation*]

Mr. Asselin: I should like to ask a supplementary question, Mr. Speaker.

Can the minister assure the House that the consideration of this important matter will be continued or does he feel that the doors are closed to any further discussion? Also, is the minister going to meet soon with his Quebec colleague to resume negotiations?

[*English*]

Mr. Munro: I do not believe at all that the discussions on this matter are over.

* * *

EXTERNAL AFFAIRS

SUGGESTED CANADIAN INITIATIVE IN PRESENTING RESOLUTION AGAINST NUCLEAR TESTING AT UNITED NATIONS

Mrs. Grace MacInnis (Vancouver-Kingsway): My question is for the Secretary of State for External Affairs. In view of the resolution passed last Friday by this House calling on all nuclear powers to stop testing nuclear devices and, in particular, urging the cancellation of the test at Amchitka scheduled for later this month, would the minister be prepared to approach nations favourable to this resolution at the United Nations with a view to bringing its content before the General Assembly for discussion and decision this year?

Hon. Mitchell Sharp (Secretary of State for External Affairs): We expect that the issue of a comprehensive test ban will be brought before the first committee and in due course it may be brought before the General Assembly. We will be working with the other countries interested to prepare a suitable resolution.

Mrs. MacInnis: I think the minister missed the point of my question. I was asking if he would be prepared to take the initiative in approaching other countries to get them together with a view to preparing a draft resolution along those lines and bringing it before the United Nations?

Mr. Sharp: In these kinds of matters we have lots of friends and lots of allies. We will be working with them to prepare a suitable resolution which will, I hope, get the support of the world against any testing by any country in the world.

Some hon. Members: Hear, hear!

DISCUSSION WITH PREMIER KOSYGIN OF POSSIBLE NUCLEAR TEST BAN

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to ask the Secretary of State for External Affairs or the right hon. Prime Minister whether the subject of a nuclear test ban has been discussed with Premier Kosygin during his visit and whether the government of Canada has received any assurance that the government of the U.S.S.R. subscribes to the Canadian view in this regard?

Hon. Mitchell Sharp (Secretary of State for External Affairs): We have had some discussion, and in the communiqué that will be issued after the conclusion of this visit our two governments will go on record as being in favour of a complete test ban. Of course, we do differ in some respects as to the modalities. The Soviet Union and ourselves do not entirely agree as to how best to achieve that complete test ban.

• (2:40 p.m.)

Mr. J. H. Horner (Crowfoot): Mr. Speaker, I wish to direct a supplementary question to the right hon. Prime Minister. In light of Canada's withdrawal from the United States economic environment and our acknowledged friendship with Russia, as expressed so well today, can it be expected that the missile bases at La Macaza, Quebec, and North Bay, Ontario, will be reactivated with Russian missiles in the near future?

Some hon. Members: Shame!

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker.

[*Translation*]

YOUTH

OPPORTUNITIES FOR YOUTH PROGRAM—REQUEST FOR CONTINUATION OF PRESENT POLICY

Mr. Roch La Salle (Joliette): Mr. Speaker, I would like to direct a question to the hon. Secretary of State. Considering the interest that young people are taking in the Opportunities for Youth Program and the fact that the government has probably discussed that question recently, could the minister give us the assurance that this policy will be continued and, if not, would he be able to make a statement on that matter?

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, no final decision has been made yet on that matter, but it seems to me that before long I will be able to make a statement concerning this program.

* * *

[*English*]

UNEMPLOYMENT INSURANCE

TREATMENT OF SEVERANCE PAY AS INCOME IN CALCULATING BENEFITS

Mr. Doug Rowland (Selkirk): Mr. Speaker, my question is directed to the Minister of Labour. Is the minister giving consideration to removing the regulation which treats severance pay as income for the purpose of calculating unemployment insurance benefits in light of the fact that a number of inequities have arisen from that situation?

Hon. Bryce Mackasey (Minister of Labour): No, Mr. Speaker. We have been reviewing the regulation in order to limit possibly the apportionment of severance pay over a maximum of 32 weeks, thus eliminating or preventing the danger of people being denied unemployment insurance as a result of having worked a full 20 weeks prior to the 32 weeks, but we certainly have no intention of withdrawing that feature of the act.

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PUBLIC SERVICE

EXPEDITING OF PROVISION OF SEVERANCE PAY TO LAID-OFF EMPLOYEES

Mr. Doug Rowland (Selkirk): Mr. Speaker, I wish to direct a supplementary question to the President of the Treasury Board. Has he taken any steps to ensure that severance pay owing to former employees of the federal government who have been laid off is being provided to them much more rapidly than has been the case in the past, in light of the fact they must live on severance pay for a number of weeks before they can get unemployment insurance? I mention in particular over 40 people from the Canadian Armed Forces base, Gimli.

Mr. Speaker: Order, please.

Hon. C. M. Drury (President of the Treasury Board): Mr. Speaker, my colleague, the Minister of Supply and Services, has been conducting a review of pay operations in his department, and one of the objects of it is to speed up this process to which reference has been made.

* * *

[*Translation*]

THE CANADIAN ECONOMY

LOCAL INITIATIVES PROGRAM—AUTHORITY OF MANPOWER CENTRES TO STUDY WORK PROJECTS

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a question to direct to the Minister of Regional Economic Expansion.

A short while ago, he was dealing with long term programs for the Maritimes. Since the announcement of the new federal winter works program, are the Manpower Centres now empowered to hold talks with the municipalities of Canada—and not only of a part of the country—in order to launch immediately or as soon as possible projects which can be authorized?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, this question should rather be directed to the Minister of Manpower and Immigration, who has jurisdiction over Manpower Centres. I submit that the present negotiations between the provinces and the federal government should continue before Manpower Centres are authorized to consider any application.

* * *

[*English*]

INCOME TAX ACT

SUGGESTED AMENDMENT TO INCLUDE AS EXPENSE ADVERTISING ON BROADCASTING STATIONS SERVING CANADIANS

Mr. Jack Murta (Lisgar): Mr. Speaker, I wish to direct a question to the Minister of Finance. Has the government considered the recommendation made by the CRTC in July that section 12(1)(a) of the Income Tax Act should be amended so as to include as a legitimate expense broadcast advertising on television and radio stations providing a service to Canadians?

Hon. E. J. Benson (Minister of Finance): This has not been considered by the government to the present, Mr. Speaker.

Mr. Murta: In view of conflicting statements made in Manitoba I would like to ask the Minister of Finance whether he has had any consultations with the chairman of the CRTC with respect to their call for amendment of section 12(1)(a) of the Income Tax Act and, if so, can he inform the House as to the nature of those consultations?

Mr. Benson: Mr. Speaker, there has been no consultation whatever. The matter has not been considered by my department in any way up to the present time.

Mr. Baldwin: That will be in the budget for November.

Mr. Benson: For next week. It's every Thursday.

Inquiries of the Ministry

THE CANADIAN ECONOMY

UNITED STATES IMPORT SURTAX—CHANNEL OF CANADIAN REPRESENTATIONS TO U.S. GOVERNMENT

Mr. R. N. Thompson (Red Deer): Mr. Speaker, I wish to direct a question to the Minister of Finance. In light of the recent statement by Senator Frank Church to the United States Congress, which was a rather accurate and useful outline of the heavy impact the American surcharge is having on the Canadian economy but is reported to have been made at the initiative of and—

Mr. Speaker: Order, please. The hon. member should ask his question.

Mr. Thompson: I am coming to it—from information provided by two Canadian journalists because it was not available from other Canadian sources, would the minister inform the House whether the government is limiting its representations to the American government to diplomatic channels, through the State Department, or is it dealing with such power centres as the President's office or such prestigious centres as the House and Senate Foreign Relations Committees?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, the government of Canada deals with the government of the United States, not with individual senators or congressmen. Our representations are made in that manner.

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POST OFFICE

STEPS TO IMPROVE SERVICE AND AVOID EXORBITANT COST FOR MAILING LETTERS

Hon. W. G. Dinsdale (Brandon-Souris): My question, Mr. Speaker, is for the Postmaster General. In light of the statement by a senior official of his department, as well as by the hon. member for Winnipeg South Centre, that within nine years Canadians will be paying 26 cents to mail a letter in Canada, continuing the upward spiral that began in 1968, will the minister indicate what steps he is taking to improve the service so this exorbitant cost will be avoided?

Mr. Speaker: Order, please. The hon. member must recognize that he is dealing with a situation that may happen in nine years time and so the question should perhaps be placed on the order paper. In any event, he is asking for a general statement and I would think that kind of statement normally ought to be made on motions. The hon. member might like to rephrase his question along those lines.

Mr. Dinsdale: Thank you, Mr. Speaker, for your admonition. I deliberately included the phrase, "the upward spiral that began in 1968." In view of the fact that the postal service is the basic communications system in Canada, would the minister indicate what steps he is taking to avoid this continuation of exorbitant costs?

Mr. Speaker: Order, please. The hon. member is simply repeating the question he asked in the first instance, and I told him that the question was not in order asked in those terms.

Mr. Dinsdale: On a point of order—

Mr. Speaker: The hon. Leader of the Opposition.

Mr. Dinsdale: On a point of order—

Mr. Speaker: The hon. member for Brandon-Souris rises on a question of privilege.

Mr. Dinsdale: On a point of order, Mr. Speaker, I thought I had rephrased the question in such a way as to make it a matter of urgency. Let me put it in these terms, Mr. Speaker. Is it the policy of the government to insist that the Post Office Department make a profit, and is the same policy applicable to the CBC.

Mr. Speaker: Order, please. The hon. member knows that the Chair indicated the question was not in order. The hon. member cannot rise on a point of order and ask a question which, in my view, is similar to the one that has been ruled out. If the hon. member thinks there is urgency, he has a right to come back at the time of adjournment. The hon. Leader of the Opposition.

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MANPOWER

REQUEST FOR STATEMENT ON OPERATION RETRIEVAL

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Minister of Manpower and Immigration about Operation Retrieval, a matter about which there was considerable concern a couple of years ago and about which complaints have been renewed. Would the minister make a statement at an early date indicating what improvements have been made with regard to this operation during the last couple of years since it has been under criticism, and what results are being attained in light of the criticism to which the program is presently being subjected? Could the minister make a statement at an early date?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I shall certainly look into the question of making a statement at an early date about the tremendous benefits to Canada of retrieving back to it some of our—

Mr. Speaker: Order, please. We are obviously getting into debate.

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• (2:50 p.m.)

EXTERNAL AFFAIRS

INQUIRY AS TO DISCUSSIONS WITH PREMIER KOSYGIN ON JOINING OF TWO CONTINENTS BY CAUSEWAY ACROSS BERING STRAIT

Mr. Raymond Rock (Lachine): Mr. Speaker, I have a question for the Secretary of State for External Affairs. Were there any talks with Premier Kosygin that would

eventually lead to the joining of our two continents by a causeway across Bering Strait in order that North America can join its railway and highway systems to those of the Soviet Union?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I think this is another of the questions that might be put on the order paper.

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HEALTH

SHORTAGE OF CANADIAN TRAINED MEDICAL DOCTORS AND PERSONNEL—REQUEST FOR STATEMENT ON GOVERNMENT PROPOSALS

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, my question is for the Minister of National Health and Welfare. On October 6, in reply to a question, the minister told the House that he had been in consultation with the Association of Medical Colleges and the Canadian Medical Association concerning the shortage of Canadian trained medical doctors and medical personnel. Is the minister prepared to make a statement to the House in the very near future outlining his proposals to combat the shortage of doctors and Canadian trained medical personnel?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, I think the hon. member is aware of the various measures we have already implemented to deal with this shortage. We have the health resources fund of $500 million which is being gradually used up over the years in conjunction with the provinces for the building of many new medical schools, some of which are now under way and some of which have been completed. We are also meeting with the various health associations in order to develop paramedical personnel who will relieve our medical manpower to a very great extent.

Mr. Rynard: Is the minister prepared to act on the suggestion of the Canadian Medical Association and build more Canadian medical schools for Canadian medical students?

Mr. Munro: Mr. Speaker, the health resources fund is there. It is being utilized to a very great extent by the provinces now in getting new medical schools under way. I expect that it will continue to be used by the provinces to expand this type of endeavour.

Mr. Rynard: A further supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. We have almost reached the end of the question period. There are only a few minutes left. I wonder if we might recognize two or three other hon. members before the end of the question period and limit supplementaries.

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INDIAN AFFAIRS

ALLEGED DISCRIMINATION BY CONSTRUCTION COMPANY IN NOT HIRING ESKIMOS

Mr. Randolph Harding (Kootenay West): Mr. Speaker, I have a question for the Minister of Indian Affairs and Northern Development. In view of the recent protest by a spokesman for the Eskimo people of Igloolik in the eastern Arctic that a construction company was showing discrimination in its hiring practices against the Eskimo people in the area, has his department investigated this complaint and, if so, with what results?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, we are now investigating. The Northwest Territories commissioner, some officials, and the member for the Northwest Territories are to meet with representatives of the company in Edmonton on Friday to discuss this matter, and we hope that all errors will be rectified by next week.

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[*English*]

CANADIAN NATIONAL RAILWAYS

POSSIBLE DOWNGRADING OF FREIGHT SERVICE BETWEEN STRATFORD AND SARNIA

Hon. J. W. Monteith (Perth-Wilmot): Mr. Speaker, on September 22 I directed a question to the Minister of Transport concerning the possible deterioration of service and possible lay-off of CNR employees in the Stratford-Sarnia area. He said at that time he would be glad to take notice of the question and get an answer for me at a later date. Four weeks have gone by, and I understand that the timetables are to be changed at the end of October. May I have an answer soon?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I apologize. I did in fact send a letter of reply to some of the affected employees in the region and I ought to have sent a copy directly to the hon. member. I will see that he gets it today.

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REGIONAL ECONOMIC EXPANSION

INQUIRY AS TO SIGNING OF AGREEMENT WITH NOVA SCOTIA—PROVISION OF CROWN CORPORATION TO OVERSEE PROGRAMS

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, my question is for the Minister of Regional Economic Expansion. The other day he undertook to reply to a question respecting the signing of an agreement with the province of Nova Scotia. I wonder whether, in replying to that question, he could undertake to say if it is now the policy of the government to create in Nova Scotia, particularly in the special areas, a Crown corporation or secretariat which would oversee the implementation of programs developed under DREE?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, we are discussing with the government of Nova Scotia all possible means of fostering economic growth in that province. We are also considering the possibility of establishing a Crown corporation. If, as will probably be the case, we come to an agreement

with the Nova Scotia government on this matter, it will be done. However, for the time being, it is far too early even to call this a plan.

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POST OFFICE

POSSIBILITY OF CONVERTING DEPARTMENT INTO CROWN CORPORATION—REQUEST FOR REPORT

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I have a question for the Postmaster General.

In a speech on June 2, 1971, the minister said that studies were under way on the conversion of the Post Office Department into a Crown corporation. Are the studies completed and can we expect an early statement?

Hon. Jean-Pierre Côté (Postmaster General): The studies are completed, Mr. Speaker, and the government has to make a decision on that matter.

[*English*]

Mr. Speaker: Order, please. We have just about reached the end of the question period but perhaps the hon. member for Hamilton West might be allowed to ask a question.

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THE CANADIAN ECONOMY

GOVERNMENT PROGRAM TO PROVIDE JOBS—EMPLOYMENT AND UNEMPLOYMENT TARGETS FOR BALANCE OF 1971 AND 1972

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I would like to direct my question to the Prime Minister. Since we now have the $1 billion employment support program and since he must approach the provinces soon with respect to targets regarding employment, can the Prime Minister now give some indication as to the projections or targets he has as a result of this program recently brought to light?

Right Hon. P. E. Trudeau (Prime Minister): Is there time?

Mr. Alexander: Mr. Speaker, perhaps I could repeat the question directed to the Prime Minister of Canada.

Mr. Trudeau: Is there time, Mr. Speaker?

Mr. Alexander: In view of the fact that the government has recently brought down its $1 billion employment support program and in view of the fact that the Prime Minister will be meeting with the provinces soon to discuss this matter, and as it is necessary to have some projections or targets regarding employment and unemployment for the balance of the year and for 1972, could the Prime Minister now indicate whether he has any projections in mind in this regard?

Mr. Trudeau: Mr. Speaker, I might say that it is a little late to ask me questions if the hon. member wants a very elaborate answer. I think the answer has been given by the Minister of Finance who, in answers to questions, has said that we want to have the lowest possible unemployment.

[Mr. Marchand (Langelier).]

Mr. Baldwin: Does the Prime Minister still believe the Minister of Finance?

Mr. Alexander: Mr. Speaker, the Minister of Labour has stated that, at best, governments have averaged about a 4.8 per cent level of unemployment. Are the government's policies now aimed at achieving at least that lower level of unemployment and, if so, is the government aiming for this target in 1972?

Mr. Trudeau: Mr. Speaker, I really cannot give a figure. I have heard a member of the NDP in this House mention a figure of 4.5 per cent and I have heard some Conservatives mention that figure too. We are aiming for a really low figure.

Mr. Nielsen: Well, I must say that is different.

Mr. Speaker: Order, please. We have gone beyond the end of the question period. I note there are some hon. members who did not have an opportunity to ask their questions. I feel particularly guilty about the hon. member for Kootenay West who was anxious to ask a supplementary. Perhaps he will be given priority tomorrow to pursue the matter which he initiated today. Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, October 19, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

The Deputy Chairman: Order, please.

Mr. Mazankowski: Prior to the adjournment hour last night, I was making reference to the impact which the measures outlined in Bill C-259 will have on the agricultural community and the benefits for the associated business community directly related to the industry of agriculture. I was referring specifically to the effect of the capital gains tax, the elimination of the straight line depreciation on farm machinery and the corresponding impact that it will have on the future sale of farm implements, which will, directly and indirectly, affect the rural business community. There are other individuals who feel likewise.

I wish to quote from a letter I received from a tax consultant in the town of Lloydminster, Saskatchewan. He acts as an income tax consultant and accountant for over 800 taxpayers, mainly farmers, small incorporated businesses and small corporations. I quote from the letter dated June 28, 1971:

> While it is early to assess the many, many ramifications etc., of the tax changes it does seem to us that another blow has been struck at agriculture and small business.

While the capital gains tax implications are of course obvious little has been said that a much greater tax disadvantage for the farm community will be effected by the changing over of farm depreciation from Part XVII straight line to Part XI diminishing balance. Indeed, we have found here over the years that the greater part of capital accretion by the farm community has been from capital gains, tax free, on sales and trades of farm equipment rather than the retention of earnings for capital purposes. This is despite the fact that often great self denial is required by the farm community, particularly the young, to get ahead and acquire the large amounts of capital necessary to operate economically.

It is strange too that small incorporated business is to face a tax increase while large public companies are going to enjoy a gradual reduction. As to big business many of the benefits, depletion, tax incentives through depreciation etc., are going to remain. Oil, mining, banking, finance and insurance groups are to be little affected.

I do not think there is any doubt that the majority of the small businesses are found in the western part of Canada. Of course, if an area still relies on much needed capital in order to develop and expand, the future expansion of small business is going to be drastically hindered as a result of the measures proposed. The over-all impact will put the farmer or small businessman, who is directly and solely dependent upon the agricultural industry, in a very tight squeeze.

Last night I referred to the hardships that will be imposed as a result of the treatment of co-operatives. In all sincerity, I do not believe that the matter of co-operatives has been given enough sympathy by the Minister of Finance and his advisers who are piloting this legislation through the House. This morning a number of the members of the party to which I have the honour to belong met with officers of the Alberta Wheat Pool. They reiterated the reservations they have with regard to Bill C-259, reservations which strike at the very heart and spirit of the co-operative movement. They told us that if the measures which appear in Bill C-259 are implemented, it will mean an increase in taxation by about 700 per cent. If this is so, the funds can only be acquired through additional revenues. A direct additional cost will have to be imposed on the farmer on the delivery of his grain.

With your permission, Mr. Chairman, I wish to read a portion of the brief submitted to our caucus this morning with regard to Bill C-259. I quote:

Co-operatives in Canada, despite being simply a form of business enterprise, have been singled out since 1948 for certain provisions for income tax purposes, which are both good and bad. The worst feature is being made worse by Bill C-259.

The existing Tax Act makes provision for the deduction from income of patronage dividends and Bill C-259 does likewise. This is a commendable provision which recognizes that earnings can be distributed according to patronage as well as a return on capital.

It turns out that to co-operatives, in which the users are also the owners, this is a desirable situation and in cases such as ours—entirely equity financed, it is highly desirable and essential for the continuanace of such a form of business enterprise.

Unfortunately, there is a limitation to the provision for deductibility. In the existing Tax Act this is found in Section 75(3):—

This formula, in the manner in which it has been applied, has not worked to any appreciable disadvantage to our Association in the past. The provision, which we believe wrong in principle, has not only been retained in Bill C-259, but it has been cleverly rearranged in such a manner as to make it, to some extent, an effective tax on capital rather than on earnings. The 3 per cent figure has been changed to 5 per cent and the deduction of interest on other than bank loans has been changed to interest only on borrowing from members.

Reference is made to a recent proposal offering amendments to the present bill contained in *Votes and Proceedings* No. 189. The observation of the officials of the wheat pool in this instance is that they will have very little effect on their operations. These amendments may help some of the smaller co-operatives, but they will have little effect on the operations in which such co-operatives are involved. I see that Your Honour is giving me the eye to indicate that my time has expired. I would like to complete the brief, Mr. Chairman, but I realize that requires the unanimous consent of the House.

The Deputy Chairman: Order, please. It does require the unanimous consent of the House. Does the House agree to allowing the hon. member to complete his remarks?

Some hon. Members: Agreed.

Mr. Mazankowski: I thank hon. members for their co-operation. I want to put this submission on the record because it is very important to the western grain economy and to co-operative movements which provide a service but are not necessarily in competition with private enterprise. I quote:

The only occasion a co-operative such as ours could use this provision—

Here they are referring to the amendment that is proposed.

—advantageously would occur when its earnings were relatively low and this would be a level too low to effectively service our capital. The ultimate result therefore, of these provisions would be to effectively institute a minimum tax on co-operative earnings which amounts to a tax on capital rather than on earnings. This is a discriminatory provision against a taxpayer wishing to distribute earnings based on patronage rather than on capital, which would effectively destroy this form of business enterprise.

Under Bill C-259 and the amendments proposed therein, it will be imperative to distribute some tax paid money to service our capital structure. In this regard, there is no provision to allow for any tax credits to a member-shareholder comparable to that for a recipient of dividends from a corporation. Rather than request such a provision, we feel it would be much simpler and more correct in principle, to delete the limitation imposed by the capital-employed formula.

No other western country imposes, so far as we are aware, such a penalty on the co-operative method of doing business.

• (3:10 p.m.)

I do not believe that in this day and age, having developed hand in hand with the co-operative movement, we should be instituting tax measures which would destroy the whole principle upon which co-operatives are founded. The proposal put forward in the bill strikes at the very principles of the movement and I appeal to the minister to take these submissions into consideration with a view to ensuring co-operators of the degree of equity which has been spoken of in so many of the documents put forward by the government in support of its tax proposals. If organizations such as the Alberta Wheat Pool, whose success or failure depends largely on the agricultural community, fail to survive, it will only mean a much greater cost in the distribution and handling of grain, an increase which will directly affect farmers. We know the government has proposed a policy by which it intends to reduce

the amount of grain held in storage. This would only aggravate the situation, because the producers themselves will have to provide additional storage facilities at an extra cost to them.

With these words I urge the parliamentary secretary, who I know has some sympathy with the Alberta Wheat Pool and other pool operations, to take cognizance of the submissions which have been made in the hope that more equitable treatment may be given to these organizations.

Mr. Howard (Skeena): Mr. Chairman, it is difficult to look at the totality of the tax bill before us without at the same time examining the budgetary revisions which were announced by the Minister of Finance the other evening in the light of what they mean both to the economy and to the taxation structure. The discussion upon which we are now engaged provides us with an opportunity to look backward a little and see what has occurred in the last number of years. I do not normally look back, re-read the record and quote from speeches I have made in the House in the past. I would not do so today, except to indicate that at this point in time we find ourselves in almost the same position economically as the position in which we found ourselves when I first had the privilege of taking my seat in this chamber.

In 1957, in the session which followed the election of that year which resulted in a change of government insofar as party labels were concerned, I indicated during the debate on the Speech from the Throne that I considered unemployment to be the most important question confronting Canada. That situation has continued with very little change for the last 14 years; it has not ceased to preoccupy me during my involvement in the affairs of this chamber. I do not particularly enjoy alluding to statistics because one tends to look at them as if they were theoretical items, not as representing human beings. None the less, statistics afford a quick and easy way of identifying a particular problem. The government examines such matters as unemployment on the basis of statistical analyses, altering and adjusting the basis upon which they are prepared from time to time. The following figures were given to the House by the Minister of Labour and I take them as being accurate and well researched. In the period from 1958 to 1962 the rate of unemployment was in excess of 6 per cent. In the period between 1962 and 1970 it was 4.8 per cent. In the final year or two of this period the figures showed a steady increase. At the moment, unemployment is running at about 6.4 per cent. The figures for this decade so far have been consistently above, or, rather, above the average of, the unemployment rate in the years between 1958 and 1962.

Over this length of time, in this 14 years, two political parties, one Liberal and the other Tory, have been in power. We have had three Prime Ministers, including the present one. Yet despite the change in prime ministers, the change of personalities in office, the change in ministers of finance, the change in government as far as political labels are concerned, the story has been the same during all that period, namely, that there is something badly wrong with the economy. In a land of great wealth, of great potential, of great natural resources and great human resources, we have witnessed the succession year after year of a level of unemployment in excess of 6 per cent during a large part of those 14 years. We have seen the level of unemployment high during the summer months when it was supposed to decline, taking into account the climatic situation in Canada.

In these circumstances I believe we are entitled to ask ourselves: Why is this so? The Canadian people should be asking themselves this question. Despite changes in government, changes in individual ministers, why does the same common thread of sickness prevail throughout the economy? I believe the answer is a simple one, and it indicates the direction in which government is oriented as far as economic philosophy and economic understanding is concerned. It indicates there is not one iota of difference between the Progressive Conservative party and the Liberal party. In this respect they are identical.

Mr. Woolliams: In Alberta they were saying there was no difference between the Liberals and the NDP.

Mr. Howard (Skeena): Unofficially, none of them will disagree with that statement. They may quibble and disagree about small, insignificant points but when it comes to their basic, underlying attitude toward the economic system both the Liberals and the Conservatives are married, gleefully and happily, to the idea of this system; it is this preconception which has brought about the unemployment levels which exist today and which have existed every year for at least 14 years. Both the Liberals and the Conservatives believe their purpose in life, as they get to office, is to serve the economic system rather than serve the interests of the people. They say that their purpose in office is to create an atmosphere within which private enterprise and the capitalist system feel comfortable. They say that by doing that the benefits that flow from that system will come to the people, and that the people will thereby benefit.

• (3:20 p.m.)

I submit that that is the difficulty. It is not whether one party is in government and the other not, or that one is more incompetent than the other—I think they are equal in that regard. It is simply a question of the attitude they have as to what should be the prime force in the nation, and what should be the orientation of government toward the people and the economy.

Some years ago when Walter Harris was Minister of Finance and National Housing Act interest rates were pegged somewhere in the neighbourhood of 5 per cent or 5.25 per cent, I am not exactly sure which at the moment. At that time, Mr. Harris stood up in this House and said—this was before I was a member of the House but I subscribed to *Hansard* at that time and recall reading this—that it was the intention of the government to increase interest rates applicable on CMHC loans in order to attract into the homebuilding market more money from insurance, trust, mortgage and loan companies. This policy has successively been followed by every Minister of Finance since Mr. Harris, and interest rates have been increased, not for the purpose of providing housing for individuals and families in the nation but to make it more lucrative for money lenders, loan sharks and interest hounds to invest their money. In consequence, we have had a doubling of interest rates over this 16-year period since that time.

The purpose of increasing interest rates was not to serve the interests of the people, or to build better quality homes or lower cost homes; the purpose of government policy was to make it more profitable for the insurance and trust companies and those with money in their pockets to lend their money, since they refused to lend it unless the interest rate was increased.

Let me give a further indication that the orientation of government policy has not been directed toward helping farmers or workers but rather primarily toward assisting industry. When the Liberal government was in office not many years ago it imposed a special 5 per cent tax on industry. This was supposed to dampen pressures created by capital and construction projects undertaken by industry, to cool down that section of our economy. The 5 per cent tax that was levied on industry came into the coffers of the treasury and subsequently was repaid.

At the same time the Liberal government imposed another 3 per cent tax on industry and on workers up to a maximum amount, which meant that the heavy burden of this tax fell on the wage earners, farmers and so on, of this nation to enable the government to pay back industry. That, Mr. Chairman, was the political orientation of a party under the capitalist structure, including those who run industry, who obviously also run government.

Mr. Nielsen: Pretty sneaky.

Mr. Howard (Skeena): It was not sneaky at all; that is the way they do things. That is standard practice. There was not anything sneaky about it; this was done right out in the open. They told us that they were going to do it and we blithely went along with it. By "we" I mean the general public and the country at large, who probably did not give it that much attention.

What the Minister of Finance did the other night was another example of adjusting tax rates, not to assist the farmers or workers of the nation or to increase the purchasing power in the hands of the six or seven million people in the work force, but rather to assist industry. Otherwise, why is it that the farmers, workers and fishermen end up with a 3 per cent reduction in tax and industry ends up with a 7 per cent reduction? Is one twice as important as the other? Let us examine what this tax reduction means to a single man earning $8,000 a year. According to the tax tables, with the reduction in tax announced the other night by the finance minister, this individual will save the grand total sum of $19.26 over the whole year. Actually, he will save only half that sum this year because the new reduction applies only to the last half of the year.

I am glad at least one cabinet minister is paying attention to my remarks, the Minister of Indian Affairs and Northern Development, and he had better do so because most of the people under the jurisdiction of his department, namely the Indians, do not come this high in terms of income level and therefore will not be affected by the new tax reduction. They will remain at the bottom of the income ladder, at the same level of poverty. I hope that something will take place within the minister's department to elevate the income levels of the Indian people so that they will find some benefit from these tax reductions.

Now take the case of a married person with two children and an income of $8,000. He will save a grand total sum, next year not this year, of $13.44. Is that not a fantastic and generous gift on the part of "Santa Claus Benson"? Let me also examine the taxation statistics for the last year for which they are available, the 1971 edition which was released a few days ago. It is of interest to note that all employees classified here—and there are 6,312,000 of them—had an average annual income in 1969 of $6,047, and this income has not been increased much since then. A married person with two dependants, with an income of $6,000 a year would get a tax reduction, not this year but next year, of exactly $4.32. Such generosity, I know, is hard to accept.

Let us take the case of a farmer with an average annual income during that year of $5,106, or a fisherman with an income of $5,048. A farmer with two children, or for that matter a fisherman with two children, will benefit under this great and generous Liberal government to the extent of $4.32 next year. If they have a similar income this year, then they will benefit by only $2.16 since the tax reduction is effective for only the last half of this year.

• (3:30 p.m.)

By contrast let me show how one industry, in particular, using the corporation law of the nation, using loopholes in laws passed by successive governments of this country, is able to cheat the Canadian taxpayer and industry itself of $2,300,000 within the next two-year period. A decision is to be made on October 25, just a few days from now, when Atlantic Sugar Refineries Company Limited proposes to sell its business and assets—it does not propose to sell the company as such but just the business and assets—to a wholly owned subsidiary called Acadia Pulp and Paper Limited. Atlantic Sugar already owns Acadia Pulp and Paper Limited; it is the parent company and it proposes to sell its business and assets to that wholly owned subsidiary. It might be said that this is a normal corporate transaction, that it is done every day. I do not know how they propose to do it, probably by an exchange of shares or something of that sort.

The president of Atlantic Sugar, Mr. W. J. R. Paton, a gentleman who just the other day suggested we continue selling out this nation to the United States, made a speech in which he said:

—the proposed transaction—

That is, selling the business and assets of Atlantic Sugar to Acadia Pulp and Paper.

—is to increase the after-tax earnings of the company and its subsidiaries, considered as a unit.

Do you know what is happening? Atlantic Sugar Refineries Company Limited is making a profit and Acadia Pulp and Paper Limited is losing money but the same man owns both. As matters stand now, he cannot charge the losses of Acadia Pulp and Paper Limited against the income of Atlantic Sugar. He has to pay taxes on the income of Atlantic Sugar. However, if he sells the assets and business to Acadia Pulp and Paper he will be able to charge the losses of the pulp and paper company against the profits of the sugar operation as one unit. That way he will end up cheating you, Mr. Chairman, and me and

every other Canadian citizen out of $2,300,000, the tax which Atlantic Sugar would otherwise have to pay.

This great, friendly Liberal government seems to say this is perfectly all right. While Atlantic Sugar Refineries Company Limited saves itself, and denies a tax revenue of $2,300,000 to the federal treasury over the next few years, Santa Claus Benson says to some of its employees, "We are going to give you a benefit of $4.32 in tax refund next year, if you are married with two children and earn $8,000 a year."

Mr. Knowles (Winnipeg North Centre): Ho, ho, ho!

Mr. Howard (Skeena): I am sorry, I misread one line—if you are married with two children and earn $5,000 a year. When there is $8,000 in income he says the saving will be $13.44. But next year Atlantic Sugar Refineries Company Limited, that great Canadian group that wants to sell the rest of us out to the United States, will save $2,300,000 by the simple process of share transfers and stock transfer arrangements. Is that fair, Mr. Chairman? Do you consider that it is equitable, that it is decent? This is robbery, thievery from the treasury and I do not mind saying this outside the House, too. If those friends of Atlantic Sugar over there who are looking askance at me—

Mr. Mahoney: A point of order, Mr. Chairman.

The Deputy Chairman: The hon. parliamentary secretary rises on a point of order.

Mr. Mahoney: I wonder if the hon. member would identify the source of the tax tables he is using. Certainly, they seem to be monthly figures rather than annual figures in terms of the reduction of tax.

Mr. Howard (Skeena): The parliamentary secretary had some glowing statements to make about the state of the economy a little while ago and he was in error then. When he gets the opportunity, perhaps he would like to tell the country what the tax tables are likely to be.

Mr. Mahoney: A further point of order.

The Deputy Chairman: The hon. parliamentary secretary on a point of order.

Mr. Mahoney: Mr. Chairman, do I take it that the hon. member admits they are so unauthentic that he cannot identify them or that he does not care to do so?

Mr. Howard (Skeena): No, the hon. gentleman need not take that at all. I simply said to him that in making statements about how well this government is handling the unemployment situation in this nation he has been wrong. He is not adverse to standing up, so perhaps he would like to take the opportunity of saying what the tax structure is likely to be. If these are erroneous computations which I am using I am afraid I have no other source than Canadian Press which says they were confirmed on Monday by the Finance Department. The department says that at this stage it does not intend to release sample tax levies as it usually does. So these figures are what Canadian Press says it gleaned from the tax department.

The Deputy Chairman: Order, please. The Chair is being as lenient as possible because of the point of order, but the time of the hon. member expired a couple of minutes ago. Unless he gets unanimous consent, he will not be allowed to pursue and expand his remarks. The hon. member for Calgary North.

Mr. Woolliams: Mr. Chairman, in following the speech made by the hon. member who was one of the aspiring leaders of the New Democratic Party, I could not help but believe that speech was made today solely for the purpose of trying to win a few more votes in the province of Ontario.

There is one answer I should like to make to that kind of speech. When the hon. member talks about the amalgamation of assets of the sugar company and the pulp and paper company which are owned by the same people, this type of fiction must be exploded. I am sure the New Democratic Party would be the first to protest if the company that is losing money closed its doors and threw another thousand men and women out of work. So if management can operate with an initiative—

Mr. Howard (Skeena): Are you a shareholder?

Mr. Woolliams: No, I am not a shareholder nor am I a member of the union. Now, you fellows listen for a few moments because I want to make this point.

Mr. Howard (Skeena): I don't mind listening so long as it is the truth.

Mr. Woolliams: The primary purpose and objective of this initiative which brings companies together seems to me to be to keep men and women employed. You cannot have it both ways. The NDP says it is terrible when a business which cannot make money unites with another one which can. But by doing that about a thousand people may retain their employment and that is the purpose of the free enterprise system. In Saskatchewan, the old CCF party did that. The former treasurer, who graduated with me, seemed to be pretty enterprising and he left the province with several million dollars. This is all beautiful talk for the hustings, to excite people about big corporations uniting and stealing from the treasury. If corporations can organize their business to maintain a high degree of employment in this country, I am all for it.

Some hon. Members: Hear, hear!

Mr. Woolliams: Although we in this party disassociate ourselves from the NDP, we believe that taxes should have been cut. I suppose it would take an expert to say how far you can go in cutting personal income and corporate taxes. However, corporate taxes were not cut to give the corporations more profit but in order to create more employment, and to enable corporations to compete in the United States market, thus enabling us to keep that market, particularly at a time when we have this surcharge and trouble with the exchange.

This Fabian philosophy is trotted out every time there is an election. Unemployment is always the fault of the other party according to the Socialist movement, whether in Canada or Europe. During the last depression in Britain, Ramsay McDonald was the Labour leader and if my figures are correct six million people were unemployed. We saw the failure there. We also saw the failure of Harold

Wilson and what happened to the United Kingdom under his regime.

• (3:40 p.m.)

I suggest—and I say this not without tongue-in-cheek—that it would be less than sanity for the heart of the industrial belt of this country to go NDP because then we would have more trouble so far as the economy of this country is concerned. Even now Saskatchewan investors are going to Alberta because they do not feel secure in that province, just as they did not feel secure under the other experiment. That is what determines whether there will be unemployment. The important factor is confidence. If there is not confidence there cannot be full employment. The reason I asked my question today was the headline which deals with the economy. Our distinguished guest, Mr. Kosygin, criticized United States policy and said it was killing jobs in Canada. There is nothing wrong with this headline, but I say it is not good for our negotiations with the United States. In order to get the surtax removed and get a better deal from the United States in so far as our trade relations with the purchasers of our commodities are concerned—and we are also their best purchasers—I would have hoped we could continue negotiations at a high level.

If Mr. Kosygin or the leader of any other nation comes into Canada and starts interfering with our negotiations with the United States, then we can only have more difficulty with the United States and more unemployment in Canada because such things just do not help our negotiations with our neighbour. I know one has to negotiate from strength. But I cannot believe that such statements would add strength to our negotiations. I would have thought the Prime Minister would have indicated that, although he appreciated the visit of a distinguished guest, he did not appreciate the premier of another sovereign state coming to Canada and interfering with our external relations with another nation. That is why I asked the question. If that question is frivolous, then the person who is frivolous is the Secretary of State for External Affairs because so long as we cannot negotiate with the United States we will have further unemployment and further economic problems. We may even have another budget if this government lasts.

Having said that, I want to make a few other comments. My good friend to the left always asks me if I am a shareholder. I understand that the corporations of Canada are owned by Canadians. I hope they are and if they are not I hope we can get greater Canadian participation. I have the right to go into the market and buy stocks. My friend receives the same salary I do and he can do the same thing. I want to deal with the subject with which I was dealing the last day on which I participated in the debate, the resource industries. I wish to place on the record some recommendations made by the Independent Petroleum Association of Canada. I want to do so because, as I said on the last occasion I spoke on this subject, not only does our resource industry provide employment to thousands of Canadians but there is also a reflection in the tertiary industries, particularly in the province of Ontario where the petroleum industry spends $4 million or $5 million on equipment. This is important to the economy of the whole country. Therefore, it is very important we make certain that our resource industries have an equal competitive position with the resource industries of other nations. That is why I wish for a few moments to discuss the question of depletion which is so important to the oil, gas and mining industries.

The Independent Petroleum Association of Canada continues to feel that the abandonment of the depletion concept, as it is generally understood in the world-wide oil industry, and its replacement with the concept of earned depletion will not attract the necessary capital to the Canadian petroleum industry. The Independent Petroleum Association believes that taxpayers with oil and gas income should be entitled to gross depletion similar to the situation in the United States. If the government is unalterably opposed to the gross depletion concept, then, the association states it is their belief that earned depletion must be made more meaningful than in the proposals in the tax reform legislation. It must be made more meaningful in two ways; more meaningful to the industry through assistance and encouragement and more meaningful to the industry through obtaining information so that they know what is really meant by the term "earned depletion".

The Independent Petroleum Association states:

> In this connection, our Association recommends that all 'Canadian exploration and development expenses' as defined in Section 66 (15) (b) of Bill C-259 should be included in determining the earned depletion base. To avoid any abuse in the sale of properties between companies it is suggested that the income from such sales should be credited to 'Canadian exploration and development expenses' and thus the total earned depletion base is unchanged. We also recommend that tangible equipment such as wellhead equipment and tubular goods for productive wells, battery equipment, processing plant costs and other equipment necessary to recover hydrocarbons be included in the earned depletion base.

It is interesting in passing to point out that most of the well equipment, battery equipment, processing and plant equipment is manufactured in eastern Canada. So we should keep a healthy base and give a proper depletion allowance to these companies so that they can build up a reserve and, in that way, carry on further exploration and development work because this will benefit the industrial base of Canada.

The submission of the association continues:

> Certainly the risks of the oil and gas business are of sufficient magnitude to warrant similar treatment in respect to depletion as that afforded the mining industry.
>
> It is illogical that depletion on future production income from producing properties at January 1, 1972 should have to be earned without recognition of the expenditures made in the exploration for and development of such properties prior to November 7, 1969. We recommend that the effective date for eligible expenditures be retroactive to January 1, 1949, after reduction for the amount of any depletion allowed since that date.

That is something for which the industry has been waiting for a long time, even before the amendments in the bill and even during the time we formed the government. The association has something to say about Canadian ownership. They say:

> Our Association is deeply concerned that Canadian individuals and corporations have sufficient incentive to make direct investments in the oil and gas business and, more particularly, that in Canada they be placed on an equal footing taxwise with foreign citizens and corporations in making such investments. Independent Petroleum Association of Canada is gratified that the principle

of permitting 'non-qualifying' corporations and individuals to write-off expenditures in the oil and gas business against their ordinary income has been recognized in the tax legislation—

That is one thing they go along with.

—but we strongly urge your government to reconsider the limited write-offs, namely 20 per cent declining balance per annum, which are provided in the legislation and to allow Canadian individuals and corporations to write-off such expenditures immediately against income. We continue to believe that the inordinate risks of the oil and gas exploration business require immediate write-offs to attract the very large amount of capital required in the years to come. We do believe Canadian investment should be encouraged, and we are concerned that such investments will not be attractive to Canadians unless such write-offs are provided.

In the oil and gas industry, or in any of these industries, large pools of risk capital are required. To encourage people, to motivate them to put money in those resource industries, you have to make the investment attractive by allowing a fairly high return, because without a high return investors will not take a chance in a big risk venture. Otherwise, they would be better advised to buy bonds at 8 per cent or 9 per cent. That is why it is said that Canadians have the biggest savings accounts pro rata of any nation in the world. It may be that we should have legislation of the kind which would encourage people to take a risk, and when they take that risk they should get a return commensurate with it. That is the most important part. When we are competing, particularly with the United States because we live beside them, our depletion laws should be on all fours with those of the U.S. so that our corporations, in their development and exploration, are on an equal footing. My friend to the left of me will find that if we have an equal opportunity we will be able to have an equally low rate of unemployment.

• (3:50 p.m.)

The rate of unemployment in the U.S. is lower than in Canada and we will only achieve equality, at least with the U.S., with all the resources we have, by this method. In fact, we should be doing better. We should not have a 7 per cent unemployment rate when they have 5 per cent unemployment, in a country with resources that have not been touched. We are only going to achieve that if we encourage the investment of risk capital and if we have laws that are at least competitive with those of our competitors. Exploration is rather like the automobile business, although that business does not involve high risk. Those corporations that are exploring for gas and oil in Canada are also doing so in other areas, even in communist nations. When I was in Yugoslavia this summer I found American companies doing business there. How did this come about? The state makes a contract with, say, Shell Oil or Standard New Jersey under which the state puts up 50 per cent of the money and the company puts up 50 per cent. They have guarantees over a period of time which give those countries full employment. If the communists can do it, surely we can do it here in Canada.

This brings me to the matter of Canadian ownership. We will only achieve ownership of our resources or of any other industry when we create a tax climate which encourages risk capital and encourages Canadians to put their money into their own corporations. This brings me to the next point. I want to deal with stock options. We hear from the NDP suggestions that taxes for the little man should be lowered and taxes for corporations should be increased. I repeat that they are overlooking the fact that it is the corporations which hire these people. They pay them the wages that the unions demand and they meet union demands in negotiations. The idea is to give employment. I am sure that my friends must be against full employment in Canada, unless they thrive on adversity so that they can win polls.

An hon. Member: That is closer to the truth.

Mr. Woolliams: It is said that an effective method of increasing Canadian ownership is to encourage the formation and growth of Canadian companies. In the oil and gas industry, highly motivated technical personnel are an essential ingredient for success. The parliamentary secretary will appreciate the fact that when we developed our industries in western Canada, particularly in Alberta, it was not capital that came first but rather people from the U.S. with know-how who came to assist us with their knowledge and experience. They came from the U.S. and other places and assisted us in the development and exploration, which led to great success, particularly in Alberta where we had the findings of natural gas and crude petroleum in great quantities in the early 1940's. In order to encourage such personnel, in order to stop the brain drain and to give employment to those people who are unemployed today, it has been necessary to have some stock options. My good friends to the left will say that I am making a speech for the corporations. I am not making a speech for the corporations, I am making a speech for the people of Canada.

I know that when our corporations are healthy, when they show a profit, when they are developing, expanding and trading, we have fuller employment and we can give better working conditions and better wages to the workers. The unions then can negotiate with the corporations and obtain a higher standard of living by getting more income and better fringe benefits for their members. Surely that is the attitude we should take, unless my friends to the left want to adopt the other extreme position and say that we should abolish all free enterprise and let the state own everything. Then, one has to ask oneself how many strikes would be permitted. The right hon. member for Prince Albert once said in a debate some years ago that there were 93 strikes in Crown corporations in Saskatchewan and that 53 of them were settled by compulsory arbitration. When the state takes over completely, that is what happens to labour.

I see my time is just about up and I will complete my remarks in one sentence. When personnel are given stock options, with proper regulations, to encourage the expansion and development of corporations, there will be fuller employment.

Mr. Flemming: Mr. Chairman, one would assume from looking at Bill C-259, which is about three inches thick and contains about 700 pages, that it would furnish any speaker with sufficient ammunition for making a speech without any difficulty. However, I find I do have difficulty and the reason is that this bill is so ponderous and so complex that I submit an ordinary member who has some other interests to think of cannot possibly digest properly what is in it. As a consequence, he is working at a disad-

vantage in talking about it item by item. I think, however, I will acknowledge that this is a most important bill. Presumably it is the condensation of all the measures relative to income tax that have been in existence since about 1917.

I believe that the hon. members opposite find just as much trouble in speaking on this bill as I do, because none of them have been speaking. No speeches have been made from that side in connection with the bill. The minister rises and says a few words, and from then on it is the opposition that carries on the debate. I believe the hon. member for Calgary South is the only member who has spoken.

An hon. Member: There were four yesterday.

Mr. Deachman: Mr. Chairman, I wish to rise on a point of order. I am sure the hon. gentleman would not want to leave on the record a statement that there have been no speeches from this side when the record clearly shows that there were. I am sure that is not the way in which he would wish to deal with the House. In all fairness he would want to correct that, I am sure.

Mr. Woolliams: There were so few that I would not mention them.

Mr. Flemming: The hon. gentleman is probably right. I would not want to deliberately misrepresent the situation, but I did not happen to hear them. If they made them apparently they were not important enough to cause anyone on our side to be sufficiently impressed to talk about them. It seems they may have spoken but they said very little of any consequence.

Some hon. Members: Hear, hear!

Mr. Mahoney: It just means that you do not listen.

Mr. Flemming: I cannot answer both the Postmaster General and the hon. member for Calgary South at the same time. Good speeches have been made by members on this side of the House, and they have put forward constructive suggestions, but apparently very few cabinet ministers are interested in them. Generally speaking, there are very few ministers here to listen. Remember, Mr. Chairman, this is a bill which affects the livelihood, welfare and well-being of all Canadians, yet cabinet ministers do not think it important enough to sit and listen to the debate. I will make an exception of the Postmaster General who usually is here.

• (4:00 p.m.)

Unless the parliamentary secretary from Calgary South is making more notes than I think he is, the constructive suggestions made by hon. members on this side are falling on deaf ears and empty benches. That is not good enough. On something as important as a 700 page bill, involving the well-being of practically all Canadians of adult age, surely we are entitled to have cabinet ministers listen to our representations. With the exception of a handful of faithful supporters, very few government members are here to listen to what we have to say. I repeat, that is not good enough.

The interpretation to be drawn from this is that everything in the bill is cut and dried, and will be passed, with the exception of a few minor amendments which the Minister of Finance has described as being largely technical in character. So I submit that the changes could have been made, and should have been made, by amendment to existing legislation rather than through this unwieldy document. The changes could have been shown at every page as they were made, and as we went along we could see what was in the original act as well as the proposed changes. In that way, we would be able to compare them. It seems to me this would be the intelligent way to go about making changes in the Income Tax Act.

We Conservatives believe in retaining what is good of the old. We discard what has outlived its usefulness, but we retain what is good. I think hon. members opposite should learn that lesson from the philosophy of the Conservatives. They should consider deleting as required, and then adding on what they think is in the public interest. But because they have not done this, I believe they deserve criticism.

In simple language, the meaning of the word "conservative" is a person who is disposed to maintain existing institutions and views. I submit there is no need for a 700 page bill with all its difficulties and complexities. All that was required was a condensation of the old act, which has been in existence since 1917, with the appropriate deletions and additions. I am not the only one who feels this way. The Canadian Pulp and Paper Association, in a brief submitted in September, 1971, had this to say:

> We urge that, during the stage leading to adoption of the bill by Parliament, careful consideration be given to further suggestions that will be forthcoming from the public.
>
> In this connection, the time available for study of the bill before passage and implementation for January 1, 1972, is extremely short. The bill is a most complex one, with new concepts and definitions. It will take many months for tax specialists to be able to understand its full impact and determine all the ramifications of the many new proposals. It is difficult to see how members of Parliament, with their many other responsibilities, will be able to understand fully the effects of the proposed reforms in the few weeks that will be available for study of the bill.

So, Mr. Chairman, I submit that the government is wrong in the way it has gone about this. It would be much more to the advantage of all of us, and of the Canadian people in general, had it gone about the matter of changes by way of amendments.

But since we started to discuss the bill, a special announcement was made by the Minister of Finance last Thursday. I think some of the things he announced then should have been announced quite a while ago. He was urged to make those changes, but I am prepared to concede that it is better late than never. His announcement has been referred to as a budget. In it he outlined tax reductions and other changes in the fiscal policies of the government. He started out by saying:

> In terms of production, employment and prices, the Canadian economy is on . . . course . . .

That reminds me of what used to be said about the man who underwent surgery—the operation was a success but the patient died. The minister says that everything is on course. Mr. Chairman, everything is on a very bad course, a very serious course. The minister reports that unemployment has increased. That is a matter of real concern to every member here. It certainly is a matter of real

concern to me. Nobody wants to see a lot of unemployment in Canada.

Then, on page 2 of his speech we find reference to what he was going to do about the situation. I am not going to review his decisions item by item. Hon. members are familiar with them to quite an extent, but I do believe that the conclusion he reached, that he will have a $1 billion deficit, is something which deserves serious thought by all members. Generally speaking, this will mean an inflationary situation. I am not going to criticize the need for a deficit at this time, with the unemployment figures the way they are, but I maintain that the government deserves to be censored because it ran deficits in the public accounts when times were good and the economy was bouyant. When times were good and the economy was bouyant the government should have been restricting its expenditures, and living within its budget, preparatory to the situation that has developed now. When times are hard I think that deficit financing is quite justified, but I object to it during good times. The government is guilty of gross mismanagement of the fiscal situation. My friend from Calgary South will have to take his share of the blame.

• (4:10 p.m.)

Mr. Mahoney: This is the first time we have been accused of having had good times.

Mr. Flemming: When was that said?

Mr. Mahoney: Just now.

Mr. Flemming: Our present inflation is the result of poor budgeting over a period when the economy was buoyant, and the parliamentary secretary cannot dispute that. When private enterprise was active and willing to carry the ball, it should have been allowed to do so. But the government was stupid enough not to allow private enterprise to do that. The parliamentary secretary can take his share of blame for that, too. Private enterprise needed labour, materials and money; but then the public sector moved in and became a competitor of private enterprise. It competed in those very areas in which private enterprise was willing to engage. So, the public sector went into competition with private enterprise and that is partly the reason for our present serious situation.

I am going to talk a bit about the adverse effect of the American import tax. I happen to be one who feels that anyone who is realistic and reasonably fair will understand the difficulties facing the government of the United States of America in its balance of payment position and in the situation that existed. I submit that when they imposed these import duties, Canada should have been automatically exempted from them. I submit, Mr. Chairman, that this is where this government fell down. This government did not conduct itself in a way that would have brought about Canada's exemption from the effects of the 10 per cent import tax. Members of the government had said certain things. Apparently there was a breakdown in communications and, consequently, Canada was not exempt from the provisions of the import tax. Even as late as when the Prime Minister made his trip to Moscow, what did we find was being said? The Prime Minister said that Canada has increasingly found it important to diversify its channels of communication because of the overpowering presence of the United States of America and that this was reflected in the growing consciousness amongst Canadians of the danger to our national identity from the cultural, economic and perhaps even military point of view.

If I had a customer to whom I was selling 85 per cent of my exports, I do not think I would go out of my way, when in a strange country with which my customer was not too friendly, to make any statements about the channels of communication with that customer. It appears that the channels of communication are pretty nearly closed at present. There is an almost complete lack of communication between ourselves and Washington at present. And so, I ask, what are we to do about this? That is a good question. What is this government prepared to do? They have never told us. Telling us has never seemed important. They have never told us what they intend to do.

Mr. Woolliams: Let Mr. Kosygin make the statement.

Mr. Flemming: We know that when the United States imposed these extra import duties, Canada was not exempt, as it usually has been. So, I ask, what has brought this about, Mr. Chairman? Why is it evident to us today that there is this change in attitude? This government must take full responsibility for that change in attitude; there is no question about that, not a bit. There ought to be no question about their explaining this matter. The government's own supporters should see to it that the government explains why this situation has come about.

Some hon. Members: Hear, hear!

Mr. Flemming: I could go on and on—

An hon. Member: That's pretty weak.

Mr. Flemming: I wonder if everyone knows that we buy as much from the United States as Japan, Great Britain, the Common Market and Western Germany combined. Canada, with 20 million people, buys that much. Why, Mr. Chairman, we are very close to the Americans; we live on the same continent. Not only do we live on the same continent; we live here under conditions of great friendship.

Mr. Woolliams: That is right.

Mr. Flemming: That is the way it always was, and therefore something must have happened. I do not know what it is; but the government must know, and it is up to this government to explain to the Canadian people how this change came about and why it came about.

Mr. Reid: The Americans do not want to play it our way anymore.

Mr. Flemming: All right, they do not want to play it our way. What are we to do? The hon. gentleman says that they do not want to play it our way. Are we to say that we will not sell them our gas or oil? What shall we do with our oil? To whom can we sell it? We do not drink it. What can we do with it?

Mr. Mahoney: Ask the NDP, don't ask us. Keeping it is their idea.

Mr. Flemming: The point, Mr. Chairman, and I say this with great respect to the hon. member for Calgary south, is that the government has blundered hopelessly and mismanaged our affairs.

Some hon. Members: Hear, hear!

Mr. Flemming: I am surprised that the government's own supporters sit there like a flock of sheep and stand for it.

An hon. Member: Come off it, now.

Mr. Mahoney: The hon. member does not really mean that.

Mr. Flemming: I am surprised at my hon. friend from Madawaska-Victoria.

Mr. Corbin: The hon. member can do better than that.

Mr. Flemming: I am surprised that my hon. friend for Madawaska-Victoria just sits there and does not say anything. I have great respect for him, of course—

Mr. Corbin: Mr. Chairman, I have a great spokesman in the Minister of Finance.

Mr. Woolliams: The hon. member had better not say that in his constituency, because he will never be returned to this House.

The Chairman: Order, please. I regret to interrupt this exchange, but the time of the hon. member who has the floor has expired.

Some hon. Members: Continue.

The Chairman: Is there unanimous consent for the hon. member to continue?

Some hon. Members: Agreed.

An hon. Member: The hon. member finished, and not a minute too soon.

Mr. Flemming: Mr. Chairman, I heard someone saying something about my finishing not a minute too soon. Apparently there is not unanimous agreement.

Some hon. Members: Carry on.

Some hon. Members: Agreed.

Mr. Corbin: The hon. member knows that we like listening to him.

Mr. Flemming: Mr. Chairman, I want to say a word or two about the pulp and paper industry. There is a large plant located in the constituency of the hon. member for Madawaska-Victoria. It is one of the eight pulp and paper mills of New Brunswick. Speaking in general terms, I believe that that industry is having a difficult time at present. I will not go into the reasons. They stem, partly, from the imposition of the import duty, partly from losses connected with the premium on United States funds, and so on. I happen to be in the lumber business and know something about it. As I say, there are eight pulp and paper mills in New Brunswick which have made representations to the government on behalf of the pulp and paper industry concerning the tax bill. They ask for certain considerations, and I support their request. These mills, as I say, are located in New Brunswick at Edmundston, Atholville, Bathurst, Newcastle, Saint John—there are two mills in that city—St. George and Nackawick.

We have at present the Department of Regional Economic Expansion. This department is doing a good deal to stimulate industry all across the country. I give them credit for this. However, they are not in a position and I do not think the statute allows them to do that which would be helpful to the pulp and paper industry.

• (4:20 p.m.)

In the province of Quebec and to some extent in the province of New Brunswick, there are many pulp and paper mills that were established a good many years ago. Their machinery is obsolete and they are not able to compete. Yet, within a few miles of the location of one of these mills, the department is establishing a new mill. They make a large grant to pay for new machinery in the new mill, so at public expense, Mr. Chairman, this company is given the competitive advantage of up to date machinery and equipment. As a consequence, they are able to produce in a much more competitive way than other companies. Possibly the government might consider, and I ask the parliamentary secretary to take note of this, that obsolescence as well as expansion of pulp and paper plants justifies the investment of public funds. I belong to that group of people who feel it is just as important to maintain an industry already in existence as to establish a new one. It is also much less expensive.

I do not think the attention of the Department of Regional Economic Expansion should be directed entirely to expansion of an existing industry or creation of a new industry. Not too long ago I read an article in a Montreal newspaper about the pulp and paper mills in Quebec. According to this article, the machinery in many of these mills is obsolete. They are not able to compete with mills which have more modern machinery. I ask the Postmaster-General to keep this in mind. When sitting around the executive council table, he might make representations with regard to pulp and paper mills in his and other provinces which have obsolete equipment. I am not going to impose on the good nature of the House and go on at length. Although I have not completed all my remarks, I will not speak any longer. I appreciate the generosity of hon. members on both sides in allowing me to continue beyond my time. Perhaps I will complete my remarks some other time.

Some hon. Members: Hear, hear!

Mr. Corbin: Will the hon. member permit a question? Does he agree that to a certain extent part of the problems that the pulp and paper industries in Canada have is a world glut situation, an overproduction problem, which they have lived with in recent years and, just as important, problems of mismanagement or lack of good management within the industry? Does the hon. member agree that to some extent that is part of their problem?

Mr. Flemming: In the first instance, Mr. Chairman, I do not disagree. However, I do not feel capable of judging the management of the pulp and paper industry in Quebec

and New Brunswick in particular. I do not know. I was under the impression that they were pretty well managed. When you try to sell them anything, they do an awful lot of chiselling in order to get the price down. If that is good management, I think they are pretty well managed.

Mr. Rynard: Mr. Chairman, it is always a pleasure to follow the hon. member for Carleton-Charlotte who, I am sure, is greatly respected by all members of this House. His sincerity has never been in question. He has had a tremendous amount of experience. We listened to his remarks with a great deal of interest.

There is no question about it, we are dealing with a very complex bill. When there are some 97 amendments to a bill, you know it is complex and complicated. No one has to tell you this. Lawyers and accountants find it impossible to interpret this bill. Outstanding tax authorities think it will take up to one year before interpretations can be validated. Lawyers are advising their clients to wait until this measure is passed before making any wills or changing any legal documents of consequence. Business has been uncertain and frightened, and has been afraid to move since the white paper on taxation reform was first introduced. There are now 97 amendments under scrutiny.

Many parts of the bill will be changed and rewritten. All of this discussion about tax reform took place before the 10 per cent American surtax on imports was applied. This makes the complexity of the problem far greater. It is almost impossible for anyone to speak in this House on this subject with any degree of authority. We must ask ourselves about American investment in Canada. Is the United States going to apply a 25 per cent surtax on dividends from investments in this country when we so desperately need capital investment? What will be done with pension funds? Will that apply to all with over a 10 per cent investment in the United States? How many people will be affected? How will it affect us economically? There have been no explanations in the House about that situation.

Even though we are a part of the problem, we wonder why, instead of blasting the Americans for the last year, we were not going about making trade arrangements similar to the auto pact which is so valuable. It started in a small way. I was in the House the day the bill regarding auto transmissions was introduced. That was the start of the auto pact. Why has this pattern not been pursued with more vigor for the past two or three years so that this 25 per cent of our export trade would not be affected now? The auto pact gives Canada a half billion dollar trading advantage. Why were other fields of trade not explored in order to open new markets in which we could be competitive?

Everyone is aware of the acute problems connected with United States trade. The Americans, in spite of inflation, followed the Marshall plan which set up Germany, Japan and Taiwan and many other countries as trading rivals. The other day I was told of a nationally known American firm which set up subsidiaries in two other countries. One company could ship into another country and undersell companies in that country. The other company, in turn, could ship back to the parent company and sell back to them at a lower price than they could manufacture it. It is quite apparent that the Americans, who have not done anything about their dollar since the Bretton Woods agreement, had to do something. They were literally financially bleeding to death as a result of their deficits. In spite of seeking freer trade in the field where we can best compete, it seems that for the past year we have been trying to annoy the Americans at every turn. I wonder why? We try to slight them by running to meet and cultivate new friends, people with philosophies entirely different from ours.

• (4:30 p.m.)

I believe Canadians should always get preferential treatment in their own country, whether they are manufacturers, professional men, business men or working men. But I do not believe we should castigate anyone else for our own faults or for the position in which we now find ourselves. I noted that the other day the Prime Minister had the courage to admit that the government had made a miscalculation. Oh, Mr. Chairman, it would fill a book. Then again, the cuts we have made in our NATO forces, the defence policies we have followed, our "one China" policy, are not such as to make friends of Japan or the United States or Europe. Why keep on insulting our Canadian friends in the United States? Mr. Chairman, there are more French Canadians in the United States than there are in the whole of Canada. There are more Canadians in the United States than there are in Canada itself. Yet through the press and the CBC we keep on insulting them.

We send our emissaries to the United States to bring back our trained professional people. We sent people down there on one occasion to my knowledge; they advertised and set up a cocktail party in an attempt to win back to this country scientists who had left Canada to go to the United States where they were able to find greater opportunities. No wonder the adventure was a failure. How did we treat them when they were here? I asked a question about this today. I asked why we had to turn down 640 Canadians who were fully qualified to enter our medical schools, while accepting over 1,000 students from foreign countries whose standards are lower than ours and who can ill-afford to give up the services of these people.

Consider, for a moment, the size of the deficit. Federally it will amount to more than a billion dollars. In Ontario, it will soon be more than half a billion dollars. Where will this money be found? These are a few of the questions which should be answered. And with what pangs of conscience shall we recognize the answers when we think of the plight of the 600,000 who are presently unemployed, and of the trading picture in the light of recent events?

I could go on to speak at length on this subject. I could talk about the difficulties we encounter in our efforts to compete with foreign countries where wages and costs are much lower. But I want to be fair to the Canadian labouring man and to Canadian industry. We must remember that a wage-earner in Canada pays around 40 per cent of his dollar in taxes as compared with 20 per cent in some of the countries with which we are competing. So the Canadian worker is bound to demand more money than his counterpart abroad. Industry is obliged to charge more for the same reason. There are only two ways of competing successfully in such a situation as this—one is

to increase production and the other is to employ better machinery which would turn out products faster and more cheaply. I do not see the government moving in this direction at all.

I wish to speak now for a few minutes on the subject of credit unions. I have spoken on this issue before. I believe it is an important one for the Canadian people, particularly for those who live in the small country places. These are the people who work among themselves, the friendly people, the people who know one another. It is a great advantage for them to be able to do business among themselves. The basis upon which these credit unions are set up is that members who have a certain amount of money make it available for borrowing by people who need it, and the rate of interest is much lower than that which is commercially available on the finance market. We should assess the activities of these credit unions on the basis of answers to such questions as: How do they operate? How are they run? What do they do with any profits received? Do they accumulate reserves? Who administers them?

All the credit unions with which I have been familiar have been controlled by a board of directors. Most of them have set up committees to deal with loan applications, determine whether funds are available to meet any requests and whether a loan should be made. Neighbours and friends know the backgrounds of applicants better than anybody else. They are in a position to judge their ability to repay any sums advanced. Nine times out of ten, debtors will do a better job of repaying loans in these circumstances than they might had they borrowed from an outside source. About the only form of levy presently imposed on credit unions is paid to the credit union league. In Ontario this amounts to $1.50 and I assume the arrangement is similar in other provinces.

The credit union league is a body set up to keep credit unions healthy and give them advice. The federal government now advances a proposal to tax the reserves built up by the unions. But these are the very reserves which provincial governments have insisted should be set up. I have looked over the record, and I know of no case in which anyone has lost any money on investments in credit unions. Yet about 80 per cent of all the credit unions in Canada have assets amounting to less than $500,000. In Ontario, where some 1500 credit unions are operating, the amount in reserve is around $45 million. A guaranteed fund has been set up and is regulated by provincial legislation in the Province of Ontario—I expect there is similar legislation in effect in other provinces across Canada.

Many of those who are connected with the operation of small credit unions in rural communities are, by the nature of things, inexperienced in money management. Many of these people need advice. They are not professionals in the field of investment. It is a very good thing that the unions should have the benefit of this provincial supervision and of the reserve which has been established. It seems to me that federal tax legislation in this field would necessarily be in conflict with provincial thinking—that there would be direct conflict with regard to the determination of what might be regarded as excessive reserves by Federal authorities. It is not unlikely that many of the smaller credit unions would be scared of ever reaching the paws of government taxation, and prefer to close down their organization. If there were many such decisions it might be embarrassing. The situation might even be a difficult one for the stabilization fund of the Ontario Credit Union League to handle.

Bill C-259 proposes to tax credit unions in the same manner as other corporations are taxed. But corporations operate on the basis of a permanent capital system, as do most businesses. Capital in a credit union is share capital only; it does not include loans by members. Limits are placed on the amount which can be deducted from capital and it cannot be reduced below 5 per cent of the amount of members' capital employed. Credit unions do not require permanent capital in order to conduct their operations; they lend money as they get it when members' savings are made available to them. In effect, a credit union is just a big family, borrowing from those who have money and lending to those who need it. This is a simple explanation of the way in which a credit union works, as I see it. Let the federal government keep out of this.

Dividends paid on credit union shares represent the cost of doing business. The savings of members are called shares. They really amount to risk capital in the event of liquidation. The shares are savings deposits and they may be withdrawn on demand. They do not appreciate in value; you get the same amount back. Therefore, they do not yield a capital gain. The dividends on members' shares have always been treated as ordinary interest income and are taxable, and any member of the credit union pays tax on any dividends he receives. He pays personal tax as well, so therefore you have double taxation. The credit union disburses practically all of its income, generally speaking, and is taxed at whatever rate it is taxed at on personal income.

• (4:40 p.m.)

It is interesting to note that credit unions have today over $5 million in assets, and have just over that in numbers of members. In little communities across Canada they are performing a very useful service indeed. They make financing and credit available to look after the needs of the community at a low rate of interest compared to the finance companies. Therefore, it seems to me to be folly of the worst kind, and unjustified in the community life of Canadians, to subject any small credit union to taxation, when the government already tax interest or dividends that come into the hands of the fellow who has lent the money.

If I have time, Mr. Chairman, I should like to dwell for a moment or two on the subject of accounts receivable. I know that the general rule is that taxpayers who are in business must compute their taxable income on the billed basis. I realize that the government will say that this measure is bringing the situation up to date and putting the professional class in the same position as businessmen. I also know the government says that it is not contemplated that professionals will have to estimate the value of their work in progress at the end of the year unless they want to do so. But this recognizes the fact that work in progress is very difficult to evaluate until it has been completed and an account rendered.

I should like to know how this provision is going to affect OHSIP, which is national health insurance. Sometimes the government is two or three months behind with

its accounts. Is the government going to levy a tax not only on accounts that have been paid but also on accounts that will not be paid until the new year? The same situation would prevail if the government introduced a denticare plan, because there too the payment of accounts would lag behind. If the government is going to levy tax on outstanding accounts, then it is getting the use of money that it should not have.

The government would probably argue that if these accounts are not collected they could be written off the next year. However, the government has brought in a national medicare plan so we hope that no calamity of that sort will occur. Although I am talking about my own profession, the same is true of other fields as well. I feel that this approach of the government is wrong. When this question comes up for further discussion, I should like to see some of these problems rectified. The switch from a cash basis to a billed basis for computing income requires special provisions to cover the amounts that have been billed and not collected at the start of the system. Special rules will have to be made in taxing deferred income, and this matter will require the attention of the committee and surely some amendment.

To recapitulate, tax will not be levied on bad debts or even those legitimately considered to be doubtful of collection, though these will be difficult to assess. In addition, according to what I have read the minister does not believe that any real hardship will be caused to the professionals to whom I have referred. However, I have pointed out that this is not so. After all, it is the government that runs medicare, and if they happen to be two or three months behind in making payment this will cause a problem. It will be taxation on money not received. There should be some amendment made to the bill to take care of this time lag.

The same situation prevails with the man who holds bonds that mature on November 30. If he pays his income tax quarterly, he would have to compute his interest on those bonds at quarterly intervals even though he had not yet received that interest. The government is doing a bit of monkey shining that it would not allow anybody else to do, and quite frankly I do not think the government could collect this money in any court of the land. The same can be said of Canada savings bonds and other bonds.

I could go on to talk about the field of dental care, but let me dwell for a moment on the provisions of this bill as they affect farmers, though I intend to say more about this at a later stage. The basic herd and straight line depreciation are going to be phased out. Livestock farmers will be able to establish a basic herd as at December 31, 1971, which I guess they will call "D Day". Any gain thereon will be tax free, but no additions to the basic herd may be made after that date. When livestock is sold after that date, the sale may be considered to be out of the basic herd or the other herd, subject to special rules and regulations. I suggest that this provision will need looking into.

Assets acquired after December 31, 1971 must be depreciated in accordance with the diminishing balance system. I am not entirely clear what is meant by that. If proceeds from the sale of assets depreciated on the straight line basis exceed the cost, this excess is a capital gain.

[Mr. Rynard.]

The Chairman: Order, please. I regret to interrupt the hon. member but I do so to advise him that his time has expired.

Some hon. Members: Carry on.

The Chairman: Is it agreed that the hon. member for Simcoe North shall continue?

Some hon. Members: Agreed.

Mr. Rynard: May I thank the committee for its courtesy, and I will be very brief. The present $5,000 limitation will continue so far as hobby farmers are concerned. In addition, any amounts of interest and property taxes not deducted because of this limitation may be applied to reduce any proceeds on the eventual sale of the farm. The treatment of the income gained from farming will be brought more into line with tax treatment of other businesses. Perhaps it would be embarrassing to you, Mr. Chairman, if I asked you how you felt about this. The result of reforms in this area will be that probably farmers will be taxed more heavily. The fact that no new additions can be made to the basic herd as established at December 31, 1971 and that sales must be deducted will obviously adversely affect the farmer; I cannot see how it will do otherwise.

The diminishing balance rate for assets acquired after December 31, 1971 will be at twice the straight line rate, the same as in other businesses. Some benefit does exist in so far as there is a faster write-off in the earlier years. However, the farmer is forced to calculate the undepreciated value of his assets each year. It is impossible to deduct more than the original cost of an asset. The measure is subtle and probably means that the farmer's taxable income will be greater.

• (4:50 p.m.)

A farmer may elect to claim either a complete exemption on his farm house and one surrounding acre—no capital gain will be calculated when he sells his farm or his house though farm machinery and barn will still be subject to capital gains—or to deduct $1,000 per year against the value of all his farm property including his house. For many farmers this will not mean much but farmers who sell to developers will face a large tax bill. Today, Mr. Chairman, many farmers are faced with this very thing.

Mr. Gleave: Mr. Chairman, I have just a few words to put forward some ideas to this committee at this time. It seems to me that the government is not offering tax reform as much as a tax change. At the same time, according to the statement made in the House the other day, large amounts of money are being made available immediately in order to pull the economy out of a tailspin, so in essence two proposals are before the House. It would seem to me that it is rather important to this country that these proposals be co-ordinated. But this does not seem to be the case, Mr. Chairman.

Agriculture is facing difficult times as a result of the U.S. surcharge, and before that as a result of action in the European Common Market, and before that as a result of the pending decision of the United Kingdom to consider entering the Common Market. We have not developed

policies for agriculture which will meet these circumstances. All the tax bill does for agriculture is devise new methods of imposing new taxes on the person who is trying to survive on the farm, as well as on the co-operatives which he has built and used as an extension of his farming and marketing power. The slowdown in agriculture and farming in significant parts of Canada gives rise to unemployment. The government is attempting to persuade us that this situation will be met with the money they will make available for loans or grants for crash programs this winter.

I fail to see, however, where the planned thrust to get the economy going emerges in this total program. Indeed, I think its real shortcoming is the fact that it is not a total program but a patchwork or an ad hoc program. The whole tax approach is patchwork and the program is a patchwork. The government does not say to us in clear terms that collectively these programs will correct the unemployment situation. In the last two or three days I have listened to questions put to the government asking what their objective is and what they think these programs will achieve by way of reducing unemployment. The answers do not come through clearly; rather, there is evasion. This is the thing that disturbs me about the whole approach of the government.

Last night I was reading the *Country Guide*, a magazine of some standing published in western Canada by one of the major grain companies. In an article entitled "Agriculture's Stake in the New U.S. Economic Policy" our position is examined. One would expect that when the government brings forth a policy for the coming winter or the longer term it would take agriculture's stake into account, but it does not. I am sure we are looking at the same thing on the employment side. When people in my city become unemployed and start looking for jobs they find themselves against a blank wall. When I ask them if they went to the manpower office they ask to what purpose. They will go to the Unemployment Insurance Commission or answer advertisements in the newspaper but when I ask if they look for training they ask, training for what? There are reports and charges that people become professionals at dodging from one training slot to another.

My main purpose this afternoon, Mr. Chairman, is to persuade this government to take an over-all look at the needs of the Canadian economy and to build the forward thrust and confidence we so badly need to enable ordinary business to invest with confidence and so that the co-operatives, which are an important part of the total business in my area, will know where they stand. At present they are wondering if they are going to have to change their structure in order to comply with these new tax proposals. They should have confidence that they can continue to meet the demands made upon them by the people who created and use them. We need a forward thrust and a real motive in the economy toward employing people and creating the things that we can use and the things that we want. If we could get this kind of co-ordination then, as we go through this tax package, hopefully we could bring in some amendments which would make it a worthwhile and workable document.

Income Tax Act

• (5:00 p.m.)

Mr. Skoreyko: Mr. Chairman, when I spoke on this measure the other day I dealt with a number of items, some of which I consider to be anomalies in the bill. I said I hoped the government would take into consideration some of the recommendations made by the opposition. Most of us on this side of the House are concerned about this massive 707 page bill which is before us because, not only is it complicated in its makeup, but it represents a danger to the Canadian taxpayer. There is an absence in this bill of provisions which we on this side of the House have been advocating. We are concerned about this.

I suppose I might place on the record some of the omissions about which we are concerned. We are concerned about the absence of provisions to stimulate the resource development industry. We are concerned about the absence of provisions to create funds for land acquisition, to guarantee low income homes in the country which every politician in Canada talks about but about which nobody does anything. We are concerned about the ramifications in Bill C-259 in respect of shifting the tax burden. When I talk about shifting the tax burden I should say I believe there is a good clause in this bill which would relieve thousands of taxpayers of the small amount of tax they have been paying in the past. I believe they will appreciate that.

I think it is disgraceful, however, that the very rich should, under this measure, have their taxes reduced. In order for the government to continue to bring in a given amount of money required to run the nation the tax load is shifting to the middle income groups. This no longer represents the petty larcency of which this government has been guilty on so many occasions. This, in my opinion, is grand larcency in its extreme. In respect of the high inflationary measures this government has undertaken in the recent past I was hoping something would be incorporated in Bill C-259 to correct some of these mistakes. What has the government done in terms of stimulating certain industries, particularly the resource development industry, and especially the mining industry? I am not too close to the industry itself although I know a number of people in it. The anti-inflationary measures adopted by this government a year ago have created chaos in the mining industry, particularly in the Vancouver area. A number of companies in that region of Canada today lie dormant awaiting some action on the part of the government so that at least they will be offered a little encouragement through having funds made available to them at reasonable interest rates for purposes of further expansion and development.

Speculative investment in the mining industry has been curtailed because of the government's action in slowing down the economy generally. I know of two or three well-known Canadian companies with holdings in Northern British Columbia, which also have holdings in Brazil and Chile, which have closed down their British Columbia operations and moved into other parts of the world in order to expand their operations, notwithstanding the fact that the political climate might not be as stable as it is on the North American continent. What then have the anti-inflationary measures of this government done? I suggest the resource industry is the heaviest loser, not only in terms of production but also in terms of lack of incentive

to develop and expand. Employment opportunities, direct and indirect, have a great impact on the Canadian labour force. Surely, no one need remind the government that in that area much more could be done. The anti-inflationary measures have seriously reduced the level of investment not only in mining but also in the gas and oil industry. There has been a serious reduction in exploration, and Bill C-259 in the face of all the government has done in the past year will hinder the development of these industries still further.

No other industry in Canada can generate a chain reaction in respect of employment as quickly or as efficiently as the mining industry. The government's responsibility to that industry is to make the tax structure of this nation palatable to that industry. Oh yes, we have programs. We have the regional expansion and development program. Through that program, literally millions of dollars have been distributed into certain areas of the country. Where has this money gone? It is difficult to establish where it has gone and the reason. I believe it would be reasonable to ask the minister of that particular department to provide this House with figures concerning the number of jobs that have been provided under that specific program. This program discriminates against certain areas and regions of Canada. I should like to know what that program since its inception has generated in terms of putting people to work.

Yesterday I talked about one of the shortcomings in the bill. I referred to the $150 allowable as a deduction for tax purposes for an individual who in order to ply his trade must buy certain equipment. Most businesses are allowed all proven or certified expenses. Most businessmen drive a company car to work and charge a large portion of that expense against their taxes. The individual who, by reason of his trade or profession, must have certain tools or equipment in order to hold on to his job or to continue to work in that kind of employment is allowed to deduct $150 a year for the replacement or the purchase of additional equipment. If you allow a business, regardless of whether it is large or small, to charge against its income all legitimate expenses that are created by reason of the operation of that business, then is it unreasonable of me to ask the government to consider the plight of the individual who has $300, $400 or $500 worth of equipment. I am thinking, for example, of a plumber or a garage mechanic who must have $1,000 worth of equipment. It is not inconceivable to find many mechanics losing $300 or $400 worth of tools in a year. They leave tools in cars, some of them get stolen and some of them literally walk away. To allow $150 is, I suppose, a step in the right direction but I should like to point out that if you allow businesses, large or small, to charge against earned income all reasonable expenses necessary for the maintenance of those businesses, then I do not think it is at all unreasonable to suggest that the same should apply to the man who, by reason of his type of employment, has to incur expenses in connection with the tools of his trade.

• (5:10 p.m.)

How important are tax reductions, particularly if the tax deductions are in the right area? I think it would be fair to say that the government should take a quick look at the automobile industry in Canada and what can be done in that area. We know that recently, in the face of the 10 per cent surtax in the United States, the government has offered Canadian industry an $80 million assistance program. However, one of the things we have failed to examine—I am not against foreign car sales in Canada but I should like someone to examine the matter carefully—is the reason Toyota, Mazda or Volkswagen have increased their sales in the last two years by tremendous percentages over the Canadian or U.S. made automobiles. As a matter of fact, Canadian automobiles in certain areas have lost some of the Canadian market.

I have not checked but I believe there is a federal tax on Canadian automobiles which makes them higher in price than the same automobiles built and sold in the United States. Surely, if you want to stimulate an industry, the removal of that tax would have a tremendous chain reaction in so far as jobs are concerned. This might have been one of the areas to which Bill C-259 could have given some consideration. I have referred only to the automobile industry because I think that, in the light of the $80 million allocated by the government recently, this is a really good example where maintaining a tax on a Canadian built product and allowing massive shipments of imported automobiles into the country to replace Canadian made cars will put the Canadian manufacturer in the position of selling cars built in Canada at a higher price than the same cars built in the United States, which is unfair. This applies not only to the automobile industry, but I imagine it applies also to the television manufacturer, the refrigerator manufacturer and the stove manufacturer. The tax is there, and shortly some consideration should be given to this point.

I want to deal now with a number of the items in a bill which is so vast that it is virtually impossible to cover any portion of it in the time that is allowed us under the rules. I just want to put on the record some of the items of income that will now become taxable. For instance, one half of certain income becomes capital gain. I do not wish to deal with that again today because I dealt with it two or three weeks ago when I spoke. Then, there are payments under an income maintenance insurance plan to which the employer has made a contribution, the contribution paid by an individual in 1967 to be deductible from any payment he receives. Then, there are allowances paid under the adult educational training program, not including the portion of a person's living expenses while living away from home during his training, and allowances paid under the textile and clothing board. There are the scholarships and bursaries with the $500 exemption, and I dealt with those the other day. Consider the family that needs assistance, the smart lad who gets a $1,000 bursary and who is then charged a tax on 50 per cent of it. That is a generous contribution .

By putting together new personal exemptions, new tax rates and new items of income, figures will show that a man earning a certain salary today, allowing for increases over the next ten years, will be far worse off than had we stayed with the present tax system. Let me give an example. If an individual today earned $9,750 for a taxable income of $8,000, allowances of $1,500 plus $100 plus $150, and we assume that his wages increased by 8 per cent a year, promotional plus usual increase, then in 1978 his income will be $15,472, and his taxable income would be

$13,722. In 1972, his tax on $9,750 will be $2,193.50, which combines federal and provincial, and in 1978 this individual will pay $4,327 in tax. In other words, Mr. Chairman, I am saying that in six years his income has increased by 60 per cent, and his taxes have increased by 97 per cent.

• (5.20 p.m.)

Mr. Mahoney: How much more does he get to keep?

Mr. Skoreyko: How much more will you get to keep when your tax bill goes from 50 per cent to 97 per cent? Do you get much more to keep? I repeat that in six years his income has increased by 60 per cent, and his taxes have increased by 97 per cent. I ask the parliamentary secretary to tell me how much more he has to keep.

Mr. Mahoney: They are your figures.

Mr. Skoreyko: They are researched figures. They do not lie. But if there is any doubt about the figures that I have put on record, I ask the parliamentary secretary to take pencil and paper tomorrow, if he is capable, and figure out if I am right or wrong.

Mr. Dinsdale: Mr. Chairman, the last time I had the opportunity to take part in this debate was on the occasion when the members of the Official Opposition were endeavouring to get the government to postpone the long, tortuous process that has been involved in the discussion of fundamental tax reform. On that occasion it was felt that the Canadian economy, as a result of government mismanagement, had entered into a period of crisis that was aggravated by the fact that we had been living under the shadow of the threat of the white paper, and now under the ponderous weight of a piece of legislation that is almost as large as the family bible but, I can assure you, not as enlightening. Recent events, in fact events within the last week, have vindicated the members of the Official Opposition for the position they took on that occasion. At last the government recognized that we were living under the shadow of a major economic crisis and, as announced by the Minister of Finance on Thursday evening last, it took belated emergency action.

To illustrate the point that we have been making since the House resumed early in September, I want to deal with one or two specific parts of this bill which I hope will indicate that the government is not only confused in its approach to fundamental tax reform but also that within this ponderous volume itself there are measures that are contradictory. Other hon. members have dealt with vital and important matters with respect to the well-being of the Canadian economy, the impact that this bill will have, the deleterious effect it will have on the resource industries, the agricultural industry and so forth. In the short time at my disposal, I want to demonstrate that this bill will have a very detrimental impact on the charitable contributions that might become available to public organizations such as universities, museums, churches, or any other similar organization engaged in voluntary charitable activity.

It seems that the government has a penchant for moving in on voluntary initiative on the part of the citizens of Canada. Only recently, through changes to the Post Office regulations, privileges with respect to the use of the mails that encouraged important charitable activities of organizations such as the War Amps, the attack on tuberculosis and other organizations dealing with problems experienced by the disabled, were withdrawn from those organizations. Now, here is another example of the government intruding more and more on the initiative of the individual Canadian, moving forward with its big brother complex, and seemingly not aware of what it is doing. On the one hand, it is saying that it wants to encourage this sort of voluntary activity, but on the other hand specific clauses in this bill will have a severely discouraging effect on the amount of charitable contributions that will be available for institutions of higher learning and museums.

To get right to the heart of the matter, I point specifically to clause 70 in Part I of the bill, a Part which runs for some 200 pages in this 700 page volume. I doubt that even the parliamentary secretary has read the bill in detail in order to become aware of the contradictions that exist within it. Clause 70(5) reads:

> Where in a taxation year a taxpayer has died, the following rules apply:
>
> (a) the taxpayer shall be deemed to have disposed of each property owned by him immediately before his death that was a capital property of the taxpayer (other than depreciable property) and to have received proceeds of disposition therefor equal to the fair market value of the property at that time;
>
> (b) the taxpayer shall be deemed to have disposed of all depreciable property of a prescribed class owned by him immediately before his death and to have received proceeds of disposition therefor equal to,
>
> (i) where the fair market value of that property at that time exceeds the undepreciated capital cost thereof to the taxpayer at that time, the amount of that undepreciated capital cost plus ½ of the amount of the excess, and
>
> (ii) in any other case, the fair market value of that property at that time plus ½ of the amount, if any, by which the undepreciated capital cost thereof to the taxpayer at that time exceeds that fair market value;

I hope that when the parliamentary secretary makes a contribution to this discussion he will explain that in plain English. This bill goes on for page after page, hundreds of pages, with this kind of gobbledygook. No wonder the people of Canada are confused. No wonder the legislation is having a harmful effect on the buoyancy of the economy. Let me put this in plain English for the sake of the parliamentary secretary.

Clause 70(5) provides that a deceased taxpayer shall be deemed to have disposed of each of his capital properties, other than depreciable property, immediately before his death for its fair market value at that time. Clause 70(5)(b) provides in effect that depreciable property of a deceased taxpayer is deemed to have been disposed of at the average of its undepreciated capital cost and its fair market value at the date of death. Where property has been left by a taxpayer to his spouse or to a trust fund for the benefit of his spouse, these deemed dispositions may be deferred until the property is actually disposed of or until the spouse's death, but this in no way eliminates the tax liability; it merely postpones it.

• (5:30 p.m.)

Let me give the parliamentary secretary some specific examples of what will happen. If, under a will, an individual leaves to a university, religious organization or community charitable camp his summer property, includ-

ing surrounding land, which cost him $10,000 in 1972 and which is worth $35,000 at the date of his death in 1980, he will be deemed to have disposed of his property immediately before his death for $35,000, resulting in the realization of a capital gain of $25,000, one half of which, or $12,500, will have to be included in computing his income for the year in which he died.

Mr. Nielsen: The only thing that is left to tax is the corpse.

Mr. Dinsdale: Also if, under his will, an individual leaves to a charitable organization a fully rented factory building or apartment building which might be used for a senior citizens home, for example, which cost him $400,000 in 1972 and which at the time of his death in 1980 had an undepreciated capital cost of $200,000 and a fair market value of $700,000, he will be deemed to have disposed of the property for $450,000 immediately before his death. This will result in the addition to his income of the whole $200,000 of capital cost allowances taken during his lifetime and, in addition, he will be treated as having realized a capital gain of $50,000, one half of which, or $25,000, will also be required to be included in his income. We are speaking about inanimate property.

I am afraid, Mr. Chairman, that my time is running out. If we were to use the legal terminology, namely, inter vivos—I think that is the proper legal term, as I think some of my lawyer colleagues will agree—and make charitable gifts by way of inter vivos, the position would be even more serious.

Mr. Nielsen: It would be reductio ad absurdum.

Mr. Dinsdale: I am sure the minister will appreciate this. Let me give another example quickly. Paragraph 69(1)(b) provides that where a taxpayer has disposed of anything to any person by way of gift inter vivos, he is deemed to have disposed of it at its fair market value at that time.

As will be seen briefly, Mr. Chairman, from the foregoing examples, the income tax amending bill has created entirely new and onerous tax liabilities in respect of charitable bequests. Even though the legislation in paragraph 110(1)(a) specifically mentions that there are new allowances for charitable organizations which are considerably more generous, the government is giving with the one hand and taking away with the other, which I suggest is fundamentally inconsistent and indicates the sort of confusion that has gone into the gobbledygook that constitutes a good part of this voluminous bill.

To bring evidence before the committee this afternoon in order to show that the government is acting contrary to some recommendations coming from the minority report of Commissioner A. Emile Beauvais of the Royal Commission on Taxation, contrary to recommendations which came from the Senate Committee on Banking, Trade and Commerce and contrary to recommendations made by the Standing Committee of the House of Commons on Finance, Trade and Economic Affairs, may I quote briefly, beginning with a quotation from the minority report of Commissioner A. Emile Beauvais, to be found at page 55 of volume 1. He was critical of a similar proposal in the majority report of the commission and stated:

According to the Report, when a gift was made of an item of property that had appreciated in value, a capital gain would be deemed to be realized and would be taxable. This might prevent many taxpayers from making gifts to universities, museums, etc. of valuable property that was not readily saleable, for example, an art collection. In such cases, I would not support this recommendation.

In the report of the House of Commons Standing Committee on Finance, Trade and Economic Affairs with respect to the white paper on tax reform, the committee recommended as follows at page 19:

To encourage gifts of works of art, manuscripts, scientific collections and so on, to public institutions, we also recommend an extension of Section 27(1)(b) of the Income Tax Act (which provides for deductions of gifts to Her Majesty in the right of Canada or a province) to include gifts to other Canadian public institutions which normally hold such objects for exhibition, study or research. We also recommend that capital gains tax provisions not apply with respect to such gifts.

Again, the report of the Senate Committee on Banking, Trade and Commerce reads as follows at page 61:

With respect to gifts of property to museums and other charitable organizations, the Committee wishes to retain to the extent possible incentives for the continuation of such gifts, while at the same time, not permitting taxpayers an unfair use of such donations for the purpose of realizing tax benefits not basically contemplated by the taxing statute. On balance, therefore, your Committee came to the conclusion that there should be no capital gains tax imposed on gifts of property to museums, universities or charitable organizations, but that a taxpayer not be permitted to deduct in the computation of his income a greater amount under Section 27(1)(a) of the present Income Tax Act than the cost (or value on Valuation Day) to him of the asset donated.

The legislation that I have referred to briefly, and unfortunately there is not time for me to pursue the matter further, flies in the face of the recommendations contained in the minority report of Commissioner Beauvais, of the recommendation of the Senate Committee and of the recommendation of the House of Commons Committee on these matters. I cannot believe, Mr. Chairman, that the government deliberately wants to discourage the greater participation of the people of Canada in the very necessary charitable activities of this kind. Any of us who are connected with universities today—I see we have the Chancellor of Brandon University with us; I happen to sit on the board of that university—are conscious of the rising costs of education, and these provisions are having a negative effect on the generosity of the public. In the United States, they make provision for generous assistance from the estates of people who have the wherewithal to make a worth-while contribution in money, property or some other assets which may be left in the will.

I hope I have convinced the parliamentary secretary, who has been listening most attentively while talking to his colleagues, that here the government is guilty. He represents the minister at this time. The government is guilty of confusion and contradiction within the very framework of the legislation itself, I could go on if there were time at my disposal, and give many, many other examples of the sort of confusion that exists in the legislation.

We have tried, those of us who are on this side of the House, to convince the government that this is not the time to be fiddling around while Rome burns. I think the Leader of the Opposition put it in these terms: you should not be shingling the roof when the house is burning down.

Obviously, what happened one week ago in this House indicates that the government has at long last recognized that, in economic terms, financial terms as well as in terms of unemployment and runaway inflation, the economic house of Canada is burning down. Why are we at this time, then, in such unseemingly haste to get through such a confused and discouraging piece of legislation? When we come to the clause by clause consideration, obviously we will have to take a fundamental stand on the contradictions that are represented in subsections 70(5)(a) and (b), which relate to matters I have discussed this afternoon.

• (5:40 p.m.)

The government has brought in over 100 amendments. This almost suggests a complete rewriting of the bill. While we are at this preliminary stage, I ask the parliamentary secretary to communicate to his superiors on the treasury benches that if they are really intent on making sense out of nonsense, they will have to go much further than 100 amendments. I do not think 1,000 amendments will straighten out confusion of the type I have pointed out this afternoon.

Mr. Nielsen: Mr. Chairman, I have listened to some very great contributions in the debate on this bill. Very few have come from the other side.

Mr. Dinsdale: They simply have not read it.

Mr. Nielsen: As my friend from Brandon-Souris says, they simply have not read it.

Mr. Dinsdale: They talk of faith, hope and no charity. They are doing away with charity.

Mr. Nielsen: All that members opposite are capable of doing is making speeches by interjections which are just about as empty as their heads.

I knew we were in a time of very high inflation. I did not really appreciate just how serious the problem was until I picked up a copy of the *Financial Times* the other day. On the front page was a picture of the boss or master, the Prime Minister. The Minister of Finance was scowling at him. The caption on the picture reads "The Billion Dollar Brains". If that is an example of billion dollar brains, it must be the ultimate in inflation.

I was interrupted on the last occasion when I was talking about the contribution that the prospector makes to the mining industry. I intend to conclude those remarks at this time. I was saying that it is hard to exactly estimate what contribution the prospector has made. However, I have had some research done which indicates the following.

Prior to 1920, prospectors accounted for over 90 per cent of the mineral discoveries made. Those discoveries numbered 28. Second, by 1950, prospectors in competition with other methods of detection accounted for over 80 per cent of all other discoveries made to that time. They numbered some 75. Third, by 1960 prospectors as lone operators still accounted for 35 per cent of all metal discoveries made, some 59. By 1970, prospectors in competition with highly sophisticated remote sensing techniques, still accounted for almost 25 per cent of all metal discoveries made, some 30.

As hon. members know, the bill seeks to eliminate the incentives that heretofore existed to encourage prospectors to search for minerals in this country. As the figures which I have just disclosed to members suggest, remote sensing and other sophisticated geophysical and geochemical techniques have made significant contributions to metal discoveries in the past two decades. However, even today, in competition with the most modern tools of metal exploration, one out of every four new finds comes from a prospector. A prospector, with his pack on his back, braving the hardships of bush life and the relatively short season that is available to him, conducts his activities.

It may be interesting to note exactly how metal deposits are found. The large number of exploration companies now operating in Canada operate with essentially two methods. First, there are modern integrated programs using the best available combination of geological, geophysical, geochemical and other techniques. Second, and this is the one that interests the prospector, and the one clause 59 of the bill will hit hardest, there are invitations for submission of worthy mineral prospects for further development. Those invitations are made and the prospectors know it. This latter technique emphasizes property acquisition by a company from individuals or small time operators who are unable to meet the necessary expenditures required to further evaluate any given property. Usually, a mutually beneficial scheme is arranged between company and prospector when the mineral property is transferred to the company.

Under current legislation, income to the prospector from the sale of such properties is not taxable. Clause 59 (1) of Bill C-259 proposes to make the sale of such properties taxable. This taxation proposed by Bill C-259 will undoubtedly have the effect of slowing down prospecting activities to the point that they will no longer be attractive. Prospectors will feel that if the incentive has disappeared, what is the point of going out and searching for new mineral finds. It is going to slow down the new finds. Logically, it will slow down new mine production. It is going to have an effect on the over-all national economic pattern.

Mr. Dinsdale: No wonder the economy is slowing down.

Mr. Nielsen: Precisely. That is just one small example. The member for Brandon-Souris has given others. Other members on this side have also given reasons why the economy is slowing down. The fact that it will no longer be attractive for prospectors to look for minerals because of this clause will result in a fewer number of prospectors. Canada's metal industry and general economic well-being will be adversely affected. I ask hon. members to consider the following criteria.

First, not all metal discoveries made are economic to the point that extraction of the ore can immediately be profitably pursued. In fact, a large number of these occurrences are initially sub-economic. They are put away on the shelf until such times as economic conditions make extraction profitable. Many such shelved occurrences wait ten years or more between discovery and production.

The prospector has been instrumental in placing such occurrences on what I like to call company shelves. In fact, recent estimates suggest that four production initia-

tions in any given year have depended on occurrences found in the past and put on the shelf to await improved market conditions. Take away the incentives for the prospector and soon Canadian companies will be using up their store of products on the shelf faster than they can be replenished. This is a fact that has escaped the engineers of this legislation.

The second criteria I ask members to consider is that prospecting is hard work. Many individuals have prospected for most of their lives and never found anything worth while. Relatively few have struck it rich, so to speak. In my submission, Canada needs prospectors and prospectors need incentives. By taxing income from the sale of mining properties we are eliminating incentive. I should like, therefore, to propose, backed up by the strong views of mining associations, chambers of mines, prospectors, chambers of commerce and others, that clause 59(1) on page 137, lines 8 to 37, be removed from the bill. This simple amendment would restore confidence to the prospector and leave him in the mining picture.

• (5:50 p.m.)

I wish to refer to a letter which was written to me last October by the Mining Association of British Columbia. Among other things, the Association dealt with the proposal to tax a prospector on his gains. I would remind you, Mr. Chairman, that after the White Paper had been published and submissions invited from interested parties, the Minister of Finance, I believe in August of that year, announced he would be making certain revisions in the bill. Some of them affected the mining industry. With respect to the minister's announcement in that regard, the Mining Association of British Columbia had this comment to make:

It is now obvious that the proposed revisions were announced on August 26 without the benefit of adequate prior consideration by the parliamentary committees—

That is a very sound observation. There was no consultation with the parliamentary committee on the part of the Minister of Finance before he made those announcements presenting revisions to the White Paper. The letter goes on:

—and without opportunity for consideration and representations by the mining industry.

We hear members opposite paying lip service and mouthing the principle of participatory democracy. Yet when they find themselves with an embarrassing bill on their hands, having rushed it into the House, they do not admit their mistakes, though it is evident that errors have been made. They find excuses. They excuse themselves by saying they only put the bill on the table in order that the public could participate by making submissions on the basis of which revisions could be carried out. Here is an instance of a situation in which all kinds of submissions were made by industry, following which the minister made changes without consulting the industry which would affected by those changes.

The letter goes on:

It is equally obvious that earlier recommendations by the industry had been ignored and that the new proposals were tailored to meet the special requirements of one area and are only a small sector of the industry.

The Mining Association of British Columbia, after careful consideration of the revisions proposed by Hon. Mr. Benson on August 26, finds these revisions to the white paper to be entirely inadequate and unrealistic. Our recommendations concerning the original white paper proposals have already been conveyed to you and our position is only reinforced by these new proposals.

Representations were also made directly to the Minister of Finance, after he had announced these revisions, by MacDonald Consultants of Vancouver, a firm which has long been engaged in the mining business. They had this to say in a letter dated June 11, 1970:

Our work has directly and indirectly contributed considerable amounts of revenue to taxation coffers, and, provided an incentive atmosphere continues, we will likely contribute increasing amounts.

In the foregoing statement lies the key to our success: the amount of money paid into the taxation coffers. And therein also lies the key to the future of our country. For if an incentive atmosphere does not exist, then persons such as myself will have either to reconcile themselves to the humdrum life or find some other place which does have an incentive atmosphere.

The most cogent paragraph of the letter is the last:

Perhaps, Mr. Benson, you will be kind enough to keep this letter on file and if you go ahead with your proposals as you apparently are determined to do, you will accept this letter as our application for employment with our government. Perhaps if you accept our application for employment we shall not have to move out of our country but will be able to live under the benevolent government shield on the fruits of the endeavours of whosoever may be fortunate enough or lucky enough to be able to continue their endeavours under the new set of rules proposed in your white paper on taxation.

These are just two illustrations of the point I have been making. I could produce several more, but in the time available to me I wanted to quote from an editorial which appeared in the *Financial Times* of October 18, 1971, the most recent issue. The subject matter of the editorial is Mr. Benson's fiscal policy:

If the government is serious . . . its next step must be to end the charade of the tax reform bill. The bill cannot and should not be rushed through parliament before Christmas. The government should accept the inevitable now. It should separate the parts relating to the personal income tax structure, which are acceptable. It should let the rest stand over. And it should announce its intentions immediately.

And that, Sir, is our position.

Some hon. Members: Hear, hear!

• (6:00 p.m.)

[*Translation*]

The Assistant Deputy Chairman: It being six o'clock, I must rise, report progress and request leave to sit again at the next sitting of the House.

Progress reported.

At 6 p.m. the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Thursday, October 21, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

CLEAN AIR ACT

TABLING OF PRESS RELEASE OUTLINING PROPOSED AIR QUALITY OBJECTIVES

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, pursuant to Standing Order 41(2) I wish to table a press release outlining the proposed national air quality objectives for which provision is made in the Clean Air Act.

Mr. Baldwin: On a point of order, Mr. Speaker, I want to repeat what I said on an earlier occasion. This press release may well contain information which ought first to have been given to the House in a statement on motions. I want to enter a covert that press releases are not the subject of filing under this particular order of business.

Mr. Speaker: The hon. member has raised this point before. I must say I cannot remember clearly what the disposition of the matter was. I thought at the time that the point was worth considering very seriously. It is difficult to interpret the exact wording of the Standing Order, which appears to be very wide. One might wonder whether the papers referred to in the Standing Order include a press release. The Chair will look into the matter further in view of the fact the hon. member has raised it by way of a point of order.

* * *

[*Translation*]

INDUSTRY

TABLING OF COMMUNIQUÉ ANNOUNCING APPOINTMENT OF EMPLOYMENT SUPPORT BOARD MEMBERS

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, pursuant to Standing Order 41(2), I want to file copies in both official languages of a release announcing the designation of Employment Support Board members. Information booklets on Board regulations will be distributed to hon. members this afternoon.

[*English*]

ORAL QUESTION PERIOD

EXTERNAL AFFAIRS

GOVERNMENT ASSESSMENTS PORTRAYED TO PREMIER KOSYGIN REGARDING SOVIET ACTIONS UNDER BREZHNEV DOCTRINE, MIDDLE EAST SITUATION AND CHINA-RUSSIA BORDER DISPUTE

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to direct my question to the Prime Minister, Mr. Speaker. In view of the statement by Premier Kosygin at the conclusion of his talks here that "between the Soviet Union and Canada there exists a considerable degree of mutual understanding in the assessment of the situation in the parts of the world where peace is violated,", may I ask the Prime Minister to indicate what Canadian government assessment was portrayed to Premier Kosygin in relation to military actions or interventions which have been considered appropriate by the U.S.S.R. under what is commonly referred to as the Brezhnev doctrine?

Right Hon. P. E. Trudeau (Prime Minister): The Leader of the Opposition is really asking me to restate in answer to a question the totality of Canada's foreign policy. We have made various statements at various times to the House of Commons and in our white papers on what we thought about the Middle East, Viet Nam, the situation in Pakistan, Berlin and so on, and these are matters that we repeated to Premier Kosygin. I will willingly answer more detailed questions if they are asked, but surely I cannot be expected to recite here the totality of Canadian foreign policy.

• (2:10 p.m.)

Mr. Stanfield: With all respect to the Prime Minister, I asked a specific question in relation to a specific doctrine relating to a specific part of Europe. I should like to ask the Prime Minister another quite specific question. In view of Premier Kosygin's remark, and also in view of his statement on October 19 about "the struggle of the peoples of the Arab countries for the liberation of Arab territories occupied by Israel", can the Prime Minister indicate what assessment the Canadian government portrayed to Premier Kosygin in regard to this matter, and would the Prime Minister briefly indicate what is the area of mutual understanding between the Soviet Union and Canada in the assessment of the Middle East situation?

Mr. Trudeau: Very briefly, Mr. Speaker, we both agreed that United Nations resolution 242 should have our wholehearted support.

Mr. Stanfield: In view of the general nature of Premier Kosygin's statement about the degree of mutual understanding in parts of the world where peace is violated, I wonder whether this is an indication that the government of Canada has informed Premier Kosygin that Canada shares Russia's view with regard to the border dispute between Russia and the People's Republic of China?

Mr. Trudeau: Mr. Speaker, this subject was not raised, either by ourselves or by the Soviet Union. Therefore I am not in a position to answer that question.

Mr. G. W. Baldwin (Peace River): A supplementary question, Mr. Speaker. Does the government intend to express its regret to those people and organizations engaged in peaceful protest in Ottawa during the last few days who Premier Kosygin, the guest of the government, at a press conference described as "riff-raff"?

DISCUSSION WITH PREMIER KOSYGIN OF POSSIBLE EMIGRATION OF SOVIET JEWS TO CANADA

Mr. David MacDonald (Egmont): Mr. Speaker, I have a supplementary question for the Prime Minister with reference to the comments of the Soviet premier concerning the emigration of Jews from the Soviet Union and the difficulties that he envisioned would be created for the Soviet government in regard to increasing the number of those who would bear arms in Israel. Did the Prime Minister or any member of his government express to the Soviet premier a willingness to increase emigration possibilities for Jewish people in the Soviet Union who might wish to come to Canada?

Right Hon. P. E. Trudeau (Prime Minister): This point was not stressed, Mr. Speaker. I believe the Soviet Union knows Canada's immigration policy and there was no particular occasion to raise this matter. Nor have representations on that score been made to me. I think the representations that I received had more to do with emigration from the Soviet Union to Israel and also the question of the reunification of families, which is distinct from emigration.

Mr. MacDonald (Egmont): In view of the fact that the Soviet premier did express at least on one occasion, if not more, that difficulty did exist in regard to increasing Jewish emigration from the Soviet Union, would the Prime Minister or one of his ministers agree to look into this matter further so as to relieve the concern of many Canadian citizens about the inability of Jewish citizens in the Soviet Union to emigrate from that country?

Mr. Trudeau: I will consider that request.

INQUIRY AS TO REPORT ON FOREIGN INVOLVEMENT IN CANADIAN ECONOMY

Mr. David Anderson (Esquimalt-Saanich): I have a supplementary question, Mr. Speaker. In view of the fact the Brezhnev doctrine, or an adaptation thereof, has been adopted by Senator Kennedy, the front-running contender for the United States presidency, namely, that in view of close relations between the United States and another state the U.S. has the right to intervene in the internal affairs of another state, may I ask the Prime Minister whether or not we can expect an early report from the Minister of National Revenue on the subject of foreign involvement in the Canadian economy?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, we can expect an early statement on this subject, though its connection with the Brezhnev doctrine is fairly tenuous. But I do want to reassure the hon. member that we will be making a statement soon.

DISCUSSIONS BETWEEN PRIME MINISTER AND PREMIER KOSYGIN ON EMIGRATION FROM RUSSIA AND RIGHTS OF ETHNIC GROUPS—REQUEST FOR STATEMENT

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I ask the Prime Minister to return to the question of the discussions he had with Mr. Kosygin concerning the matter of emigration from the Soviet Union and also the question of the rights of Jews and other cultural groups in the Soviet Union. Is the Prime Minister in a position to make a public statement or tell the House anything in addition to what we learned in the meeting of the committee yesterday morning?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker. The statements made by Mr. Kosygin in the committee, and, indeed, repeated in part at the press conference, were more or less in the same form as the statement he made to me, although he did not elaborate to me on statistics as he did, I believe, in the statement made to the committee of the House. However, it was generally couched in the same terms, namely, that he did not recognize that there were particular forms of discrimination against any of the Soviet people. He explained in what circumstances some Jews were not given the facilities to emigrate to Israel, but he stated that generally, and we concurred from the knowledge we have, there has been vastly increased emigration from the Soviet Union to Israel in the past little while, and I expressed the hope that this would continue.

On the problem of reunification of families, I pointed out very carefully to him that I was raising this matter merely on a humanitarian basis and that, as with other subjects, I was not trying to interfere in the internal affairs of their country but I was appealing to him on a humanitarian basis to further the cause of those who had made application for the reunification of families. I attempted somewhat to see if there were any reasons of policy or of doctrine as to why this subject had not met with more notable success and he assured me that there were not. It was essentially a matter of processing these names, of contacting the people and getting them through the bureaucracy and, in some cases, of discovering that those who had been applied for as subject, for reunification did not always want, when they were reached, to be reunited with the people on this side who wanted to be reunited with them. He said that there were some occasions when this happened. Generally, however, he expressed regret that the matter had taken some little time. He assured me that the names were in the works

now, that he would see to it personally that substantial advance would be made on this subject.

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[*Translation*]

UNITED STATES REACTION TO POSSIBLE AGREEMENT BETWEEN CANADA AND U.S.S.R. RESPECTING ARCTIC

Mr. Speaker: Does the hon. member for Témiscamingue have a supplementary?

Mr. Réal Caouette (Témiscamingue): Yes, Mr. Speaker, I have a supplementary for the right hon. Prime Minister.

It would appear that the United States are becoming somewhat touchy at the idea that agreements might be reached with the USSR concerning the north where our countries are next-door neighbours. Has the Prime Minister been officially informed of reactions of United States authorities who apprehend such agreements?

Right Hon. P. E. Trudeau (Prime Minister): I cannot say, Mr. Speaker, that there have been reactions following my meetings with Mr. Kosygin or with Soviet authorities, but the hon. member knows that the United States ever since we ourselves have taken quite a strong stand on our rights in the Arctic, have made representations indicating that they were not always in agreement with our positions.

There have been reactions, as mentioned by the hon. member, but they were prior to my meetings with Mr. Kosygin.

[*English*]

CANADIAN RELATIONS WITH U.S.S.R. AND UNITED STATES

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, does the Prime Minister feel that in order to increase the friendliness of our relations with the U.S.S.R. it is necessary to cool our relations with the United States?

Right Hon. P. E. Trudeau (Prime Minister): That is not our position, Mr. Speaker. I hope it would not be that of hon. members opposite.

An hon. Member: That was juvenile.

• (2:20 p.m.)

CANADIAN POSITION RESPECTING ISRAELI-ARAB CONFLICT

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, arising out of the answer given the Leader of the Opposition by the Prime Minister in connection with Canadian agreement with the U.S.S.R. to support the United Nations resolution respecting the boundaries and territorial areas of Israel, in view of the fact that most people do not know about the resolution in detail and to get it clearly before the people of Canada may I ask whether it is a fact that the Canadian government supports the need for the Israelis to give up the occupied territory, including that portion of Jerusalem which was in Jordan, as a condition to peace? Is that what the government of Canada is taking a stand on?

Inquiries of the Ministry

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, since I have been speaking for Canada many times at the United Nations when the question of the Middle East has been raised, may I be permitted to say to the right hon. member for Prince Albert, through Your Honour, that Canada is strongly in support of resolution 242 of the Security Council which says that there should be a withdrawal of Israeli forces to secure and recognized boundaries.

Mr. Diefenbaker: The minister has demonstrated his capacity for evasive language not only in this House but in the United Nations. Nevertheless I ask him this very simple question: Does the Canadian government declare as its policy that the Israelis have to give up all the land they are occupying at the present time and have occupied since the war? It is as simple as that and there should not be all this equivocation.

Mr. Sharp: Mr. Speaker, resolution 242 was worked out as a result of prolonged negotiations among the powers that were then members of the Security Council, including Canada, and we stand behind the resolution which calls for withdrawal to secure and recognized boundaries. That is the resolution and that is our policy.

Mr. Diefenbaker: That is what I want. That is not what you have been telling the Jewish people in Canada.

POSSIBLE U.S.S.R.-CANADA TRADE EXPANSION RESULTING FROM DISCUSSIONS WITH PREMIER KOSYGIN—IMPORTATION OF RUSSIAN TRACTORS

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, as a result of the talks and discussions with the U.S.S.R. and Premier Kosygin is there any prospect of an increase in trade or wider talks toward expanding trade relations between our two countries?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, the Prime Minister said yesterday, I believe, this was one of the results of the meeting, but I am not in a position today to say how this will take place. Views were expressed on both sides on wheat, for example, and on the export of manufactured products, too and results of this will become visible as the months go by.

Mr. Gleave: Mr. Speaker, may I ask the Minister of Industry, Trade and Commerce or the Minister of Agriculture whether the government has concerned itself about the fact that there is at present some difficulty in respect of the importation of Russian tractors and parts involving a legal action? Has either minister concerned himself with the matter of the importer in Oakville, Ontario?

Mr. Pepin: I have looked into that matter and we consider this to be a problem between the Soviet Union and the Canadian importer of these tractors. It is a private affair and it is being dealt with in that way by the authorities of the U.S.S.R.

Inquiries of the Ministry

DISCUSSION WITH PREMIER KOSYGIN OF POSSIBILITY OF OPENING CANADIAN IMMIGRATION OFFICES IN COMMUNIST COUNTRIES

Mr. William Skoreyko (Edmonton East): Mr. Speaker, I should like to ask the Prime Minister whether in his discussions with the Premier of the Soviet Union the possibility of Canada opening immigration offices in certain of the communist countries was discussed?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, it was not discussed.

* * *

TRADE

POSSIBLE AGREEMENT BY U.S.S.R. TO BUY CANADIAN WHEAT OVER NEXT FIVE YEARS

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, I should like to put a supplementary question to the Minister of Industry, Trade and Commerce.

Could he tell the House if it is true that Soviet Premier Kosygin undertook to supply Canadian wheat to the USSR for the next five years?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Unfortunately, Mr. Speaker, I did not attend the press conference where Mr. Kosygin might have suggested that. I am not in a position to confirm or deny what has been said.

However, I know, first, that the USSR has taken the good habit of coming to Canada first when it needs grain; second, that relations are extremely friendly between the Canadian Wheat Board and the Export Kleb; and third, that the USSR now receives Canadian wheat deliveries under the terms of a contract for the sale of 3,500,000 tons, and that these deliveries will continue until April 1972.

* * *

[*English*]

FINANCE

REPORTED GROUP OF TEN CONSENSUS ON DEVALUATION OF U.S. DOLLAR—CANADIAN POSITION

Hon. Marcel Lambert (Edmonton West): My question is for the Minister of Finance. In light of the report that a general consensus has been reached among the Big Ten with regard to the devaluation of the United States dollar to the extent of 10 per cent as against the leading currencies, does Canada share in this consensus, and if that is the case does this mean that there will be a further devaluation of the U.S. dollar relative to the Canadian dollar?

Hon. E. J. Benson (Minister of Finance): The first I heard of any consensus was on reading the same press report that my hon. friend read. I am waiting for our delegate to return from Paris when I will have information.

Mr. Stanfield: How long will we have to wait?

Mr. Benson: The meeting finished just last night.

[Mr. Pepin.]

Mr. Lambert (Edmonton West): Since Canada had a delegate at this conference, can the minister say what his instructions were in this regard? Was Canada pressing for a downward revision of the value of the American dollar relative to the Canadian dollar?

Mr. Benson: No, Mr. Speaker.

Hon. Robert L. Stanfield (Leader of the Opposition): Was the Canadian delegate at that conference authorized to agree to any devaluation of the Canadian dollar in relation to the U.S. dollar as part of a general accord among the Group of Ten?

Mr. Benson: This conference was not supposed to reach decisions but merely to sense the feeling of other countries prior to a ministerial meeting.

Mr. Stanfield: Was the Canadian delegate authorized to give an impression that such a tentative accord might meet the approval of the government of Canada, and if not, why was this view not conveyed to the members of the Group of Ten who, according to the report, seemed to feel that there was in fact such an accord?

Mr. Benson: I have seen no evidence that there was such an accord, and this meeting was not qualified to reach accords.

Mr. Stanfield: You don't seem to be in touch at all.

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TRADE

POSSIBLE IMPOSITION BY UNITED STATES OF COUNTERVAILING DUTIES BECAUSE OF CANADIAN PROGRAM TO ASSIST INDUSTRY

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): May I direct a question to the Minister of Industry, Trade and Commerce arising out of a report from Washington which credits certain United States officials as saying that they have informed the Canadian government of the possibility of that government imposing countervailing duties as a result of the $80 million program for assisting Canadian industry should American companies lodge a complaint. Has that information been conveyed to him or to his colleague, the Minister of Finance, and, if so, what representations is the Canadian government making to the U.S. government regarding this matter?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): It has not been conveyed to me and the Minister of Finance says it has not been conveyed to him either. If the U.S. government, after studying the issue, decides that it deserves countervailing duties, I am sure they will find the proper way to convey the message to us.

Mr. Speaker: The hon. member for South Shore.

REGIONAL ECONOMIC EXPANSION

INDEPENDENT PUBLIC INQUIRY INTO DEPARTMENTAL STRATEGIES AND PRACTICES

Mr. Lloyd R. Crouse (South Shore): I wish to direct my question to the right hon. Prime Minister. In light of the fact—

Mr. Douglas: Mr. Speaker—

Mr. Speaker: Order, please. The Chair has recognized the hon. member for South Shore who has already started asking his question. I will return to the hon. member for Nanaimo-Cowichan-The Islands for his supplementary question thereafter.

• (2:30 p.m.)

Mr. Crouse: Thank you, Mr. Speaker. My question is directed to the right hon. Prime Minister. In light of the fact that the former deputy minister of DREE, Tom Kent, conceded yesterday that DREE has been a disappointment, is the government going to appoint an independent public inquiry into the strategies and practices of DREE?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker.

Mr. Crouse: In view of Mr. Kent's agreement that it would be desirable that DREE bring the administration of its programs closer to the Atlantic region, is DREE going to take steps to decentralize some of the administration and decision-making of the department?

Mr. Trudeau: Mr. Speaker, I have not seen any such report of Mr. Kent's remarks. I would want to see if indeed he was correctly reported before commenting.

* * *

TRADE

POSSIBLE USE OF COUNTERVAILING DUTIES UNDER PROPOSED UNITED STATES DISC PROGRAM—CANADIAN REPRESENTATIONS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I wish to direct a supplementary question to the Minister of Industry, Trade and Commerce. In view of the fact that the DISC program now before the United States Senate would seem to imply the need for countervailing duties if it is passed much more than the assistance which the Canadian government has been giving to Canadian industry, has the Canadian government conveyed to the American government what might be the probable results of proceeding with the DISC program?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): This is very hypothetical but it seems to me I have to assume that one of the reasons why the United States government would not countervail against Bill C-262 would be the fact indicated by the hon. member as to their own deficiencies in other areas.

Inquiries of the Ministry

POSSIBLE LIFTING OF UNITED STATES IMPORT SURTAX IN CASE OF WEST GERMANY—CANADIAN REPRESENTATIONS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I ask a supplementary question of the Minister of Finance. While there has been no agreement between Washington and West Germany, last Sunday the United States Secretary of the Treasury was reported as having said he was prepared to consider the selective lifting of the import surcharge in the case of West German imports because they had allowed their mark to float to a reasonable level with the U.S. dollar. In view of the fact that the Canadian government allowed its dollar to float 14 months before the surcharge was imposed—

Mr. Speaker: Order, please. The hon. member should try to ask the question a little more briefly. We are running short of time. We are still only on the second or third question in the first 25 minutes of the question period. I would hope that the hon. member would ask his question a little more briefly.

Mr. Douglas: I am asking the minister whether in view of this concession which Mr. Connally is prepared to make the Canadian government is making any representations to the U.S. government for similar consideration and, if not, why not?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, this again is a very hypothetical question. No such concession has been made.

Mr. G. W. Baldwin (Peace River): As a supplementary question, Mr. Speaker, in light of the apparent breakdown between Ottawa and Washington, will the Minister of Finance consider asking Premier Kosygin to make the government's case to President Nixon?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. Again I have to bring to the attention of hon. members that we will soon be running short of time. There are only 15 minutes left until the end of the question period, and there are four rows of members who have not had a chance to ask questions.

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NATIONAL SECURITY

QUEBEC—REPORTED PROPOSAL TO HIRE SPECIAL INVESTIGATORS

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I would like to ask the Solicitor General if at this time his department or any department of the government is advertising for students who are trained in law, economics or sociology to become specialist investigators at a salary of $16,000 per annum who will go into the province of Quebec, where they have been categorized as Quebec spies in an article, "Regional Analysis", by the Quebec press, and report back to the minister? Further, are they to take an oath of secrecy as well? Is that correct? If the minister does not know, will he have the matter investigated?

Inquiries of the Ministry

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, I shall inquire.

* * *

[*English*]

YOUTH

OPPORTUNITIES FOR YOUTH PROGRAM—ALLEGED GRANT TO ORGANIZATION OF HOMOSEXUALS IN TORONTO

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, my question is directed to the Secretary of State. Can the hon. gentleman advise the House whether the CHAT organization, an organization of Toronto homosexuals, received a grant under the Opportunities for Youth program through the Core City Youth Employment Group?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, as far as I know there surely was no direct subsidy. The hon. member suggests that the subsidy could have been received indirectly through some other agency. In order to find out I would have to consult the record.

[*English*]

Mr. Muir: Mr. Speaker, I thank the minister for his reply. After he has investigated I hope he will report to the House. As a supplementary question, will he assure the House that this is not the reason why this group is today supporting the provincial Liberal party?

Some hon. Members: Oh, oh!

* * *

THE CANADIAN ECONOMY

UNEMPLOYMENT—GOVERNMENT TARGET FOR 1972

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Prime Minister. In view of the fact that one of Canada's chartered banks has predicted that unemployment in 1972 will probably be of the order of 6.4 per cent, the same average that was expected this year, can the Prime Minister say whether this is the government's target or does the government have something better and, if so, what is it?

Right Hon. P. E. Trudeau (Prime Minister): It is not our target, Mr. Speaker. We have something better. You will see if you just wait another year.

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EXTERNAL AFFAIRS

PURPOSE AND PROGRAM OF CANADA-MEXICO MINISTERIAL COMMITTEE MEETING—REASON FOR DELAY

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, I wish to direct a question to the Secretary of State for External Affairs. Can he indicate the purpose and the program of the Canada-Mexico ministerial committee meeting in Ottawa this week and perhaps indicate why it has taken three years to organize the meeting with this very friendly group?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the purpose of this meeting is to explore ways and means of improving bilateral relations between Canada and Mexico. Mexico is one of our most important trading partners, and many of us visit there from time to time. We have a big tourist business. I regret that until now we have not had this meeting. The visiting ministers, who are watching us, know that in 1969 we were engaged in trying to decide our policy on Latin America, and in 1970 they were having an election in Mexico. So this is our first opportunity. I am very glad to have them here, and I am sure the House would like to welcome them.

Some hon. Members: Hear, hear!

* * *

[*Translation*]

AGRICULTURE

UNITED STATES IMPORT SURTAX—MEASURES TO HELP QUEBEC FARMERS

Hon. Théogène Ricard (Saint-Hyacinthe): Mr. Speaker, I have a question for the Minister of Agriculture.

According to a statement made by his Quebec counterpart, from August 15, 1971 to August 15, 1972, Quebec farmers will lose close to $3 million because of the 10 per cent American surcharge. What action does the minister intend to take to help Quebec farmers?

[*English*]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, a number of proposals have been made to us not only by the farmers of Quebec but by the organizations representing commodity groups. We are looking at them. I have made some announcements, for example, respecting turkeys and our help with respect to their market situation. There are a number of others under study, and I hope we will soon reach conclusions so that I can make announcements about specific assistance programs for certain commodities.

• (2:40 p.m.)

[*Translation*]

Mr. Ricard: Mr. Speaker, I have a supplementary for the hon. Minister of Agriculture.

What amount will the minister recommend the Cabinet allocate to this purpose?

Mr. Speaker: Order, please. I do not think the question in its present form is receivable.

[*English*]

ROYAL CANADIAN MOUNTED POLICE

ASSAULT ON PREMIER KOSYGIN—INVESTIGATION OF SECURITY ARRANGEMENTS TO DETERMINE WHETHER THERE WAS NEGLIGENCE—REQUEST FOR TABLING OF REPORT

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my question is directed to the Solicitor General. No one expects a security cordon to be impregnable, but nonetheless the circumstances connected with the assault committed on Mr. Kosygin the other day were of such a nature as to demand investigation and the placing of responsibility, if there was negligence, on those who were negligent. I ask him whether an investigation is taking place and, in particular, if an investigation has taken place is it not a fact that the responsibility has been taken away from the Royal Canadian Mounted Police—and I am very glad to hear that—and placed in other quarters?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, I have had a long discussion with the heads of the Royal Canadian Mounted Police regarding security measures to be taken on the occasion of Mr. Kosygin's visit. We have had all possible co-operation from the authorities that we have contacted. I was satisfied with the security measures taken and it is unfortunate that an incident should have taken place. I apologize to this House for this. I have discussed this incident with the RCMP Commissioner; he has given me a complete report on it. I have moreover reported to the Prime Minister regarding this. In my opinion, there has been no negligence as such but we shall certainly endeavour to develop still better methods for protecting those who visit our country. This means, of course, that we may perhaps restrain access by the public to distinguished visitors in the future. I think that it must be recognized that security measures are becoming more and more necessary in this country just as in all others.

[*English*]

Mr. Diefenbaker: As this is a matter that affects Parliament Hill and parliamentarians generally and as the security of Canada is naturally one of the elements, will this report be made available so that a study may be made and incidents of this kind prevented to the greatest possible degree in the future? This is one report that should be made available to the Canadian people.

[*Translation*]

Mr. Goyer: Mr. Speaker, were I convinced that there was some oversight, it would perhaps be advisable, but I doubt so. I do not think that it is proper to discuss publicly police methods for protecting distinguished visitors in Canada.

[*English*]

Mr. Diefenbaker: Mr. Speaker, if it cannot be discussed in a public forum, can Privy Councillors in this House be given personal knowledge of the contents?

Inquiries of the Ministry

ADMINISTRATION OF JUSTICE

ALLEGED PHYSICAL VIOLENCE IN JAIL AGAINST PERSON WHO ASSAULTED PREMIER KOSYGIN

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, everybody is sorry about what took place on Monday but I am in possession of information that the young man from Hungary, Geza Matrai, who assaulted Premier Kosygin on Monday was placed in a cell in Carleton County jail with persons being held for selling illegal drugs, some of whom attacked him. The attack is alleged to have occurred at approximately seven o'clock on Tuesday evening and to have taken the form of punches and kicks administered to Mr. Matrai's person. Will the minister give the assurance that this matter will be investigated and that in the meantime Mr. Matrai will be protected and kept completely separate from the persons who he claims attacked him?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, it would be an excellent question to ask the provincial minister, Mr. Apps, but I think it would be difficult to do so today and obtain an answer.

* * *

[*English*]

URBAN AFFAIRS

REDUCTION OF FEDERAL POWERS IN FIELD OF URBAN DEVELOPMENT

Mr. S. Perry Ryan (Spadina): My question is directed to the Minister of State for Urban Affairs. In an address in Montreal yesterday to the Canadian Real Estate Association the minister stated that the federal government is willing to reduce its powers in the field of urban development if that reduction leads to federal-provincial co-operation in the redevelopment of Canadian cities. May I ask the minister what powers he has in mind that the government would reduce?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, as the rest of the remarks would indicate, my intent was to say that through lack of a policy framework in the past I am afraid that in the exercise of programs clearly within federal jurisdiction we have from time to time inadvertently invaded provincial jurisdiction but that with the policy framework possible through the urban affairs ministry that was less likely to happen.

Mr. Speaker: Order, please. I have to seek again the co-operation of hon. members. There are just about four minutes left in the question period. If hon. members each take five or six minutes of the time of the question period there will be members who I think ought to be given an opportunity to ask questions who will be deprived of that privilege. I invite the co-operation of hon. members who from day to day are recognized and given a chance to ask questions to give that opportunity to other hon. members also. The hon. member for Edmonton Centre.

Inquiries of the Ministry

COMBINES

INVESTIGATION OF POSSIBLE ANTI-TRUST ACTIVITIES BY NATIONAL HOCKEY LEAGUE RESPECTING FORMATION OF NEW LEAGUE

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, I have a question for the Minister of Corporate and Consumer Affairs. Is the minister's department investigating possible anti-trust violations by the National Hockey League through interference in the formation of the WHA league in competition with the NHL?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): Mr. Speaker, the title is the Department of Consumer and Corporate Affairs. The existing Combines Investigation Act does not cover the provision of sport services or professional or amateur sport. The hon. member will know that Bill C-256 which is before the House does so—

Mr. Speaker: Order, please. The hon. member for Dartmouth-Halifax East.

* * *

• (2:50 p.m.)

HURRICANES

NOVA SCOTIA—REQUEST BY PROVINCE FOR FINANCIAL AID

Mr. J. M. Forrestall (Dartmouth-Halifax East): I have a question for the Prime Minister or possibly one of his colleagues. Has the federal authority yet received a request for aid from the province of Nova Scotia to help defray the cost of repairing the damage caused by hurricanes in that province in mid-August?

Right Hon. P. E. Trudeau (Prime Minister): I will take note of the question, Mr. Speaker. I have no memory of such a request.

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WELFARE

CORNWALL—REFUSAL OF PAYMENTS TO PERSONS WITH LONG HAIR—POSSIBLE VIOLATION OF CANADA ASSISTANCE PLAN

Mr. Lorne Nystrom (Yorkton-Melville): I have a question for the Minister of National Health and Welfare. On a couple of occasions in the last two weeks the minister said he was investigating an incident reported to have occurred in Cornwall where welfare officials refused welfare to recipients with long hair in order to determine whether this might be a violation of the Canada Assistance Plan. Can the minister report today whether he came to any conclusion as a result of this investigation?

Hon. John C. Munro (Minister of National Health and Welfare): My information is that no violation occurred, Mr. Speaker.

[Mr. Speaker.]

INQUIRY OF THE MINISTRY

Mr. Cliff Downey (Battle River): I have a question for the right hon. Prime Minister or the Minister of Labour. In view of the apparent closing of the ties between Canada and the Soviet Union, does the government plan to initiate a study of Soviet methods of combating unemployment with a view to possibly adopting such methods?

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INCOME TAX

CANADIAN FEDERATION OF AGRICULTURE BRIEF OBJECTING TO CERTAIN ASPECTS OF BILL—GOVERNMENT POSITION

Mr. R. R. Southam (Qu'Appelle-Moose Mountain): I have a question for the Minister of Finance. Has the minister studied the brief forwarded to him earlier this week by Mr. Charles Munro on behalf of the Canadian Federation of Agriculture which refers specifically to Bill C-259 on tax reform and points out some of the very serious aspects of the legislation as it applies to the agricultural industry? If so, can the minister indicate to the House what steps he plans to take to rectify these serious difficulties?

Mr. Speaker: Order, please. The minister should reply briefly if he wishes but normally that kind of information should be conveyed by way of a general statement.

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I received the brief. We are reviewing it and will of course consider the suggestions made.

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TRADE

UNITED STATES IMPORT SURTAX—POSSIBLE LIFTING IN CASE OF WEST GERMANY

Mr. R. N. Thompson (Red Deer): I have a question for the Minister of Industry, Trade and Commerce. On Tuesday the minister stated he would report back to the House on whether or not any bilateral arrangements have been entered into with the United States in regard to the removal of the surcharge. I think the question was specifically related to West Germany. Can the minister inform the House whether he has any information in that regard?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, the Minister of Finance, in answering the former leader of the NDP, said a moment ago, quoting Mr. Connally himself, that the information was erroneous.

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HOUSING

PROVISION OF ACCOMMODATION FOR THE POOR

Mrs. Grace MacInnis (Vancouver-Kingsway): I have a question for the Minister of State for Urban Affairs. In

view of the statement the minister made yesterday in Montreal to the effect that the government will be "providing housing for the poor", would the minister inform the House when this new policy will take effect?

Hon. Robert K. Andras (Minister of State for Urban Affairs): I think it has been in effect for about 25 or 30 years, Mr. Speaker, and has been accelerated very drastically in the last two or three years.

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[*Translation*]

OFFICIAL LANGUAGES ACT

BILINGUAL DISTRICTS—GOVERNMENT POLICY

Mr. Roch La Salle (Joliette): Mr. Speaker, I would like to ask a question to the Secretary of State.

Referring to last spring's policy statement on bilingual districts and since the 90-day period has expired, is the minister in a position to tell if some changes have been made or if the statement, made previously to the House, will definitely represent the government's policy.

Hon. Gérard Pelletier (Secretary of State): The matter is under consideration, Mr. Speaker, and I will probably report to the House soon.

* * *

[*English*]

AGRICULTURE

ASSISTANCE TO PRINCE EDWARD ISLAND AND NEW BRUNSWICK PRODUCERS TO EXPORT POTATOES

Mr. David MacDonald (Egmont): I have a question for the Minister of Agriculture. In view of the meeting held last weekend by the premiers of Prince Edward Island and New Brunswick regarding the serious situation that exists concerning the export of potatoes from those two provinces, can the minister indicate whether he has anything favourable to report on the situation today or when he will be in a position to make a statement in view of the fact that a number of seed potato producers are now facing a very serious problem in regard to export?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, most of that meeting centered around a proposal with regard to a large export order which lacked detail in so far as our ability to accept it is concerned. The deeper we got into finding the detail, the more discouraging it became.

Hon. J. A. MacLean (Malpeque): I wish to direct a question to the Minister of Agriculture. Has any consideration been given to a proposal not to have any duty on potatoes moving in either direction between Canada and the United States as Canada is a net importer of potatoes?

Mr. Olson: I and my predecessors in this department, as well as other Ministers of Industry, Trade and Commerce and External Affairs, have proposed to the United States many times that we should change the rate on potatoes either to nil both ways or at least the same going both ways. Over the past few years the United States has responded that this is not negotiable.

Mr. Speaker: Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY, S.O. 58—ELIGIBILITY TO OLD AGE SECURITY OF PERSONS 60 TO 65 YEARS OF AGE

[*Translation*]

Mr. C.-A. Gauthier (Roberval) moved:

—This House regrets that the government has not deemed advisable to provide old age security pensions to persons between the ages of 60 and 65, or to the wife of a retired person, whatever the age. Any pension so awarded should be such as to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

He said: Mr. Speaker, the days allotted to the opposition are a unique opportunity for us of the Social Credit Party of Canada to draw the attention of the government on ticklish matters with which the government does not dare deal in order to reach a rational solution.

This motion, which could be entitled "Adjustment of pensions for older Canadians", reads as follows:

—This House regrets that the government has not deemed advisable to provide old age security pensions to persons between the ages of 60 and 65, or to the wife of a retired person, whatever the age. Any pension so awarded should be such as to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

But if we accept the principle that Canada is one of the wealthiest countries in the world, I fail to see why we should trail far behind those same countries with regard to the social security of those who built our country.

In the past, it was difficult enough to set, according to accepted standards, the minimum age entitling one to a pension. If we refer to the Internation Labour Conference of 1932, the minimum age was not to exceed 65, but it took Canada 35 years to recognize the recommendation of the International Labour Office. Indeed, it was only in 1952 that universal old age security pensions provided for a uniform payment of $40 a month to everyone 70 or over. That was a very timid start considering the fact that in 1937, 30 years before Canada, Denmark lowered pensionable age to 60.

Since January 1, 1971, a 65 year old person gets a pension of $80 per month and if that person has no other source of income, he may be entitled to a $55 monthly supplement. We lost in terms of universality what we gained in terms of social assistance. In other words, the old age pension is no longer strictly a pension, but is partly social welfare. And that is precisely what people do not accept any more. I shall come back to this subject a little later.

It is absolutely essential for us to base our social reforms on economic requirements. In these days of

unemployment, the public opinion calls for the lowering of the retirement age, so that a greater number of people withdraw from the labour market, thus enabling younger people to find employment. Besides, that is the main reason why the government of Denmark reduced the eligible age for pension to 60 years in 1937.

In 1911, New Zealand set the pensionable age at 60. They even set eligibility at 55 for women.

In Australia, as early as 1910, the minimum eligible age for a pension was also lowered to 60.

In Canada, we had to wait until 1927 before persons 70 years and over were guaranteed payment of a miserable pittance of $20. It is so ridiculous that I am ashamed of stating the amount of the pension. Could not Canada which ranks among the ten richest countries in the world at least follow the example of the countries I have just mentioned?

Today, we urge the present government to give all older Canadians a pension based on the cost of living. I did say a pension, not the semblance of one such as the scheme that now exists. Pensions are dues, not social welfare. I am convinced that our country is rich enough to give good protection to those who spent the best years of their lives making their country progress. A pension that will re-establish social distributive justice, because it will not allow any patronage and will not result in any discrimination since all people will get the guaranteed minimum regardless of their social or monetary status.

How much would such a pension cost the Canadian treasury? Not more than we are spending today for bureaucracy and patronage of all kinds. Think of the millions the Canadian treasury is now spending to fight unemployment, for instance, for training, second training, third training, to support all the young people who, having finished their studies or their training, can still find no jobs.

Transferring funds allocated to workers 60 to 65 years old to government pensions will increase old age pension disbursements but at the same time and perhaps to a greater extent it will reduce funds allocated to support these unemployed persons or train them. It must be recognized that a family of unemployed individuals costs the government much more than a married couple receiving a pension.

I can, Mr. Speaker, give a simple example to illustrate what I have in mind. What happens to a factory worker who has reached retirement age? This factory worker, who is a breadwinner, will leave a fairly remunerative job to make room for whom? For another breadwinner who was unemployed. That is to say, the state was providing a living to this breadwinner who had perhaps three, four, five or six children, therefore costing the welfare bureau or the unemployment insurance—mostly the welfare bureau—$250, $300 or perhaps $350 a month. The latter will replace the other breadwinner, the retired one, in the last case and in the present situation the government would pay $255 a month.

That is why I said a moment ago that by giving a pension to those who reach age 60, the government will be called upon to spend more money, but in a number of cases, it would make a saving. On the other hand, in granting this pension to all and without investigation, as is done now in the case of family allowances, the various provincial inquiries would be eliminated; these cost to the treasury as much as the income supplement which 35 per cent of pensioners receive on account of their poverty. In considering these two points only, we see that our case is justified.

We finally ask that the wife receive the same pension as her husband when the latter reaches retiring age and we base our request on the most elementary sense of justice. Let us consider the family as it exists in our Canadian society. The salary of the breadwinner is still that of the father. When he was at work, he was supporting the family economy and when he paid his taxes, he was doing so as the head of the family. Is it not true that when he ceases to receive his salary, it is the head of the family who loses his income? If a pension is to replace this salary, is it not logical that such pension be granted to a breadwinner? Otherwise, how can the father continue to carry out his role of head of the household without the financial means required for this?

I was going to suggest, as a solution to the problem, that the legislation be amended with regard to the family head. But there is a much simpler way: give the same pension to his spouse, whatever her age. In this way we would reach our objective, that is a guaranteed family income, and to all couples without exception.

Some may object to this, arguing that the rich do not need the old age pension. I would answer that they may not need it but that they are entitled to it, like all other citizens, because this is a pension and not social assistance.

That is why, at the beginning of my speech I established a distinction between a pension and assistance. One does have the right to a pension when perhaps one does not need it, but one is not entitled to any aid which one does not need. That should be quite clear. And I say that the pension should be universal because I consider that the worker has a right to it when he reaches 60. As for the money that one not needing it will receive, you can rest assured that it will quickly go back to where it came from, that is the national treasury, through income tax.

• (3:10 p.m.)

Since the old age security pension is taxable, all the inspectors in every Canadian income tax office will see to it to collect what is due. One must choose the lesser of two evils.

It would be better to have only one collection office, since the present financial system requires it. The cases of all taxpayers will have to be settled instead of the thousands of offices being maintained, which give rise to so many complaints and injustices and where the worst patronage since the heyday of the Taschereau regime is often rampant.

If time allowed me, I would quote hundreds of cases that I had to deal with in my riding, due to on the one hand, this guaranteed income supplement and, on the other hand, because the wife was too young when her husband reached retirement age.

Furthermore, there are conflicts of jurisdiction about the sharing of responsibilities in certain social fields. In Quebec, the situation is further complicated by a rather vague legislation in the field of social affairs, and mainly with regards to shared cost programs, to which the federal government contributes 50 per cent without having a say in the matter. It must also be said that provincial and federal regulations made by officials often supersede the law. Finally, all mothers have seen their cheque reduced to nil with the introduction of the guaranteed income supplement. That is the limit! The finest social mess in the world! Those are the situations that a member must face in his constituency.

The last part of our motion reads as follows: "Any pension so awarded should be such as to enable anyone to live as decently . . .". We still say according to the cost of living index, which would mean about $150 per month at the present time.

I know that all the officials associated with our rotten financial system will say that we are putting it on, since they are the ones who conceive, draw up and complicate the legislation introduced in this House. But do they remember sometimes their yearly salary of $24,000, $25,000, $30,000 or more, while the government states that when it gives $1 to a citizen, it must collect $3 in taxes? I know why.

It is well understood that they will never appreciate the sorry plight of pensioners, when they spend their lifetime in the unequalled luxury of their office, surrounded by secretaries who even fetch them a glass of water.

How can popular social legislation be expected from such bureaucrats? All these high officials should have to live for three years on the older people allowance and share their living quarters, I am sure that we would then get much better social legislation.

I am always surprised, when a bill is tabled in the House, to see all Liberal members without exception endorse the bill without having even read it. I am doubly surprised when the opposition dares to point out the shortcomings of the measure, to see these same Liberals howling against the opposition, charging it with filibustering in the House. However, like all of us, these same Liberal members must receive letters of protest from their constituents. Just like us, they must go through their riding to check the effects that legislation adopted by the House has on their constituents. It is not enough to adopt laws, it is more important to go in the field and see how they are accepted by the people, what are their good and ill effects and to come back here to move the appropriate amendments. And that is what all Social Credit members do in their riding every weekend.

It is just too easy to excuse oneself by blaming the local employees who do everything possible but who are very often overwhelmed by all those laws one would often believe had been invented to make things more difficult for them and to confuse people more. The employees who work close to the people always get the kicks the top men would have well deserved. At times, I have felt that might be the purpose of new social laws: to make people quarrel, that they might no longer have the time or opportunity to notice the administrative blunders of the governments.

Old Age Security Pensions

I shall now deal with the pensioners. I still have a few moments left, which I should like to use to pinpoint real cases, and the problems facing those people.

I have here files on some ten cases, but I could have brought along hundreds of them concerning people who are having problems with the Old Age Pensions Act. I apologize for not giving any names, because it could hurt those people. But that will help me point out the deficiencies of the present law and the problems that can plague a member seeking to solve all those difficulties with which he is confronted day in and day out.

First we have the latest device of the government: the guaranteed income supplement. I think that most of the correspondence we have received these last few months deals mainly with the guaranteed income from the 1st of January, when the pension was first raised by the incredible amount of 58 cents per month.

• (3:20 p.m.)

How many headaches this guaranteed income has given pensioners, who had always been under the impression that they were going to receive $135 a month—which turned out not to be the case at all. It seems as if great pains are taken to mislead the population in order to throw even more confusion and to create quarrels between members and their constituents—who presumably elected this member because they trusted him, and, quite naturally, turn to him when they have problems.

I think that all acts nowadays are meant to make the members' task harder and cause them even more problems. Let us take, for instance, the guaranteed income in the case of a couple in which the wife is not yet eligible to a pension. Before the supplement was introduced, the aged head of a household used to receive $79.42, while his wife received social security payments of—and I have the papers here to show it—between $1 and $75. In most cases, the wife receives $69, $70 or $72. As soon as the government introduced the garanteed income supplement, the father, who had no income as his wife was drawing social security benefits from Quebec, got $135. In Quebec the wife is no longer eligible to anything in that province from the moment when that father gets $135. Indeed I wrote several times to Mr. Castongay and he answered me that this was not possible, because it was absolutely necessary that he should get about the same amount he was getting before the increase.

Finally the government of Quebec acknowledged that that married couple needed $150, $155 or $160 to live and, since the government gave $135 to the husband, it immediately withdrew any assistance given to the wife.

There were dozens of such cases, Mr. Speaker, and that situation was called "the scythe" by the women who were too young to get the federal pension. And all those women believed and hoped that they would get the same pension so that they would at least come under the same government plan. And they were right. In fact they said: If my husband belongs to the federal government plan, I should at least belong to it too. We have jobs and it happens that I come under the provincial government plan whereas my husband belongs to the federal government plan.

That is absurd. That is why I said just now, Mr. Speaker, that there must absolutely be some justice and logic in

government plans. When a husband reaches the federal pension age, the wife should also come under the federal pension plan in order to avoid conflict and above all so that Quebec should not be able to pocket whatever increases might be granted to elderly people, which would go into the Quebec treasury instead of to the citizens involved.

Mr. Speaker: Order. I regret to interrupt the hon. member but I must tell him that his time has expired. He may however continue his remarks with unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Mr. Speaker: There seems to be unanimous consent and the hon. member may therefore proceed with his remarks.

Mr. Gauthier: Thank you, Mr. Speaker. I shall not overdo it. I thought I had 45 minutes at my disposal. I realize you were right. Anyway, you are always right.

Mr. Stanley Knowles (Winnipeg-North Centre): Thirty minutes.

Mr. Gauthier: I am told thirty minutes. I was wrong.

I shall have to be brief if I don't want to take too much time of the House. I very much thank my colleagues for giving me the opportunity of not ending my remarks too suddenly.

A moment ago, I quoted the case of young mothers. All hon. members of this House will understand this problem.

As to the guaranteed income supplement, we must determine the reception date or the means test. The guaranteed income supplement is paid on the basis of income for the preceding year. We can imagine the conflicts that can arise from that. There are some cases in my own riding.

To provide for a pensioner today, we take into account his revenues of the previous year when he was receiving unemployment insurance benefits because he was still entitled to them. Therefore, it means he will have to live on $80 a month. That is what happens. An older married couple must live on $80 a month because there has been an increase which prompted Quebec to withdraw the $30 or $35 the spouse was getting. The couple must go through twelve months on $80 a month. As some would put it, it is no sinecure.

That is why I call the attention of the House on that matter. Once the husband is no longer eligible for unemployment insurance benefits, it is possible to determine his yearly budget two or three months in advance. This can be done and we would not be condemning couples to eke out a living with $80, $100 or $110 a month.

Mr. Speaker, I would have many other things to say but I must abide by my promise not to speak more than two or three minutes. However, I invite hon. members to study the motion. We did not move it as a joke or to help pass the time. It is serious and most of the people approve of such measures. We ask the government to look into that matter and to finally help elderly people. We will be able to do so if the eligible age for pension is lowered to 60. Unemployment will thus be reduced in Canada since new pensioners will make room for the unemployed.

[*English*]

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I congratulate the hon. member for Roberval (Mr. Gauthier) upon bringing before the House the motion we are discussing and for the very human way he talked about the subject it covers. We think far too little about the older people of this country. Many people say, "Why, there are lots of old people around. There are more older people than ever before in this country." There have been many scientific changes during the century and many scientific advances. Each basic discovery has led to many other basic discoveries. More scientists are alive today than the combined total of all the other scientists who have lived since the world began. Never before in history, however, has there been such an awareness of the needs and attributes of youth, and never before has any society done so much to assess the needs of youth and to give them a free hand on the rudder of democracy. Yet, in all regions of the country it is the old who multiply more quickly than the rest of the population. Their numbers are increasing at break-neck speed.

For instance, when the *Mayflower* landed in Massachusetts in 1620, the population of the whole world stood at around 500 million. Today that is the population of one nation, India. Let us take a look back in time. Approximately 25,000 years ago there were 3 million people in the whole world. Ten thousand years ago there were 5 million people in the world. In other words, in over 15,000 years the human population had not even doubled. At the beginning of the Christian era the world population was only 150 million, much less than the population of the United States today. At the beginning of this century, the world population was just over one billion. In 1950 it approached three billion and by the year 2,000 the statisticians tell us it will be well over five billion. As a consequence of overcrowding, pollution, economics and insufficient space in which to stand, the problem is that these people will be aging fast, although the life expectancy is increasing. From 1940 to 1960 the world population grew by just over 1.5 per cent per year, but in the older age group, those over 60, it grew by 2.5 per cent. Statisticians tell us we are getting close to, if we are not already there, a population of 300 million people in the 60 year age group and over, more than the total population of the North American continent today.

• (3:30 p.m.)

The increase in the population of the aged is due to the containment of diseases by scientific medicine. The acute diseases have been brought under control so that the common cause of death in respect of people up to age 40 is accidental. There are many more people who reach age 40 only to find then that the aging and chronic diseases set in. These are the diseases that we have been unable to treat as successfully as those of the acute kind. These diseases which take their toll are heart disease, strokes, cancer, nephritis, respiratory diseases and arthritis. Many of the people who are suffering from these diseases are working today or trying to until they reach the calendar age of 65. Many people reach this age in good mental and

physical health. The cruelest thing in the world is to stop them contributing to their own physical well-being and to the economics of this country. I am sure all of us in this House know of the contribution being made by people of 65 years of age and over. However, thousands of people suffering from chronic disease go to work daily simply so that they might obtain a larger pension at 65. They work under stress and strain.

I think it is about time that we assessed the physical and mental condition of people rather than considered their calendar age. They feel they must work because they know that every day their pension is being eroded. They know it will have less purchasing power. They know hidden taxes will take more of it. They are afraid to quit. They have strokes and coronaries at age 40 and at age 50. Provision should be made so that they would have a pension not at the calendar age of 60 or 65 but at the physical and mental age they represent. There is no question but that there was discrimination when the government brought in the old age supplement of $55 per month for a single person and $95 a month for a married couple with no other cash income. There certainly is discrimination and it is this I should like to see cured. I am in agreement with what the hon. member for Roberval said, but I also realize that, considering our economic position, we probably first want to correct the injustices that already exist in some areas and modernize the system.

But what about, say, John Brown who is partially disabled and owns a little house? He has a small pension of $80 per month from other sources, but he does not qualify for a disability pension or even for medicare. His wife is gone. He will receive only $80 a month, the purchasing power of which will diminish month by month because of inflation. There is nothing to compensate him. We stopped that, so actually we give the old age pensioner less every month. There are hundreds of John Browns who cannot make ends meet. They have been discriminated against. This particular man also has a heart condition and requires medication costing around $10 per month. The discriminating action of this government will not be forgotten. This magnanimous government, in a just society, increases the old age pension by 42 cents per month and then freezes it. These people will not forget that. Then, the pension is eroded by inflation caused largely by the poor management of this government.

Many widows are in the same position. They have a little home and a small pension. The pensions were smaller in the early days, but from 1948 to the present time the value of the dollar has decreased by 50 per cent. This is an indication of how the pension has been cut. I believe this Parliament has a responsibility in this regard. The old people should not be the forgotten people. There are very few elderly affluent people in the age bracket of 60 to 65 and over. They will remember the magnanimity of the Prime Minister (Mr. Trudeau) in the next federal election. The rich old age pensioner really is non-existent, and the Prime Minister must remember that those people of 65 years of age represent 17 per cent or 18 per cent of the voting power of this country.

It is really the second part of the motion presented to the House that is the most interesting. It reads:

> Any pension so awarded should be such as to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

I believe all of us—and I suggest this applies to all parties in the House—should wholeheartedly endorse that proposal. If any member of this House does not endorse it, I should like him to take part in this debate and explain his reason. There is a constant concern on this side of the House that the Liberal government has continually eroded the status and well-being of Canadian pensioners and has repeatedly ignored the plea for more adequate and meaningful assistance. Consequently, it is really the second part of the motion to which I wish to direct most of my attention.

Before I do so, however, I should like to comment on the part of this motion which calls for a reduction in the age level now required for eligibility for old age pensions. The motion calls for the inclusion of persons aged 60 to 64, and persons of any age who are spouses of pensioners. Again I say this is a noble gesture and one for which I have a great deal of sympathy. When medicare was discussed in this House reference was made to supplementary payments for drugs. This proposal was contained in the Hall Commission Report which was tabled in this House some four years ago, but that recommendation has never been carried out.

Let me say that once a person reaches 60 years of age his drug bill increases by four or five times, so that some of these people require up to $30 a month for drugs. However, this government does nothing to help those people who have difficulty meeting their drug bills. There are so many areas of unfairness that have been left in this scheme that I should like to see it modernized and brought up to date. The Minister of National Health and Welfare (Mr. Munro) has spoken from time to time about the guaranteed income, but then he shied away from that. Later, he told us of another plan which would bring the income of the old age pensioner close to that of a guaranteed income. I do not believe he knows what he means at all. This government just does not have any feeling or humanity, although I am sure they have these qualities individually. Why do they not get together over there and do a little thinking about such things as drug bills?

• (3:40 p.m.)

I will tell you something about the cost of drugs. Last year Canadians paid $271 million for drugs. If you take 17 per cent of 23 million people which is the percentage of the population over 60, you realize there is one person in 12 or one person in 13, in that category. Since these elderly people use drugs four times oftener than those under 60, you can see how much money those older people require. The federal government should establish a scheme to cover drug costs, similar to the national medicare scheme so the provinces could follow suit. This is not just my own idea. There is an election in Ontario today. Perhaps I should not mention that, but it is expected that the cost of drugs will be covered in the province of Ontario. Of course, we all know that election promises do not always become law, but I hope that such a bill will be introduced.

Another piece of legislation that was introduced—we have moved in this direction but we are moving so slowly—is one that would cover the cost of patients in

nursing homes, with the exception of $3 per day. This is a big thing. We have done something in this direction but there are still many pockets of people who have been forgotten. Over 500,000 Canadians over 65 are in this category. This is why I plead with the government to get off its seat. I know that on many occasions, Mr. Speaker, you have been lenient with me when I was asking the Minister of National Health and Wefare questions, but I also know that you have realized his answers were neither up to date nor very helpful in assisting us to ascertain the real situation.

In pleading for the older people I want to say that boredom, alienation, poor health and reduced incomes are their main problems. The problems of the older people receive very little attention in the press. How many stories do you hear concerning them compared to those about younger people? They get no notice on the CBC, and this is amazing. How many times, Mr. Speaker, have you seen a program about older people and how they live? Reference was made to this point by the hon. member for Roberval when he cited case histories. How many times have we heard about these people? If the views of older people are rarely heard on the CBC, on radio or television, it is because most of the performers, and indeed the programs, are slanted towards sports, culture and styles in the arts. The older people are just not mentioned. This is not just my observation. A member of this House who had the honour of being the postmaster general appeared before the Senate Committee and stated that there were no programs aimed specifically at representing the plight of the older people in Canada. When one considers that over 500,000 old age pensioners are on incomes between $1,320 and $4,500, which is below the poverty line, one realizes the gravity of the problem.

Again I compliment the hon. member for Roberval who so thoughtfully brought in this motion and thus brought these problems to the attention of the government. In my own way, I have brought to the attention of the government the plight of older people. The world is getting older by the day. When I look around me, and at hon. members opposite, I realize that most of us are approaching the age of cardiovascular disease, diabetes, arthritis and respiratory diseases.

An hon. Member: Senility.

Mr. Bell: There is another thing wrong with them, also.

Mr. Rynard: Without getting too funny about it, let me point out that all this is true. We have seen many members of the House, many of them noted members, who have suffered from coronaries and cardiovascular disease and passed on. I am sure all hon. members know what this means and I am sure it has affected some of their families. All of us have or had fathers and mothers. I am sure it only needs some thought about what we are doing to our old people to make us straighten out our values and to become fair with respect to them. We have that power in Parliament. Let us use it to protect, honour and respect those people among our old age pensioners who are living below the poverty level.

Some hon. Members: Hear, hear!

[Mr. Rynard.]

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I should like to commend the hon. member for Roberval (Mr. Gauthier) on the introduction of the motion that is now before the House. We shall be pleased to give it our full support. As I see it, the motion is in two parts. In the first half of it the hon. member requests that consideration be given to the lowering of the age at which the old age pension is paid so that it would be payable to all at the age of 60. He couples with that the very commendable suggestion that where the breadwinner is on pension the spouse should also receive the pension, even if that spouse has not yet reached the required age. In the second part of the motion the suggestion is made that the level of the pension should be sufficient to enable people to live as decently as is possible in this country.

I suspect that when we hear from the government side of the House in this debate there will be some who will give their support to this motion, their support to moving in the direction suggested by it, but I have no doubt that we will also be given a history of old age pensions. We will be told of the many improvements that have been made since 1926 when the first Old Age Pension Act was enacted. If one compares the original Old Age Pension Act with the present situation, there is no doubt in the world that a tremendous improvement has been made. That first act provided for $20 a month payable only at the age of 70, with a means test so rigorous that very few people were able to qualify for it. We now have a pension that is universal at age 65 to the extent of $80 per month for an individual, and we have the guaranteed income supplement which makes it possible for an individual without means to get an additional $55 for a total of $135 a month. It also makes it possible for a married couple without means to receive a total pension of $255 a month. A number of other improvements have been made, and I have no hesitation in welcoming the fact that we have come a long way since 1926 and 1927.

Mr. Whelan: No other nation has done as much.

Mr. Knowles (Winnipeg North Centre): I was not here when the first act was brought in, but I have been here through all of the years in which the improvements have been won.

Mr. Mackasey: Was it in 1912?

Mr. Knowles (Winnipeg North Centre): No, but it was in this century, the early part of it.

I have no hesitation in saying that the improvements are welcome. But, Mr. Speaker, let us not get carried away with what we have done when, by comparison with what is needed, we are so far behind. If one compares the amount of the pension today with the total wealth we are producing in Canada, with the affluence many people enjoy, we just are not doing enough. We leave the old people in a position where they are entitled to say they are forgotten by the government and by Parliament. This notion that we can rest on our laurels because we passed an amendment to the Old Age Security Act in this session is not good enough for the Parliament of Canada.

• (3:50 p.m.)

The first proposal in this motion is one that we have to take seriously, namely, the lowering of the eligible age. I was interested in the very significant remarks made by the hon. member who preceded me, concerning the difference between chronological age and actual age. He has suggested ideas that should be given very serious consideration. However, what we have before us is a proposal that the eligible age be reduced from 65 to 60. I know that when this suggestion is made during the question period, there are some around who gasp and tell us how much it will cost. But we seem to find it possible to dig up $80 million for this, $90 million for that, and $1 billion for something else, and I think that if we were really aware of the importance of this problem we would find the money.

The point I should like to make is that we have to get away from the idea that an old age pension is merely something one gets when he is old and decrepit. We are in a society that is not finding it possible to provide full employment. This worries us. But it is also a fact of our age that we are moving into a time when there may be a lot less employment, a lot less actual physical work that has to be done. I hope the day will come in the lifetime of those of us here when great numbers of our people just will not be required to do physical work, or work in the actual production of goods and services, but will be free to enjoy life in various kinds of pursuits, and that society will make it possible for them to do so.

Instead of waiting until this type of life is forced on us, instead of bungling into it, why do we not decide now that age 60 is a good age for people to be permitted to leave the labour market. If one is forced to wait until 70, or even 65, in many cases one is not able to make the necessary adjustments or necessary shifts. But if we can say to people that they can retire from physical, manual or other labour at 60, and follow other pursuits, there is a chance for them to make that shift into the later part of life which, after all, is the best of all, for which the first is made—if my poetry isn't too mixed up.

Instead of thinking of pensions as a form of charity, of welfare, of something given to people because they are old and decrepit, there should be a firm decision on a time when we say, "You have done your share of the kind of drudgery that work demands. It is time for you to enjoy a guaranteed annual income. You have reached that age, now go out and show what you can do as human beings."

I suggest that we could think in terms of phasing into this situation. I suggest two ways, in case some are scandalized by the amount of money this would cost to do it all at once. When we reduced the eligible age from 70 to 65 years we faced this problem. Some people thought it would be too much to do it all at once, so we did it year by year, from 70 to 69, from 69 to 68, 68 to 67, 67 to 66, and finally from 66 to 65. We can do the same now. We can start next year to make it 64, the year after that 63, and so on until we get down to 60. This is something that will have to be considered.

Another way we could make this kind of transition is suggested to us in the way we treat the benefits under the Canada Pension Plan. We now provide that a person at age 70 gets the full benefits under the Canada Pension Plan to which he is entitled because of his contributions, no matter what he is doing, whether he is working or not, or has other income. Between 65 and 70, we permit persons to draw the benefits they have earned under the Canada Pension Plan on one condition only, namely, that they leave the labour market, that they do not have income from employment. It is no barrier to their full Canada Pension Plan benefits that persons may have income from investments and other sources. The only requirement is that they leave the labour market.

That might be a way for us to get started on the payment of old age pensions at age 60, simply by saying to people that it is optional—"if you leave the labour market you can get the full amount without regard to a means test, or other sources of income that you may have." Just as I have pleaded in this House over several decades for the various other improvements we have had to make in pensions, I think this question has to be taken seriously. That is why I commend my hon. friend from Roberval for placing it before us today.

Sometimes my hon. friends to my left are characterized as having strange ideas. It is also said that the Minister of Labour (Mr. Mackasey) has some strange ideas, but he has been able to sell some of his strange ideas. I wish him luck with others. But the point of the matter is that strange or not, I think this is a serious proposition that society will have to face. I urge that this House today discuss it seriously, and try its best to make it known to the government that the issue of what we are doing about old age pensions is not over just because we passed an amending bill last December.

• Part of the motion that is before us, part of the first sentence as it were, relates to the desirability of the pension being available to the spouse where that spouse is under the pension age if the breadwinner is on the pension. I hope that this, too, will be given serious consideration. I hope that we will not go through the routine that we usually go through when this comes up, that it is possible for some old codger to marry a young girl and then have her on the pension when she is 35, or even less. This could be taken care of by a simple regulation that the difference must be not more than five years, or that the couple must have been married for a certain number of years, or there could be the possibility of an employment test. I hope the House sees clearly that I do not under any circumstances suggest a means test. Ever since I came into this House the idea of a means test has been an anathema to me. I think there are other things in the labour market that are reasonable tests that could be applied. Let us not have the kind of nonsense that we sometimes have when this suggestion is made. It is a sound suggestion, and I think it should receive the attention and consideration of the House.

I have dealt thus far with what I regard as the first part of the motion, the first half, namely, the half that has to do with the lowering of the eligible age. As I say, I think that is the new thing that is before us in this motion. I do not mean that the suggestion is new because it has been made by some of us a good many times, but this is one of the few times that it has been before us as a motion, and I stress the seriousness and importance of it.

As I have already said there are times when people assert, and it has been asserted today, that one way to

provide jobs for younger people is to get some of the older people out of the labour market. That may be oversimplifying it a bit, although there may be validity to that suggestion. But as I tried to say earlier this should be looked at in the context of the kind of over-all change which is taking place in society. I am as sure as I am that I am standing here that in the year 2,000 work will not have the important place in life that it has today. There will be millions of our people who will live for something else. Why don't we start now, deliberately choosing those groups of people who should not have to be in the labour market. I know of no better group to choose than our older people.

My friend from Simcoe North looked across the way a minute ago and, as a doctor, saw all sorts of medical conditions that he could attend to if he had time. I think one of the sad things about our retirement policy is that we have this tradition that you can work until you cannot do anything more, and then you are put out to pasture until you die. Why not accept the proposition that it is good at a reasonable time of life to retire from what one has been doing and to start over again? Now don't let anyone throw that at me—I have been here so long there is no other place for me to go. I intend to stay here arguing for this kind of thing and it may be of benefit to some of my friends across the way. There is my friend, the hon. member for Essex (Mr. Whelan). He has done a good job here and one thing I know, he will not be going to the other place. However, it might be a good idea if he were retired early so that he could make a contribution in some other way of life. And there are others across the way who might do the same thing.

I must not get sidetracked, Mr. Speaker, even if I am doing it myself because I want to say something about the second part of the motion. In fact, I want to move an amendment to it. I have shown my amendment to some of my friends to my left and have indicated to them that although it seeks to change a part of their wording, it is a friendly amendment that seeks to underline a certain aspect of this motion. The second part of the motion reads:

• (4:00 p.m.)

> Any pension so awarded should be such as to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

I agree. I just want to make the point and to underline it, that this means there must be a substantial increase in the amount of the pension now being paid. People cannot live and meet those conditions on $80 a month or $160 a month for man and wife. As for the people who qualify for $135 a month single or $255 a month married, they qualify only because they have practically nothing else. I think the circumstances that we have had since the guaranteed income supplement was brought in, and since these higher figures were set, prove the unfairness of a pension that has a means test attached to any portion of it.

While I think that we have been right on this side of the House over the years, and that the government was right when it accepted the principle of paying the pension universally, I think what we should now be doing is getting back to that principle and paying a pension of at least $150 across the board without any means test whatsoever.

[Mr. Knowles (Winnipeg North Centre).]

We can take care of the few wealthy people in the old age pension group by means of the income tax. That income tax is going to take care of all kinds of things if the bill ever gets through! The fact of the matter is that statistics prove that my hon. friend from Simcoe North was right. The number of wealthy people in the older age brackets is very low. Most are in need of every dollar they can get. Then, there is the whole problem of inflation which wipes out any increase. I think the minimum amount needed now is $150 a month across the board. To put it in precise terms, I think that is what my friend is asking for when he uses that rhetorical phrase that "any pension so awarded should be such as to enable anyone" to do such and such.

I have already got a motion on the order paper, Mr. Speaker, calling for pensions to be $150 a month, so I am afraid if I move that one at this point it might be looked upon by the Chair as repeating an argument taking place in another debate and therefore out of order. However, I think if I put my words in general terms they will meet the requirements of the rules, and therefore I want to propose that the amount paid as old age security should be substantially increased and by "substantially" I mean that it should be not less than $150 a month and that it should be payable across the board.

Therefore, Mr. Speaker, I should like to move an amendment to the motion now before the House. I do so seconded by the hon. member for Vancouver-Kingsway (Mrs. MacInnis) and my motion is as follows:

> That the motion be amended by deleting therefrom the words "Any pension so awarded should be such as", and by substituting therefor the words: "The amount of the pension now provided as old age security should be increased substantially".

If my motion were accepted, the total motion as amended would then read:

> This House regrets that the government has not deemed advisable to provide old age security pensions to persons between the ages of 60 and 65, or to the wife of a retired person, whatever the age. The amount of the pension now provided as old age security should be increased substantially to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

It was a good motion that the hon. member for Roberval brought in. I think it is a better motion with the change I have made in it, and I hope the House, throughout the day, will indicate its support.

Mr. Deputy Speaker: Order. Before I recognize the hon. member for Villeneuve (Mr. Tétrault), I might put the motion. The hon. member for Winnipeg North Centre indicated that it was a friendly motion in so far as hon. members to his left who are sponsoring the motion today are concerned, and it would be the view of the Chair that the motion is in order. It seems to me it does not go outside the scope of the motion moved by the hon. member for Roberval. I am prepared to put it to the House unless there is procedural objection.

Some hon. Members: Agreed.

Mr. Deputy Speaker: The hon. member for Villeneuve (Mr. Tétrault).

• (4:10 p.m.)

[*Translation*]

Mr. Oza Tétrault (Villeneuve): Mr. Speaker, it is with pleasure that I have supported the motion moved by my colleague the hon. member for Roberval (Mr. Gauthier), requesting the government to provide the old age security pension all those between 60 and 65, as well as to the wife, whatever her age may be.

Mr. Speaker, the Canadian Parliament, in 1965, passed a law to bring the pension age down from 70 to 65 and today anyone aged 65 is entitled to this pension. Until 1967, the pension was established at $75 per month, but since 1968, the amount can be increased according to the rise in the cost of living, and it now stands at $79.58. And in January 1971, the maximum was increased by 42 cents, so as to become a monthly payment of $80.

Mr. Speaker, this government is presently incapable of finding jobs for the unemployed. During periods of unemployment, as is now the case, public opinion calls for a lower retirement age, so that more old people can withdraw from the labour market thus making room for younger people.

Mr. Speaker, legislation passed in Denmark in 1891 set at 60 the retirement age, but it was amended in 1932 to raise it to 65. Even if this was a backward step with respect to the 1891 legislation, it provided some compensation. For example, under special circumstances, local authorities could, with the approval of the responsible minister, grant the pensions at 60.

Mr. Speaker, the legislation passed in New Zealand in 1898 provided a pension to the citizens of 65 and over. An amendment passed in 1911 reduced it to 60 and to 55 for women, when the applicants had two young dependents of 15 or under. Another amendment passed in 1913 granted a retirement pension to all women of 60 or over.

Mr. Speaker, the law that was passed in Australia in 1908 granted old age pension to men and women of 65 and over. That minimum age was lowered to 60 in 1910.

In China a few years ago, older people starved to death in the streets. Nowadays, people of 50 and 55 in that immense and over-populated country receive the old age pension. Canada cannot be left behind in this vital question of age.

Mr. Speaker, the government seems to think we are asking for something impossible, yet considering Canada's physical possibilities to produce, we all agree that we could produce for a population twice the size of ours. Indeed, we are 50 years behind as concerns the application of this old age pension to cover people at 60. Mr. Speaker, Canada must face stronger and stronger foreign competition. It should endeavour to increase its manufacturing efficiency. In other words, it should increase productivity. Now, account should be taken of the development of new techniques older workers, 60 years and over, find it hard to get used to.

According to a study conducted by the Economy and Research Branch of the federal Department of Labor in 1960 and published under the title "*Age and Efficiency*", maximum efficiency obtains at 55 and tends to decrease thereafter.

Old Age Security Pensions

Mr. Speaker, in my constituency, there are many cases of married couples where the husband receives a pension, whereas the wife, being younger, has to be satisfied with a small welfare allowance. This is an unfortunate situation. After having brought up a fairly large family, one should not have to live under inhuman conditions, although that is often the case. The reason is that there is no money to buy the necessities of life while we are living in affluence and that department stores in all our cities are bursting with those goods which could make our families so happy.

During summer adjournment, I convassed from door to door in my riding to make on the spot enquiries. I believe that if the Prime Minister (Mr. Trudeau) and his cabinet members, in charge of the laws on old age pensions, could do the same they would see the deplorable living conditions of many aged couples and this would prompt the cabinet to make a faster decision. But the Prime Minister and his cabinet are satisfied with travelling around the world to try and sell our products of which many Canadian families are in great need but the almighty dollar does not work for people's needs but for those who control our economic blood; even more important, the election fund must be replenished.

[*English*]

In a pre-election speech in the fall of 1935, the late Right Hon. Mackenzie King declared at the opening of the electoral campaign and I quote:

> Until the control of currency and credit is restored to Parliament and recognized as its most evident and most sacred responsibility all talk of democracy is idle and futile. A truly national bank, properly constituted, should control the issue of money in terms of public need.
>
> The flow of money must be in relation with the domestic, social and industrial needs of the Canadian people.

I think this was a very true statement, but just like all the other Liberal promises, it was never respected. It was just another trap to get voters to vote for the party. Since 1930, Canadian people have been asking questions about our Canadian monetary policy. Canadians wonder why we have so much in time of war and so little in time of peace, so much for underdeveloped countries and so little to develop Canada.

[*Translation*]

Mr. Speaker, I would ask the government to set up a royal commission to find out if we have enough products to pay our older people a pension as soon as they reach age 60.

Mr. Speaker, we make all sorts of studies but it would be important to know if our country has enough products to pay our older people a pension as soon as they reach age 60. I think our country has the necessary products to help those people.

There is a particular case I would like to single out. Two older people from Malartic came to see me, one is 71 and the other 74 years old. These two persons have a joint bank account where each deposited $1,000. The father was telling me, we do not want to touch it, it is for our burial. At the end of each year, the bank files a report indicating that they received a small amount of interest. So the federal government takes away part of the interest they receive. Instead of getting the maximum $255 a

month, they get roughly $248 a month because they each have $1,000.

I think that this should not be tolerated in a country as rich as Canada.

I have recently seen a family in Val d'Or, where the father is 74 years of age and the mother 57, and they have a totally incapacitated son of 27 and an ailing daughter. The father draws the $135 maximum pension, the son $75, the daughter $80 and the mother nought. This is a situation which happens in Canada. Four people must live on $290. How can they manage?

The hon. member for Roberval stated a few moments ago that an employee is forced to leave his job at the age of 65 and is eligible to only three weeks of unemployment insurance benefits and the maximum he can receive is $80 a month. a year earlier, if the same person aged 65 who left his work by reason of his age was available for work, he could draw unemployment insurance benefits together with his monthly pension of $80, $79 or $58. Here is a person who could live with a measure of decency for at least a year. But the investigating officers realized that there was some money to be gotten out of these families and this is how people are penalized.

Mr. Speaker, I will say no more on the subject, but ask once again the government to fall in with the request that old age security pensions be provided to persons aged 60. The government of Canada would be well deserving of the ratefulness of the Canadian people by instituting forthwith an integral scheme whereby pensions would be provided to persons aged 60 and to the wife of a retired person, whatever the age.

• (4:20 p.m.)

[*English*]

Mr. Chas. L. Caccia (Davenport): It was good of the hon. member for Roberval (Mr. Gauthier) to put forward his motion today. It gives us an opportunity to pause for a while and give some thought to the question of the retirement in dignity of people in Canada, considering the fact that they have contributed to our society in a productive manner all their lives and that they therefore have the right to a pension which will permit them to live in dignity.

The thrust of the motion put forward by the hon. member for Roberval is concentrated around the approach that is made available by means of the old age security pension. This is the measure he has emphasized and which he would like to expand further to include people whose age is 60 and over. In discussing the manner whereby he would finance this proposal, if I am interpreting him correctly, he said the necessary funds could be found by reducing or eliminating payments to recipients of unemployment insurance benefits, by reducing or eliminating payments to trainees under manpower auspices and by reducing the number of people employed as civil servants to administer certain programs.

It seems to me this is an awkward way in which to go about providing benefits of the kind envisaged. It is perhaps outdated in the sense that it looks only at one social benefit measure without taking into account that with every year that goes by we are closer to the fruition of another social insurance measure of great importance to Canadians, namely, the Canada Pension Plan which was introduced in the House in 1965, I believe. It seems to me that if we are to achieve the objective outlined by the hon. member, namely, the extension of pension benefits to other segments in our community, we could do so more effectively and more generously by paying attention to the Canada Pension Plan and to some of the provisions it contains. There are provisions in the plan which would permit us to achieve this objective earlier if it were possible to accelerate the year in which full rates are to be made available, namely, to introduce full rates earlier than 1976. This would only be possible, of course, if Canadians were willing to increase their premiums to this contributory plan thus enabling the year of maturity of the plan itself to be advanced.

Another step which might go a long way to meeting the hon. member's objective would be to raise the ceiling on pensioners' earnings. This would increase the number of people who would benefit. Rather than by means of increasing taxes in a manner the hon. member for Roberval did not really specifically outline, except by indicating that certain useful programs which exist at present should be eliminated, the Canada Pension Plan offers a vehicle of self-imposed taxation and contributions which makes much more sense.

This discussion also provides us with an opportunity to consider a question which has been raised, I suppose, by other hon. members on other occasions, that is to say, whether we should continue to regard the age of 60 as the age at which people have reached a stage in life at which they should retire from the productive labour force. It seems to me there is another way to go about it. We could revise this concept of a fixed retirement age and substitute a flexible retirement clause. This would tie in with some of the ideas expressed by the hon. member for Simcoe North (Mr. Rynard) when he spoke of two different ages, the calendar age and the physical age. Rather than be tied down by a calendar age, it seems to me we could achieve greater social benefits by thinking in terms of a flexible retirement age. This would permit an individual to retire from active productive life at the age at which he or she wished to do so. In some cases it would be well above the age of 65; in others it might be well below.

It is this concept which might be considered by the minister and the officials in charge of the Canada Pension Plan when embarking upon consultations with provincial governments as they are scheduled to do in years to come. It makes sense that a flexible retirement clause should be part and parcel of a social security scheme. Canadians would then be able to retire when they wished to do so and become entitled to certain benefits on their own terms, rather than in accordance with a rigid concept which is difficult to apply in day to day life. May I add that this concept is not only not new but has already been incorporated in the legislation of some other countries. For instance, I understand that the pension plan operated by the Federal Republic of Germany, as recently amended, introduces this same concept of flexible retirement. That country has also introduced at the same time the one-year credit concept for mothers who have to withdraw from the labour force. This kind of pioneering in the

field of social measures would, if adapted to our own needs, considerably benefit pensioners in Canada.

• (4:30 p.m.)

In examining the approach developed by the hon. member for Roberval, who suggested we could achieve a similar objective if not a better one, through the Canada pension plan, I would suggest that in doing so it would be desirable to co-ordinate social measures with other federal programs. For instance, it would be desirable to co-ordinate the Canada Pension Plan with the unemployment insurance plan, thereby offering flexible retirement when workers decide to withdraw. Perhaps we might even introduce incentives to withdraw that are even more attractive than the present incentives.

Let me give the House an example, Mr. Speaker. If I recall correctly, under the unemployment insurance legislation approved by this House, if a person aged 65 or over decides to retire and take a pension under the Canada Pension Plan he receives a lump sum payment amounting to three weeks' salary. However, should this person decide not to retire but to continue to make himself available for employment—this person is assumed to be unemployed—he can continue to receive unemployment insurance benefits for almost one year. There is a considerable difference in the amount that this person will receive, depending upon which approach he decides to adopt. It seems to me that the incentive offered by the lump sum payment is much less than the benefit that this person would receive were he to decide to remain available for employment. I just give this example to underline the importance, as already indicated by others before me, of co-ordinating the Canada Pension Plan with other social measures, such as unemployment insurance, in order to offer the maximum benefit.

Before concluding may I make reference to one aspect of our old age security legislation which has not been debated today. I refer to immigrants who wish to retire in their native land. Under the present provisions, an immigrant is permitted to receive his old age security pension should he decide to return to his native land only when he has been resident in Canada for 25 years. This opportunity has been taken by some who felt that, for health or sentimental reasons, it was necessary for them to retire in their country of origin. This measure has also been made use of by others who felt that the sum made available by old age security would go further in their native land where the cost of living was lower. In recent years a number of representations have been made to the government by different groups who have stressed the desirability of reducing the number of years residence from 25 so as to permit individuals, who perhaps have reached the age of retirement but have been resident in Canada only 20 or 23 years, to retire to their native country.

It seems to me this is a matter about which arguments can be made either way. At the same time, I should like to take this opportunity of drawing this question to the attention of the minister. I urge him to consider requests made over the years to reduce the residence requirement. If this is possible I am sure it would be most appreciated by those who wish to take advantage of such a provision.

Old Age Security Pensions

Mr. Charles H. Thomas (Moncton): Mr. Speaker, I am pleased to take this opportunity to say a few words on behalf of the older citizens of Canada. No section of the Canadian populace has suffered more under this government's outmoded approach to the economy than our senior citizens. No section of our populace has suffered more from the deliberate and cold-blooded effort by the Prime Minister (Mr. Trudeau) to fight inflation by creating unemployment.

It has often been said that the war against inflation is fought on the backs of the poor. I know that our senior citizens will agree with that statement. After working all their lives to try to accumulate enough to live on in decency for the balance of their lives, these people now find their pensions and savings chopped away by inflation. They are denied any satisfactory measure of relief by a government which can find hundreds of millions of dollars to squander on unnecessary projects, but little if any assistance to offer the old age pensioners.

• (4:40 p.m.)

I would be the first to agree that the conditions for the old age pensioner have improved over the last 20 or 30 years. May I also say formally that we cannot rest on our laurels. Much needs to be done for these people. If I need to support that statement, I can do no better than refer to statements made by the Minister of National Health and Welfare (Mr. Munro). I was interested to note, in glancing through some remarks that the minister made at the federal-provincial conference of welfare ministers last January, that he recognized that unemployment was higher than ever before in this country, that many, many more human lives were in jeopardy in this country and that those people were depending on social welfare assistance. After referring to the various programs the government has in mind, he went on to say:

> The main thrust of the federal policy in this field—

Meaning the whole field of social assistance.

> —for the future will be:
>
> 1. to develop the guaranteed income technique as a major anti-poverty policy;
>
> 2. to reduce emphasis on universal programs like old age security and family allowances and place greater emphasis on selective programs providing income-related benefits under Guaranteed Income Supplement and Family Income Security Plan;

Today, we are concerned only about the guaranteed income supplement part of the statement. I think the minister's remarks are enlightening and show that he recognizes that much more must be done for our older citizens if they are to live in any sort of decent retirement.

The minister also discussed the question of assistance as a right, something that has been argued over the years. I was pleased to see his statement to the effect that governments must now recognize that the provision of this type of assistance constitutes a right and that this is what the government intends to provide. That, to me, demonstrates clearly the wisdom of a motion of the type we are considering. The necessity is there. In the few minutes I shall talk, I want to point out some of the weaknesses of the present system and make suggestions for betterment.

Old Age Security Pensions

Canada's senior citizens make up a large proportion of those affected by poverty. They had high hopes as a result of the white paper on income security; yet, since being introduced in November, 1970, the white paper has been subject to a heavy barrage of criticism from all sectors of Canadian society. Its critics include social welfare workers, journalists and economists. They come from all sections of the population. The white paper, prepared under the direction of Deputy Minister Joseph Willard, took two years to research. Canadians expected the white paper to include the announcement of a broad, new social policy for this country. Yet, when the programs were announced, it became evident that the Minister of National Health and Welfare had lost in his fight for a comprehensive social program. After 18 months of cabinet in-fighting, a very feeble document was introduced on November 30, 1970.

The proposals in this document advocated three main changes. The first related to family allowances; the second, to old age payments and the income supplement, and the third, to the Canada Pension Plan. At this time, in this debate, I am concerned only about proposals or suggestions relating to old age pensions and the guaranteed income supplement. My criticism of these proposals and of our present system falls under two headings: the first is the old age security plan itself and the second, the guaranteed income supplement.

It is amazing that the criticism of these two plans has been so widespread and uniform, although the critics have come from a diversity of backgrounds. One of the things that has surprised critics is the speed with which the government enacted into law those parts of the white paper dealing with old age security and the guaranteed income supplement. The speed with which they brought those programs in was unusual for this government. Up to the present, the government has brought out white papers, with the avowed intention of giving people lots of time to study them, make proposals and suggestions and, hopefully, bring about improvements. In this instance, no opportunity was given to anyone to study the proposals in the white paper. There was no opportunity for organizations and people to suggest amendments.

The old age security and guaranteed income supplement benefits, even with the increases provided in the spring of this year, still fall short of the minimum required for a satisfactory standard of living for the aged. Few of our old people will be removed from poverty as a result of the increase. Furthermore, as critics have pointed out, income tax at present rates reduces the payments in many instances, particularly for single people; and, even if the proposals for tax amendments are adopted, single people and some couples under 70 will suffer an income reduction through taxation.

There has also been a criticism of the fact that the universal program, that is, the old age security plan, was not "beefed up". Why was there such a meagre increase? It was about 40 cents a month, as I recall. Here is a payment that is given to all people who are over 65. If you want to see how great the need is for an increased basic amount, you only need to look at the figures. About 50 per cent of our people on old age security are receiving the guaranteed income supplement; more than half of these people get the full supplement. Clearly, the need is there. These older people just do not have the necessary income on which to exist.

The flat rate of $80 for old age security, even with the cost of living escalation of 2 per cent for the guaranteed income supplement, is not realistic when we consider that the cost of living index has been rising by 4 or 5 per cent annually. If the past performance of the economy is repeated in the future, and there is nothing to indicate that the increase in the cost of living index will be lower—indications are that it will continue to rise by at least 4 or 5 per cent—the result will be that in 25 years today's $80 will buy something less than $40 worth of goods and services. At the end of 50 years it will not buy anything. The sad part is that pensioners are at the mercy of the system. They have no way of bargaining for wage increases, as everybody else does. This action by the government is even more unfair when we realize that old age pensions were directly paid for, in part, by the pensioners themselves. They have contribute dto thes epensions through automatic tax deductions and have taken into considerations pension payments in figuring out how much will be available to them at retirement.

Another serious criticism of the present legislation is that old age pensioners are still taxed on income they earn on top of the government allowances. For each $2 of income in excess of the pension, $1 will be taken away in taxes. There are many ways in which this practice of deducting $1 for every $2 can be shown to be both undesirable and unfair. For example, many older people have substantial savings but low income and are receiving the supplement. Other people with no savings but with incomes only slightly above the present maximum receive nothing. When the working corps becomes the retired corps and eligible for the guaranteed income supplement, they find their Canada Pension Plan payments are cut because they are taxable. Can we blame them if they feel they are effectively paying a 50 per cent rate of income tax on their Canada Pension Plan pensions, even though their retirement income may be below the poverty level? As a result of this, many old age pensioners, even though they are healthy and well enough to take outside jobs, feel it would not be to their advantage to accept these jobs. Such a penalty is not consistent with the allegations in the white paper of last year that the major reason for not adopting the guaranteed annual income centres around a need to develop a suitable work incentive for such a plan.

• (4:50 p.m.)

There are many glaring examples. I have received many letters as I am sure have other members. One letter I received deals with the case of an old age pensioner who is not able to work and whose wife is under the age at which she would be eligible for the pension. She has to go to work, probably to help pay the drug bills for the pensioner. When she goes to work she immediately finds the guaranteed income supplement is reduced or taken away entirely. This is a ridiculous situation and is one which is not fair to the older citizen. Every time we suggest changes, the government asks where the money is to come from. These are changes perhaps of a minor nature, but they are of very great importance to the pensioners who are involved. I do not think the cost in dollars would be so

great that it should be met with a reply to the effect that this is fine but where is the money to come from.

There are many other anomalies and hardships which our present system works on the old age pensioner. For example, even at a time when the government is trying to encourage savings and to encourage people to take part in the financing of the country, the older person is discouraged from purchasing government bonds because the interest on those bonds would be considered income so his guaranteed income supplement could be lowered. Because of these laws people are encouraged to remain in dwellings which probably are too big for their requirements. Because the dwelling is paid for, these people feel they have no alternative but to live there rather than rent smaller premises which would be more suitable for them in their old age.

These are some of the criticisms I wanted to bring forward in this short space of time. As I remarked, they are not of such a far reaching nature as to represent a great drain on the treasury and yet are very important to these people involved. I have been very encouraged by the fact that the minister has recognized the needs of our older people. The quotation from his remarks to which I referred at the start of my speech indicates that the minister is aware of these problems. The question now is not whether these people should be helped, but how. I am encouraged by the fact that the minister has indicated his willingness to accept suggestions. I hope he will accept some of the suggestions made here today and push ahead with plans to develop a rational and reasonable social assistance welfare services program.

[*Translation*]

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I first want to express my appreciation and that of the hon. members of my party and of all parties in the House for the good service rendered by the hon. member for Roberval (Mr. Gauthier) in moving this motion, because he has drawn the attention of the whole House to the very serious problems of all the older people in our great country. I am sure that we are all happy that he has moved this motion this afternoon, and I want to congratulate him.

[*English*]

As the first spokesman for our party, the hon. member for Winnipeg North Centre (Mr. Knowles) has said we heartily support the motion introduced by the hon. member for Roberval (Mr. Gauthier). Our only suggestion in the form of an amendment has been that we would like to see something a little more definite. We would like to see the amount of the benefit now provided as old age security substantially increased. I believe our concern in introducing this amendment arises from the fact that, as outlined by the hon. member who spoke on behalf of the government party, there are many other things which could be introduced to help the elderly people who need income at the present time. He expounded at great length on the various alternative ways and means by which this could be done. Yet, at no stage do I believe he said this motion was not a good one, except of course he implied it would be a very expensive one, at least in respect of those people who would be pensionable at 60 years of age.

The fact is that the elderly people in this country suffer more and more as the months and years go by. They suffer for a great variety of reasons. I do not think little bits of patches here and there and yonder will be sufficient to help in this case. Obviously, as the hon. member for Simcoe North (Mr. Rynard) said, there are pockets of injustice here and there which need eliminating. The elimination of pockets of injustice, however, will not deal with the very great difficulty which exists now in respect of the older people. The overriding problem of the older people is that they do not have enough money on which to live. Their pensions are not adequate. As time goes on and as living costs increase in a whole variety of directions, and as their little bits of revenue decrease, the problem becomes more and more acute. No amount of patching up in respect of the abuses and injustices will solve the main problem of how to get enough income into the hands of the thousands and thousands of elderly people which they require in order to live decently.

I wish to point out to members opposite, particularly the hon. member who just spoke, that there is nothing in this motion or in the minds of any of us on this side, that would prevent a flexible approach in respect of the old age pension. That does not mean a means test. We have been told about the situation in Germany and I would add Britain and other places where the application of the old age pension is flexible depending on the age, vitality and will of the person to continue working. We in no way would interfere with that. I think it would be a very bad thing indeed to lower the boom on people at the age of 60 by simply saying that everybody who reaches the age of 60 must stop gainful employment. There are a great many people who, having gone beyond the age of 60, still have sufficient strength, vitality, intelligence and devotion to make great contributions.

• (5.00 p.m.)

On looking at this motion, one sees that it is very simple and logical. It suggests the lowering of the pensionable age to the age of 60 for all people. In my view, it does one very good thing right away. It brings back the principle of universality to a place from which it should never have been taken. I have never been able to understand why the government cannot bear to use the income tax as a means of getting back from people who do not need it the full amount of the old age pension that is paid to them, and a great deal more, in order to help the other people. Why is it not simpler, easier and more fair to make the pension available as a matter of right, and then use the income tax in a fair way to get the pension back from all those who do not need it?

One thing I want to point out is that ever since the inception of the old age pension it has never been set at a level which covered the actual cost of living. Since no attempt has ever been made to find out what it actually costs to live, pensions have not been based on it. As a matter of fact, a few years ago the Senate Committee on Aging pointed out clearly that one of the things that was required in connection with the old age pension was the establishment of a technically competent body to study the income needs of older people and the development of a socially acceptable minimum budget for single persons as well as for couples, which would be adjusted automati-

cally each year on the basis of a suitable index of consumer spending or of earnings. This minimum budget would be reviewed every five years to reflect changes in the relative circumstances of the working population and of the retired population.

So far as I am aware, and I know what has happened with old age pensions since the beginning, there has never been any competent body told to find out what it costs older people to live so that pensions could be set in accordance with it. Pension increases have always been set on the basis of the least possible amount that could be given which would keep the government viable politically. In my view, this is not the way to approach this matter. We should take to heart the recommendation of the Senate Committee on Aging, and before anything else is done to old age pensions we should find out right now how much it costs pensioners to live and then set the pensions at that level, with an escalator clause. We should also ensure there are sufficiently frequent reviews to keep the old age pensions moving in accordance with the cost of living.

Old age pensioners should no longer be divided into well-off and less well-off pensioners, since none of them is well off. There should not be such discrimination on the basis of whether one group has a few dollars available for their emergency needs or for their funerals. They should be considered as one group of retired people who should have a fair pension and who should be able to enjoy it. If some of them are able to earn more money after they retire, so what? Surely, they should be allowed to earn that money without a means test, and the computer can find out how much should be returned in income tax at the end of the year.

This motion has one or two very interesting features in it. One of them is that when a pension is paid at the age of 60 instead of 65, the spouse of the pensioner should also receive a pension, regardless of her age. We have heard people say that this is an incentive for elderly men to marry very young girls so that they will get a double income in the form of pension. I remember some years ago when a former cabinet minister, whom I shall not name because he is still living although he is no longer in the cabinet, during a discussion of the medicare scheme said he was very much opposed to it because he thought this would be an incentive for people to throw themselves under trains or to have industrial accidents in order to qualify for benefits. This is the same sort of logic as is being used in this argument. I believe that this aspect of the motion takes account of a very real need. In most cases the wife of the pensioner is only a few years younger. When the husband retires, his pay cheque is cut off and they both have to live on his pension. I am in sympathy with the idea of a pension being paid to the spouse of a pensioner who has no other source of income. If she is in the labour force, there may be regulations to provide for that contingency, but the intent of this resolution is to ensure that the spouse has enough on which to live.

There is another group about which I would like to say a few words. I am referring to women who, with all respect to what was said on the other side of the House about what could be done under the Canada Pension Plan to help elderly people, are not covered by the Canada Pension Plan so far as I can see. These are women who are spinsters or those who were casually employed when they were young, or those whose husbands have died, or those who have separated. The Minister of Labour (Mr. Mackasey) said that most women over the age of 40 cannot get a job these days. I do not consider baby sitting and housework as being a job. This just provides pin money. Today, any woman over the age of 40, unless she is really lucky, cannot get a job. There is a great gap between the age of 40 and the age of 65. I have received many letters from women in this group who have no income and have to rely on social assistance. It tears them apart to have to go on social assistance for all those years, with the resultant lowering of living standards as well as the indignity.

I would like to make a special plea for those women and emphasize the need to lower the pensionable age. If we can lower it to the age of 60, it will help to look after women who cannot earn a living before they reach the present pensionable age of 65. This will cover many widows and women who are separated or divorced. It will not cover all of them, but it would help. I would like to urge that we consider them. There are many women who are alone and without a job and who have to rely on social assistance. They do not qualify for low income housing for families and they do not qualify for housing for older people. They are at the mercy of the landlords. They are in a bad way, indeed.

In supporting this motion we should take account of the fact that today elderly people are in a very different situation from that which existed several generations ago. The reason young people today regard old age with such unqualified horror is that for so many people old age is becoming a time of penury and poverty. The younger people think it is pretty awful to have your teeth falling out, your hair falling out, your insides being taken because of various diseases, with all kinds of disabilities setting in, and being regarded as a supernumerary. To them, it is just too much. They consider that there is nothing worse than old age.

• (5:10 p.m.)

Old age used to be considered more dignified because then there was the family circle. There was housing for that family circle. There was attention, and there was affection within the family circle. Elderly people had a part to play. But today, people have moved into the big cities, into tiny little houses where there is no room for elderly people. More and more elderly people have nothing to live on except what the government gives them in the form of pensions and relief. Today, they are in a very bad way. Today, they do not even have a true old age pension. It was pointed out by one hon. member to my left that what they have is part pension and part social welfare. This is true for those who are not fortunate enough to qualify for the $80, and those who do not consider themselves fortunate because no matter how the cost of living goes up their pension does not go up.

Elderly people's needs for health care and drugs are not covered. The hon. member for Simcoe North (Mr. Rynard), who is a member of the medical profession, pointed out that last year the drug bill in Canada was $271 million. This is not covered by medicare. Old people who

are not on social assistance have to go short of food and other necessities in order to try and get the drugs which are essential to treat the ailments associated with old age. Today elderly people are in a vastly different position from that which they used to occupy. An increasing number of them is dependent completely on what the community can do for them, through government services and through the pension. When we think of economizing the last place we should economize is the pensions for the elderly which would provide them with a decent living.

I urge that the House support the motion presented by the hon. member for Roberval. The eligible age should be reduced to 60 years, and there should be some flexibility provided to allow people to continue earning. There should be a substantial increase in old age pensions. We should determine the amount after finding out what it costs to live today. There should be an escalator provision in all pensions, and everybody should get the pension at age 60. Let us put our computers to work to determine the necessary amounts, to retrieve pension payments from millionaires, and make sure that those who arrive at age 60 have a chance to live out their days in a dignified, worth-while manner.

[*Translation*]

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

The Acting Speaker (Mr. Laniel): Order. Before recognizing the hon. member for Beauce (Mr. Rodrigue), it is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows:

[*English*]

The hon. member for Kootenay West (Mr. Harding)—National Parks—Kluane Game Sanctuary—possible site of new park; the hon. member for Halifax-East Hants (Mr. McCleave)—Veterans Affairs—Canadian Pension Commission—possible appointment of extra bodies to clear backlog of cases; the hon. member for Skeena (Mr. Howard)—Manpower—availability of job vacancy survey data.

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY S.O. 58—ELIGIBILITY OF PERSONS AGED 60 TO 65 FOR OLD AGE SECURITY PENSION

The House resumed consideration of the motion of Mr. Gauthier:

This House regrets that the government has not deemed advisable to provide old age security pensions to persons between the ages of 60 and 65, or to the wife of a retired person, whatever the age. Any pension so awarded should be such as to enable anyone to live as decently as the physical, material and human resources of Canada would allow.

Old Age Security Pensions

[*Translation*]

Mr. Romuald Rodrigue (Beauce): Mr. Speaker, I am very happy to have this opportunity of speaking in favour of the motion moved by my colleague, the hon. member for Roberval (Mr. Gauthier).

This motion, to my mind very important, deals with a problem that is getting more serious everyday, that of the people of 60 to 65.

We are now going through a very difficult period as far as employment is concerned. The latest reports on unemployment published by Statistics Canada and the Department of Manpower and Immigration on October 14, showed that 434,000 people were unemployed in Canada at the end of the week ending September 18 1971.

Statistics also indicated a marked increase in the number of unemployed in the 14 to 24 age group. The situation is certainly serious because the Minister of Finance (Mr. Benson) tabled supplementary estimates including many programs to create more jobs in the next months.

I am sorry to find that young people have a hard time finding employment; I think this should not be at the present time. These are our best workers, our best brains, and they are ready to participate in the economy of the country. In view of this situation, many people and groups now demand that the pension age be lowered to 60 years.

It is useless to try and find out what those who have reached 60 think when the matter of asking them to retire comes up. Some would be prepared to retire after 40 or 45 years of work, but the loss of their only income does not allow them to consider an early retirement at 60.

As to those who have reached that age, when they apply for a job, they are sometimes asked how old they are. After a cursory look, they are told there is nothing for them on account of their age.

Such an answer is disheartening for those who have worked hard all their lives but who are still willing to contribute to the economic life of the country through their work, while receiving at the same time a salary which would allow them as well as their family to live decently.

Things are even harder for families in which one or two children are still in school, and the father's is the only income. Then there are those men who are sick or exhausted, and just do not have the physical strength to compete with younger, fitter workers. The labour market has become increasingly demanding. Machines which have taken the place of man run at very high speed and demand more energy from the people who operate them, so that in many cases, when he reaches an advanced age, the same man cannot keep up with production requirements because of his physical condition.

I could quote many similar examples. The problem which affects all of us is this: the number of unemployed is increasing all the time. More and more young people join the labour force every year. People who have reached 60 find it increasingly difficult to remain on the labour market, for the reasons I have just mentioned. Are we going to leave them and their families without an income? I do not think this would be worthy of a country which calls itself wealthy and even claims that it is one of the

richest in the world. We must quite urgently have a look at this and find a just solution for those people who certainly are entitled to a decent life after all the years they have served their families and their country.

• (5:20 p.m.)

To put the matter off is not a solution, Mr. Speaker. That would amount to ignoring the situation. That problem has been throughly investigated in several countries. A document published in 1932 by the International Labour Conference says that the minimum retirement age should not be beyond 65. As I said, that report was published in 1932. In Canada it took 35 years to take into account that recommendation of the International Labour Organization.

Indeed there may be different views according to economic needs. When there is unemployment, as it is the case today, public opinion wants the retirement age to be reduced so that more old people will quit the labour market to make way for young people who are entering that labour market. We must also stress the fact that the difficulty older people have in getting a job confirms that it is necessary to lower the retirement age.

That is what happened in Denmark in 1932 when labour unions requested that retirement age be brought down from 65 to 60, which was in fact done in 1937.

The same reactions prompted British unions to demand retirement at an earlier age and an increase in the age of compulsory school attendance, in order to reduce the number of people on the labour market.

In New Zealand, as early as 1898, retirement pensions were paid at age 65 and an amendment passed in 1911 brought this down to age 60.

In 1908, Australia passed a similar legislation for persons aged 65 and the minimum age was reduced to 60 in 1910.

In Canada, only in 1927 was legislation passed granting payment of a $20 a month pension to people aged 70 and over. Among the industrialized countries, we were one of the last to pass legislation providing a retirement pension and it is only two years ago that those who have reached age 65 have been entitled to draw this pension. We certainly don't hold the speed record when it comes to producing legislation to help the retired. Mind you, I don't intend to blame the various governments we have had since 1900, nor can one government take the credit for passing this legislation or for amending it during the last 15 years. The only ones I could address congratulations to for this law are the Canadian citizens who have agreed to support its costs.

At election time, there have been some mischievous people who took pleasure in intimidating those who were in receipt of a federal government retirement pension, by saying that if they did not support this or that candidate, they would lose their pension. Those who intimidated our retired people in this manner were dishonest. I say that if we are behind some countries as far as improving our pensions program is concerned, it is likely attributable to people of this caliber.

I would like to deal with another matter which surely deserves serious consideration, that is the excessive

[Mr. Rodrigue.]

number of social assistance programs, which duplicate one another. At the present time, I believe there is need in Canada to reconsider social programs in order to eliminate bureaucracy which is becoming more and more rampant. In some fields, programs seem to have expanded inordinately, considering the aid that the people can receive from them.

Some persons receive the old age pension, a small amount under the Quebec or the Canada Pension Plan and, sometimes, an allowance from the Department of Health, Family and Social Welfare. They receive money from three different sources and all this is not enough to enable them to live decently. This example shows that we are overadministered. There is uneasiness and lack of coordination concerning the application of all assistance programs in Canada, whether at the federal, provincial or municipal level. All administrative levels demand exclusiveness and priority, without ever coming to an understanding. This is sheer pandemonium. And those who really need help must sometimes deal with several offices before managing to get a meagre allowance which barely keeps starvation away.

Those who pay for this fancy are, first, the people in need of assistance, second, "Bateeste" the taxpayer who, every week, sees the amount of his pay cheque decrease, whereas the deductions on his cheque stub keep on increasing, third, the employer who, at the end of every month, is never done with sending reports to various governments and this under the threat that if the reports do not reach the departments on a specified date, a surcharge will be levied. Employers have also become a cog in the bureaucratic system.

As a result there are a loss of time, a decrease in production and an increase in prices.

It is time to put an end to similar programs which are a waste of public funds. If we sincerely want to alleviate destitution and obtain a minimum of efficiency, the federal government must first—followed by the provincial governments—take the necessary steps to remove in certain cases that cumbersome and useless redtape and this as soon as possible, if we do not want to crush those who through their taxes contribute to the administration of the country.

In 1968, when it came into office, the government stated that it would use all possible means to attain the highest degree of efficiency and this at less cost. Where are the changes?

The Prime Minister himself dealt with the matter with so much assurance that even those who did not share his views really believed what he said and hoped for a change.

In that regard, I would like to quote the words of the Prime Minister himself, as reported in a commercial advertisement published by the Liberal Party of Canada in June 15, 1968 issue of the magazine *La terre de chez nous*, and I quote:

I believe in progress. I believe in evolution. I believe we have the duty of not trying to stick to everything from the past. I believe we must make experiments, risk solutions that are necessary if we want to enter tomorrow's world and not linger in yesterday's.

Canada offers many signs of bad wealth distribution. For instance, in the whole rural population, including fishermen, farm-

ers and forest workers, there are people who live in intolerable economic conditions. Now, that is unacceptable. But what is also unacceptable is that many politicians seem to consider this situation only as a secondary problem.

He who seeks to please everybody by lessening his positions or making a compromise with his convictions eventually ends up with neither position nor convictions. What one really believes he must say simply, clearly and without guile.

• (5:30 p.m.)

It was fine to establish priorities and to generate hope in the minds of the people; it was indeed necessary. After three years, nothing warrants that those objectives will be reached. I even wonder whether they are still pursued. I would rather think that all those programs have been shelved together with the other election promises.

Mr. Speaker, in all fairness for the have-not groups, the time has now come to work seriously, by brushing off all the impediments which build up an impassable barrier to the real wealth of this country, which is available has has been accumulated by men to meet the needs of one and all.

What prevents production from meeting consumption and reaching the population is that impassable barrier erected between production and distribution; it is too high indeed and to protect some private interests, no opening has been provided.

What is this obstacle in front of us? It is the financial system assisted by its best device bureaucracy.

Each time people request improvements, new structures which more and more difficult to reach, are created; when they can be reached, some extremely complicated regulations are made. Sometime, even public servants contradict each other and understand nothing.

In the meantime, people suffer, are deprived of necessities and the whole economy of the country is slowed down by that bureaucracy.

If democracy still exists, if it is not a topic discussed in living rooms only, if it is not an empty word, it is up to this government to eliminate the obstacles it has created. If the government is really sovereign and responsible to the people, it must and can take action, otherwise we will have to believe the Right Honourable Mackenzie King was right when he said in 1935, and I quote:

As soon as a nation gives up control of its credit, it matters little who makes the laws. As long as the control of money and credit are not given back to the government and recognized as its most important responsibility, one cannot speak of the sovereignty of parliament and democracy.

Mr. Gerry McGeer, former mayor of Vancouver, who sat in the House of Commons as member for the liberal party in 1935, speaking to an audience, stated as follows:

If the Canadian government could delegate to the banks through an act, the privilege of creating the credit of the nation, surely it could claim back, on behalf of the nation, the same privilege by introducing another legislation.

Mr. McGeer added, addressing the reporters who had asked him questions:

My answer is that the government could pass an act to regain control of its credit; that would be constitutional and it could be done simply by amending the bank act and the financial administration act.

To my mind, as long as the government does not remove those artificial stumbling blocks, the nation will go from bad to worse. We must remove them.

It is time we had a single program to provide a guaranteed social income to all Canadians.

Since the beginning of my term of office in the House of Commons in 1968, I have received many letters from my constituents and even from other Canadians whose age vary between 60 and 65. They tell me that their physical condition does not allow them to work or that they are unemployed and they ask me to help them find a new job.

This is why a motion, which I support, was proposed by my colleague the member for Roberval.

Those who reach age 60 are demanding the passage of such legislation. A bill granting a pension to those persons would be well received by the other classes of society.

Now, I urge the Minister of Finance (Mr. Benson) as well as the Minister of National Health and Welfare (Mr. Munro) and their advisors to consider thoroughly the matter and I hope that we will soon have a legislation reducing the retirement age at 60 and that it will not merely be a promise.

Mr. Roch La Salle (Joliette): Mr. Speaker, it is a great pleasure for me to take part in this debate, in view of the importance of the motion moved by members of the Social Credit. I think that this motion is a great idea as it is very important for the country, and I feel that it concerns the majority of members, if not all.

I have had the pleasure of making some remarks on the necessity of a pension at 60. There were at that time two reasons for such a policy, and I believe that after about one and a half years, I have had the opportunity, four or five times, of advocating the passing of such a measure. In fact, I find today that this idea seems more and more in agreement with the view of several hon. members, and I think that in the present context, such a solution would allow us to improve in no small way the present situation of employment.

I may have to repeat some comments that I have already made in this House. As a matter of fact, there are many reasons why the government should give serious consideration to this policy in the interest of the aged in the whole Canadian economy.

We take the opportunity that this allotted day affords us to make hon. members sensitive to this motion. I also believe that, because of hon. members' participation, the government will be inclined to give more attention to the matter than it has done so far.

Of course, one must admit at the start that there will be a price to pay. I believe that any social measure calls for some sacrifice, but, if they assess the effect of such a measure, most hon. members will not hesitate to vote the required funds, considering the way in which such a measure will help give new stability to the economy of the world in which we are now living.

We can link it of course, with the current social climate, but I think the measure cannot be more justified and the figures I could quote were already given in this House. One thing is sure, however; through such a measure we could reduce the unemployment rate by about 60 or 70 per

cent. And if we calculate the costs to the state of maintaining 600,000 or 700,000 unemployed, we should all the more reconsider this possibility and I can well imagine that a drop of 50 p. cent in the number of unemployed would enable the hon. Minister of Labour (Mr. Mackasey) to sleep soundly. It would equally enable the hon. Minister of National Healh and Welfare (Mr. Munro) to be happier. We should appreciate their efforts to improve the present situation, but, being realistic, we should at the same time recognize that their achievements have not met our expectations and due to the unavailability of the cure-all which we are always seeking, I think that the policy of providing old age security pensions at the age of 60 would offer a far easier solution than we have been hitherto contemplating.

• (5:40 p.m.)

I think that we have neglected to seriously consider this policy which appears too simple at first glance, but in the end, it would contribute to the greater happiness of a specific category of citizens as it would rekindle hope in the younger generation now awaiting the openings that the government has been unable to provide. Should we blame only the government? I do not think so because the situation is difficult everywhere.

Mr. Speaker, I believe that if they undertook a little investigation in various regions, all hon. members would realize that those who are pushing "60" or who are already in their 60's, would be most favourable to such pensions, considering the difficulties encountered by workers. Machines are constantly encroaching on the activities of man who normally, at that age, wishes to be provided with an adequate pension.

I believe it would be most convenient to consider the passing of a bill which would bring about that old age security. It might be better perhaps to introduce such a measure on a voluntary basis for the first six months, so as to enable people with a sufficient income—I mean by that, an amount of $150 as suggested by an hon. member of the NDP, amount which would surely not be too much, considering the fact that a pensioned couple would receive $300 per month, and that unemployed people receive more than $300 per month—to make a decision.

I believe we should consider that seriously so as to enable those older people to remain an asset in our society, to live a happier life under the present circumstances, recognizing at the same time all the benefits such a measure would provide, thus creating a much more valid social context than the one we know at the present time.

I shall limit myself to those few comments as I have been aware for a long time of the benefit of such measure and I hope the hon. members here will make an enquiry in their constituency and will all unhesitatingly claim from the people responsible in the department concerned, from the cabinet and from Parliament, the establishment of such a measure, to put the world back on its feet, by giving holidays to people who deserve them, creating employment for young people who have been longing for it for such a long time, which would make them much more optimistic as to the future, considering the comparisons we could make and the present difficulties they must face.

[Mr. La Salle.]

I will limit myself to those few remarks, but I cannot help denying the comments made a while ago to the effect that such a policy could be established over a five-year period.

I believe the present economic difficulties are much more urgent than the introduction of a legislation to cover the people who would be 60 years of age only in five years from now.

I think we will have to move at a faster pace than we did when we lowered the pensionable age from 70 to 65 years of age, and keeping in mind once again the present economic difficulties, I think the 12-month or perhaps six-month period could be left to the discretion of any worker wanting to take advantage of an adequate pension and quit working. He would still have a six-month period to make room for younger people who are costing the government plenty and at the same time, it would allow those who deserve holidays after working for 25, 30 or 40 years to be assured of a security the younger generation is already thinking about. I think that those who are now nearing the sixty mark have well deserved this treatment which would be the most human one the government would have ever given.

Together with the other hon. members of this House, I suggest that the government seriously consider implementing this policy as soon as possible in the best interests of all those who deserve it.

Mr. Guy LeBlanc (Rimouski): Mr. Speaker, I think the subject matter of the motion moved by the hon. member for Roberval (Mr. Gauthier) is of great concern to all of us, as it is to me.

The subject matter of that motion, old age security pensions, is undoubtedly a very important issue respecting which we all feel highly concerned. So I am very pleased to have this opportunity to make my views known in the House this afternoon and to express my opinion on that motion, to say what I think of it, and how we should deal with this problem.

The proposed motion consists of two parts. What strikes me in the first one is that it sets out to blame the government. As a matter of fact, it reads:

—that the government has not deemed advisable to provide old age security pensions to persons between the ages of 60 and 65,—

As it was pointed out to us a moment ago by the hon. member for Winnipeg North Centre (Mr. Knowles), we are going to be told that so much has been done in the past, and I do agree with that.

I feel I can assert that those governments which extended social security to cover not just older people but also the weak, the sick, the widowed, in short, all the underprivileged, have always been Liberal governments.

I extend my congratulations to the hon. member for Roberval for having introduced this motion, for we cannot but support any suggestion aimed at improving our pension system for older people.

However, there is one aspect of this I should like to emphasize and which I find quite sensible, and that is the way we should provide for the wife of a pensioned older citizen. We all have in our respective constituencies—at least I have met many in mine—older couples who have

always done their utmost to earn a living, who have lived with pride and dignity. Two or three weeks ago, I had such a couple in my office on a visit: the husband, 65 years old, is a pensionner. Although he would like to keep on working just like before, he is no longer able to do so because of a recent illness. Therefore, his only income is his pension.

His wife who is 59 has always lived on her husband's income, looking after the household and her family. Because of her age, she can expect very little assistance from her provincial Department of Health, Family and Social welfare. This couple have barely enough to live on and both of them are disheartened and saddened by what is happening to them. And in spite of all their efforts and all the requests they make to improve their lot, because of the existing laws and regulations, they get nowhere.

• (5:50 p.m.)

This is why we should urge the government that this specific point of the motion be given our consideration or be efficiently studied by the department involved and the officials who usually take care of such requests.

As the hon. member for Winnipeg North Centre said, this system should obviously be regulated. An older man may have a much younger wife. I know this is unusual. Sometimes, this woman works to make a living and some unbalance would result if this comparatively young working woman received the old age security pension. The same reasoning applies to opposite situations.

As regards pension eligibility at 60, which would enable older people to lead a more human life in security, with the same living standards as the others, we all agree that we should keep on doing something in that direction.

Besides, our democratic institutions remind us of those principles in the Bill of Rights. May I read section 25 of the Universal Declaration of Human Rights of 1948, and I quote:

> Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

All those philosophical principles concerning social security, guaranteed income, assistance to the sick, are shared by everyone. However, opinions are divided, even among the people, at least in my region. I have met people who criticize—and sometimes rightly—certain social security measures, saying that in certain cases they might encourage some of the welfare recipients to commit a capital sin which I will not mention, since everybody here knows about it.

However, others who are really in need, who would really want to live in dignity as proud citizens, cannot get enough.

In any event, it would be desirable, as other members have said, to give immediately a very large amount, either $150 a month or more, to older people. But I think that all responsible citizens, even the older ones who want these amounts to better their lot, realize that a government cannot pay out so much money overnight, because it would throw our economy out of balance.

Those projects that we all consider with much eagerness and sincerity can nevertheless be developed within a certain period. At the present time, people say that even if the government has not been able to give the aged everything some require, it has found money to encourage, in other fields, other active and productive citizens. Of course, it had to be done. I have in mind the unemployed who are able to work and who are looking for a job.

In conclusion, I would like to stress the following point: Whatever may be said, it is always easier to find solutions which are sometimes over-simple to problems that are rather complicated, as everybody admits. If it were that easy, the problem of the old age security pension would have been solved like all the other increasingly complicated problems which exist in our technical and modern society.

Thus, in spite of our sincerity and emotion about this, because we all have older people in our families, we can nevertheless ask the government to give special attention to this motion, although we know that the only way we can find practical answers in as short a time as possible is by putting this problem in the hands of scientists and technicians, so that it may be solved by experts with modern, scientific methods. Thus, if we forget about demagogy, if we stop thinking only of elections and start giving some thought to the aged, we will certainly be able to solve this problem.

We are sure, given this government's sincerity and competence, that the problem is going to be solved—as it already is to a great extent.

The Acting Speaker (Mr. Laniel): Order, please. It being six o'clock, I do now leave the Chair to resume same at eight o'clock.

At six o'clock the House took recess.

AFTER RECESS

The House resumed at 8 p.m.

Mr. Henry Latulippe (Compton): Mr. Speaker, I welcome this opportunity to say a few words on the motion before us. This is a motion accepted by all hon. members and to which there was almost no opposition. In view of the fact that, generally all members are in favour of this motion, I would now like to suggest new ways and means of implementing its proposals. It is well and fine to talk about them but problems must be solved and funds must be found. In our present system, one must know where to find the necessary funds and how much the financing of such a project may cost.

We already know, Mr. Speaker, that our country can afford to pay to our older people as soon as they reach 60, a reasonable pension to allow them to retire from the work force in order to give others an opportunity to work and, after that, to live as men must live in a wealthy country.

Economic growth must be an economic right which is, first of all, to meet the needs of each Canadian citizen. By his labour and his genius, man has always tried to give a

larger development to his life. But today, thanks to science and technology, he has become master of practically all nature and is extending his domination increasingly.

• (8:10 p.m.)

Thanks to the proliferation of communication between nations, the human family has become aware of itself as a unique community in the midst of the universe and is gradually so organising itself. As a result, Mr. Speaker, man now owes to his own industry many goods which he formerly awaited from superior forces.

Facing these alternatives and the huge enterprise extending to the whole Mankind, many questions have arisen among men as to the meaning and the value of this diligent activity, what use is to be made of all these new resources, what is the purpose of individual and collective effort, the intensification and the awareness of the needs for development and the personal renascence of a generation liberated by science, Progress and unprecedented wealth, and exceptional national economic growth in

One must admit that manpower needs are dwindling all the time, people being more and more replaced by the machine. Having to face this dilemma, young people remain without employment and older people are forced to cling to their jobs because they have no other source of income.

Another motion is officially put to the House asking that the old age security pension be granted to our citizens when they reach 60 years of age and that it be high enough to enable all citizens over 60, as well as their wives, to lead a decent life in line with their needs and the national production.

We are therefore requesting an increase in the basic pensions, that is more than $80 a month, and a lowering of the age of eligibility from 65 to 60. We also feel indirectly entitled to indicate to the government the means to provide the amounts required for the monthly payment of these pensions.

Within the frame of our economic system and of the present policy, we know that we of the Social Credit will not have our demands met because we are promoting a specific financing technique. Since we do not have the financing power, we are compelled to comply and to suggest means of payment consistent with the present system.

Although we are on the opposition side, although we are a party, that does not prevent us from thinking, from paying taxes, from living and from advising the government according to the custom of the capitalistic system.

We are perfectly aware that we live in Canada in 1971 within the capitalistic system which was generated and has evolved for 100 years under the guidance of the main political parties, the liberal and the progressive conservative parties. We are perfectly aware that we cannot administer nor can we advise the Canadian government as if it were already thinking in terms of social credit. Nevertheless, even under our present system, it is possible to provide better care for human beings, for the citizen, from his birth to his death, from the cradle to the grave, from his first breath to his last.

[Mr. Latulippe.]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): How poetic!

Mr. Latulippe: That is, Mr. Speaker, what must be brought home in Parliament to the 30 ministers and all the elected representatives of the people, in order to provide a fair and efficient administration to 22 million Canadians.

Let us rejoice that our potential production is worth several billion dollars more each year. However, it pains us all to see our best citizens deprived of their fair share of this wonderful production and this, because of our unconcern, our carelessness, our improvidence or incompetence.

Under our present system, we have been able to produce goods worth $90 billion up to 1971. I say $90 billion, but I think that the amount will exceed $92 billion, that is more than $4,200 per capita or $21,000 per household of five.

It is also under our present system that we must be able to organize the distribution, the consumption and the purchasing power of all our citizens, that all might have a fair share of the tremendous national production to which they are entitled.

Let us remember the years 1930-39, the years of the depression. Can we remember the war years, from 1939 to 1945? Can we recall the splendid period of the after-war, when money was plentiful until 1958, when the people started to speak of inflation, of unemployment and poverty, and this, in times of peace and overproduction?

We see clearly that the problems of unemployment, poverty and inflation are not a mere problem of production, but one of distribution. We produce more and more, and consume less and less. This is what is paradoxical about the management of Canada in 1971. We produce a lot, we capitalize too much, and we do not consume enough. There is a nationwide economic imbalance between production, consumption and capitalization. So, we must restore some balance in all this, within the framework of our monetary, economic and political, Canadian and capitalist system of free enterprise.

Here is a very simple table which will make us clearly understand how our national economy is planned by all the leaders, known or unknown, who control our economy. In 1945, 90 per cent of a $12 billion production was consumed and 10 per cent was capitalized. Everybody was happy. In 1958, that is 13 years later, $32 billion were produced, 75 per cent consumed and 25 per cent capitalized. People were still rather satisfied. Today, 13 years later, after the war, $90 billion are produced, but only 60 per cent are consumed and 40 per cent capitalized, mainly in the large companies, private or public institutions and corporations. By keeping the same pace in 1975, we will produce over $140 billion, but we will consume less than 50 per cent and capitalize over 50 per cent. Such a situation is ridiculous.

Still a little later, we will produce $200 billion but the companies will keep 90 per cent of the capitalization and leave only 10 per cent for consumption.

That is where we should intervene, Mr. Speaker. So, in 1971, we face a very well known and definite situation in which the great wealth of Canada and its main banking,

business, financial, and industrial institutions is obvious. Apart from those encouraging facts, we notice many deficits in the budgets of several governments, many companies and numerous families which get more and more into debt each year although they still are short of the things necessary to lead a normal life in a country as prosperous as Canada.

• (8:20 p.m.)

These are not joking matters. We are at a loss to understand anything. The entire Canadian population is only able to consume $54 billion of a national product valued at $90 billion, whilst a few corporations and individuals accumulate capital to the tune of more than $36 billion for the years to come, as reserves to guard against risks and guarantee their business security.

Before allowing our firms to set aside surpluses of $36 billion, could we not earmark $12 billion to increase the purchasing power or to guarantee a minimum income to citizens who are deprived of the bare necessities of life as are our 60-year-old senior citizens and others and when such a marvelous national product exists side by side with a highly ambitious capitalization on the part of large corporations.

I am neither against profits and surpluses nor against necessary reserves aimed at guaranteeing business security. I know that this is good. But the evil lies in the abnormal increase in these famous reserves, year after year, on a scale authorized by the ministers and hon. members who have been elected by the people to administer justice and equity for the benefit of consumers who are all entitled to live in Canada, in 1971, in accordance with the national product and before exorbitant reserves have been accumulated for the years to come.

Even when the Bank of Canada was established in 1934, and oftentimes since then, the government has been requested to scrutinize those famous reserves accumulated by banks and corporations and to restrict them or bring them down to a level more in line with reality.

It should be realized that these enormous reserves derive from exaggerated profits obtained through high prices paid by the people. They even constitute the main source of inflation. The statistics published these last years on the secret, discreet and concrete reserves of large companies show that the price increases equal the increased reserves of those companies.

It would take too long to prove this here but the Minister of Finance (Mr. Benson) is aware of it and so are the accountants, economists and directors of major institutions. All the price increases the population had to put up with from 1960 to 1970 are equal to the accumulation of exorbitant reserves as shown in the report of private and public companies, banks and major institutions.

For the time being and for the purposes of the motion moved today, since better pensions must be paid to those older people of 60 and over, let us not try to determine where the money will be coming from. Money we have plenty. Production is there but it is the purchasing power that is inadequate. The money that is lacking is precisely the money that is needlessly accumulated in the large hidden reserves of major private and public institutions, with the permission or connivance of our government, which is not dishonest, but too unconsciously devoted to old administrative methods of protection, capital or productivity promotion.

Why produce 10 times more if the population does not have more money to buy that increased production? Can anybody answer me? If we produce $90 billion in 1971, we can only consume $54 billion, and other individuals and companies can capitalize $36 billion. If we were to produce $10 billion more, the citizens without purchasing power could not buy this additional production. The trouble is not lack of production but lack of purchasing power to meet the needs of the citizens of all levels and ages, including the children, the students, the unemployed, the crippled, the sick, the mothers with a family, the old, the citizens 60 years old or over who cannot find work and must live in 1971.

As can be seen, the entire economy of this country is off balance: some lack the essentials of life while others enjoy exorbitant surpluses, personally or through their millionaire companies.

People comment on inflation, unemployment, poverty, boosted taxes and prices. Nobody is satisfied. Nonetheless, Canada not enjoys prosperity but ranks among the wealthiest countries in the world. Only an over-all revision is required to restore the economic balance between the various sectors of our population, but we balk at the necessary decision.

The United States again will take the lead. They are now taking steps so that conflicts between employers and employees will be settled before the consumers, who at last will have their say and an opportunity to take exception to the price increases due to the increases in wages and interests rates.

Production is intended for consumption. Without consumers, there would be no need for production. But if consumers have no purchasing power, no money to buy production, it is not much better. Our lopsided system is not comfortable with those dependent consumers requesting pension, allowances or grants that they manage to have productive citizens pay through their income derived from wages or interests.

The solution would simply be to have the huge reserves capitalized yearly by big companies converted into purchasing power for dependent citizens. There would be no need then to increase personal income taxes, the cost of living, the price of products or services. This will have to be done sooner or later. It is not a matter of overtaxing corporations but of taxing their tremendous reserves and their reported profits. That is the important thing.

Today when individuals pay $5 in taxes, corporations pay only $1. We shall have to set this straight some day if we want a fair tax system. After ten years of studies and a royal commission on taxation, this point perhaps the only important one, was overlooked.

On page 113 of the bulky report of the Carter Commission on taxation, Mr. Carter took exception to the "practices" used in computing the depreciation reserves of the corporations. but no one wants to mention this dissenting opinion of the chief commissioner himself—

The Acting Speaker (Mr. Boulanger): Order. I am sorry to interrupt the hon. member but his time has expired.

[*English*]

Mr. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, I agree that there should be improvements in the old age pension program, but I do not agree with this motion. The motion suggests, among other things, that the basic pension is the old age security pension. This is not true. At the present time the foundation, the core of our old age pension program is the Canada Pension Plan plus the old age security pension.

The motion also suggests an extension of the flat rate, universal old age security payment, in other words an extension of the basic $80 a month which is not related to other income and is not related to contributions. I totally reject a flat increase in the universal old age security of $80 a month. I think there is no justification for paying government pensions to all individuals without consideration of their other income, their other pensions, their rents, their dividends, their profits, and so on.

During the debate today the hon. member for Vancouver-Kingsway (Mrs. MacInnis) and the hon. member for Winnipeg North Centre (Mr. Knowles) stated that if we increased the old age security pension for everyone we could get back all this money from the rich through income taxes. As a matter of fact, the hon. member for Vancouver-Kingsway asked why the government cannot get it all back from recipients who are wealthy, through the income tax system. A few years ago when we introduced the guaranteed income supplement the minister produced statistics to show that you do not get it all back through the income tax system.

• (8:30 p.m.)

I cannot agree to the payment of a flat rate to everyone, hoping to get it back in some cases through the income tax system when through the very simple procedure of the guaranteed income supplement we can pay out money to the people who need it most. I think we should take the money that is available and divide it among those who have none or very little private income so that they can have a decent pension.

This year we are spending $2.2 billion on old age security and guaranteed income supplements. If we divided this among all our pensioners, rich and poor, the guaranteed minimum of $135 a month would not be available. In other words, if we divided that $2.2 billion among all the pensioners, the average pension would be below $135. We can only pay the $135 minimum because we are being selective.

I said that the Canada Pension Plan is the core of our old age pension program. When it comes fully into effect in 1976 under the present legislation we will be paying $121 per month to persons who have annual earnings of $5,200 a year. That $121 a month, plus the basic old age security of $80, would provide a pension of $201 a month. I said that this would be the case under the present legislation, Mr. Speaker, because in its white paper the government proposes changes in the Canada Pension Plan. For example, it proposes that by 1976 we would have a pension of $162 per month for those with average annual earnings of approximately $7,000, and if we add the basic $80 old age security pension to that it will give a pension of $242 a month.

When he introduced the white paper the minister said the changes proposed to the Canada Pension Plan were subject to negotiation with the provinces, especially with the province of Quebec because the Quebec Pension Plan is very closely tied in with the Canada Pension Plan. I hope the minister will proceed quickly with these negotiations and that very soon he will get acceptance for his proposals.

These figures I have given are for the Canada Pension Plan when it comes fully into effect in 1976. In this coming year, however, 1972, a person whose average annual earnings are $5,200, which is the maximum, will receive $65 a month from the Canada Pension Plan, plus $80 a month from old age security and $22.50 from the guaranteed income supplement. He will receive part of the income supplement because his income other than the old age pension will be less than $110 a month, so that the total he will receive in 1972 will be $171.50 a month, which is more than the $150 suggested by the hon. member for Winnipeg North Centre on a flat, universal basis.

I also wish to point out that the estimate with respect to the Canada Pension Plan is that it will cover 92 per cent of all employees and self-employed persons. The Canada Pension Plan also has a 2 per cent cost of living escalation clause. As I say, this is the core of our pension program. For those who will not have a sufficient number of working years, or who could not work at all, we have the guaranteed income supplement and the Canada Assistance Plan. The guaranteed income supplement at the present time provides $55 a month for those who have no other income.

The number of persons who are now receiving the guaranteed income supplement will become less as time goes by because more and more people will be covered by the Canada Pension Plan. Then as more people become covered by the Canada Pension Plan they will receive that plus the old age security and they will be getting the type of pension I referred to a few minutes ago which, for the vast majority of Canadians, if the proposals of the minister go through, would be approximately $242 a month in 1976.

The present old age security, guaranteed income supplement and the Canada Pension Plan are payable at age 65. Those who retire before 65 must rely on the Canada Assistance Plan and the programs that are related to it. I would favour reducing the qualifying age for the Canada Pension Plan, but not for the old age security as suggested in this motion. I suggest that one could take advantage of the Canada Pension Plan at age 60 in the same way that persons can now take advantage of it at age 65, that is if they leave the work force and retire. Under the present Canada Pension Plan, between ages 65 and 70 you do not get the pension, or you may get only part of it if you work between those ages, but at age 70 you get it in full whether you work or not. I would make that plan applicable at age 60. But the important difference between my proposal and that in the motion is that I would apply it to the Canada Pension Plan because, as I have said, it is the core of our pension program. It is based on contributions and

the benefits are much higher than they are under the flat rate, universal old age security pension.

The motion proposes that wives at any age should receive old age security if their husbands have retired. I cannot accept that proposal. In many cases wives work and earn good incomes. There are cases where the wife wants to work. I can see no reason for paying a pension to a wife who is under 60, say 50 or 45, if she is working, just because her husband is retired. I would suggest, in its place, that she have the right as of age 60 to receive the old age pension if her husband is retired. Of course, if she had worked in her lifetime she would be eligible for the Canada Pension Plan and could receive those benefits at age 60, just as her husband could. If she had not worked at all, the only thing she could rely on would be the old age security pension. I would agree that if she is not working at age 60 she should have the right to the old age security pension.

I want to raise two matters with which I am not satisfied in the present program. One is the 2 per cent cost of living escalation clause. On several occasions in the House I have said that I do not think it is reasonable to limit the cost of living escalation clause to 2 per cent. I believe it should be the same as the percentage increase in the cost of living. The 2 per cent figure was picked when we introduced the Canada Pension Plan. At that time the minister said we would fix it at 2 per cent because in some years the cost of living rose and in others it went down. That might be true if we look at statistics over the last 50 years, but if we look at statistics since the last war I do not think there was any occasion when the cost of living dropped below that of the previous year. So if the 2 per cent was based on the fact that we will have reductions in the cost of living, I think it is unreasonable.

• (8:40 p.m.)

We should be prepared to increase pensions automatically in accordance with the total increase in the cost of living. This would be paid for by the increase in income tax collected due to increased wages. I think we should able to pay for a total increase in the cost of living under the guaranteed income supplement and under the Canada Pension Plan. If we are to do that and we want a reasonable pension for the small group of people not eligible for the Canada Pension Plan, then I think the guaranteed income supplement should also be increased to $70 a month.

That would mean a guaranteed minimum pension of $150 a month instead of $135. It would not be, as suggested by the hon. member for Winnipeg North Centre, the basic, universal old age security which is paid to everyone but, rather, it would be as a result of the guaranteed income supplement. As I said before, this would be a better use of the money available for old age security.

I realize that to have a total increase in the pension fixed to the cost of living, and to increase the supplement to $70 a month would be costly. I also realize that in this fiscal year we are spending $2.2 billion on old age security. That is a lot of money. I understand the difficulty of the government in raising money for programs at this time. However, I put forward these proposals because I think they are goals that we have to achieve and I think they can be achieved if we put our minds to it.

Mr. Speaker, I have referred to the Canada Pension Plan, the old age security and the guaranteed income supplement but I have not mentioned private pensions. In Canada, most companies now have private pension programs and the great majority of them do not have a cost of living escalation clause. Some of them have accepted such clauses. As a matter of fact, this House made a report last year or the year before with respect to the Canadian National Railways and when they revised their pension plan our proposal to include a cost of living escalation clause was accepted. The public service of Canada also has an escalation clause in its pension plan. I think it would help to reduce social tensions and bring about a much happier generation of elderly people if more private companies included a cost of living escalation clause in their pension programs. Several have done it and I see no reason why more should not.

In conclusion, Mr. Speaker, I should like to repeat my points. First, I do not think we should increase the basic universal pension of $80 a month; I think that should remain fixed. Second, I think that the core of our pension program should continue to be the Canada Pension Plan, and I hope the government will get agreement for the changes proposed in its white paper as soon as possible. Third, I suggest that the age of eligibility under the Canada Pension Plan should be 60 years, but only if the person was not working, or in the same manner in which it is now available between the ages of 65 and 70 years.

Fourth, women over 60 years of age should be eligible for the old age security pension if the husband is retired. I do not think they should be eligible for a pension if they are under 60 years of age and working. Fifth, if women are under 60 years of age I think they should be eligible if they are not working and their husband is on the guaranteed income supplement. That would give some reason for paying the pension to a woman under 60 years of age because it would mean that the family income was not high and there could be a situation where the woman could not obtain work.

Six, I think if we want to make the guaranteed income supplement more in tune with today's cost of living, it should be $70 a month. This would mean that the guaranteed minimum pension would be $150 instead of $135. If we had that as well as an escalation clause which would increase with the cost of living, then I think we would have a first-class pension package. By that I mean one basically founded on the Canada Pension Plan and which would provide a guaranteed income supplement for the small percentage of people not eligible for the Canada Pension Plan.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, would the hon. member permit a question?

Mr. Allmand: Yes.

Mr. Knowles (Winnipeg North Centre): In view of the very welcome suggestion of the hon. member that if persons leave the labour market at age 60 they should qualify for benefits under the Canada Pension Plan, would he consider coupling with that a suggestion that such per-

sons also qualify for the old age security pension? I am accepting his proposition—I suggested it myself this afternoon—that the condition be one of leaving the labour market. With that condition, and in view of the fact that the hon. member groups the two as a desirable combination, would he not agree that such persons, at age 60, ought to draw both pensions?

Mr. Allmand: Mr. Speaker, when I was preparing my remarks this afternoon I considered that matter and I could not come to that conclusion. I agree that in some of the proposals I have made there are arguments that suggest it, but on the other hand I have an inclination which is opposed to the basic pension of $80 a month. What I would like to see is a complete guaranteed income supplement for all pensioners. However, we have the $80 a month now and we have to keep it. I would not reject what the hon. member proposes. I think it may be the only course, but I must say I did not come to a firm conclusion that it was the best way to proceed.

• (8:50 p.m.)

[*Translation*]

Mr. Deputy Speaker (Mr. Boulanger): The hon. member for Madawaska-Victoria.

Mr. Eymard Corbin (Parliamentary Secretary to the Minister of the Environment): I thank you Mr. Speaker. I did not expect to speak so early, but I am pleased to welcome this opportunity.

I do not very often have the opportunity to speak in the House for the simple reason that the opposition members have so much to say that there is scarcely any time left for the government members. In spite of all that, we are criticized.

I must also add that if certain opposition members feel unable to communicate with the government, they are the only ones to blame. As for me, I have good relationships I should even say fruitful ones and generally satisfactory.

Since the government is also made up of men and therefore can make mistakes at times, sin through omission, accomplish too little or not enough,—depending of course on which side of the House the members are,—it is easy, much too easy, for a member of the opposition to blame the administration, to blame the government for not looking after the older people as it should. Politically speaking, this may seem profitable, but I must confess that I can do without this kind of politicians who quite irresponsibly, make use of the conditions or circumstances of older people in order to get political support. I have not accused anyone, Mr. Speaker. The truth is that there is not a single member in this House who is uninterested in the old people's lot. On the contrary, I am sure we are all endeavouring to find the means to provide our old people with a happy and peaceful retirement.

The hon. members, Mr. Speaker, are not the only ones to tackle this problem. Let us not forget the many agencies, associations and religious orders that were active in this field before governments even thought of acting.

Every one of us has in his family, among his friends and acquaintances some aged persons. We cannot forget even for a moment the needs of those persons. Many of them

were able to provide for themselves during their years of retirement an adequate income from their earnings during their best years of activity. Many live very well, but it goes without saying that there are many in our country who do not have the bare minimum, others who, having saved all through their life, find that, with the cost of living, their savings are not enough. And the saddest thing is to see an older person, an aged couple afflicted by illness.

We must ask ourselves very seriously if our senior citizens, our present pensioners, whoever they are, whatever area of this country that they live in, have all they need to live decently. Being realistic I feel that we could do more for the aged, before thinking of forcing into retirement people who have not reached the required age and who are still productive.

I have often discussed this question with my constituents. Some tell me that the problem of unemployment can be solved by retiring 60 year-old people. I am not aware of all the consequences that such a measure might have on our economy, but I have a distinct feeling that our economy and productivity, and consequently the revenues of governments, would suffer from it. People between 60 and 65 have reached the top of the salary scale. They have quite often acquired an experience difficult to replace, and I fear that it would be disastrous for our economy if these Canadians were to prematurely leave the labour force for an early retirement.

However, I do not reject completely the concept of people being pensioned at 60. In every sector of commercial, industrial, professional and even parliamentary activity—for we have here relatively aged members who should have retired a long time ago, people who often say they are marking time—

Mr. Knowles (Winnipeg North Centre): Some of us will be here after you are gone.

Mr. Corbin: Mr. Speaker, others should retire honourably in that repository called the Senate.

Mr. Knowles: That isn't honourable.

Mr. Corbin: Long before they reach retirement age, some people mark time, that is they keep count of how many years, months, weeks and even days there are before they retire. Consequently, they gradually lose interest in their profession and their work. They become less productive and have a tendency to be more critical of their employers, to get on their colleagues' nerves at work without rhyme or reason, finally to become a nuisance to everybody. They mark time and occupy positions that would be more properly filled by young people entering the labour market. Those people whose only concern is an early retirement could be encouraged. I think that would be profitable to the Canadian economy. However, it should be done gradually and systematically and with great discretion. I would suggest that governments and large corporations first make a limited experiment the results of which should be assessed.

A great number of Canadians are fed up helping those who could work but are too lazy to do so when jobs are available. The payment of welfare allowances to young

people able to work is beginning to exasperate the taxpayers. We will soon reach the revolt level, if governments fail to solve this problem. And I do not have that solution, Mr. Speaker. Frankly, I do not believe that the solution proposed today by the Social Credit is entirely acceptable. In any event, not now. It might be practicable in a rich province, like Ontario, but certainly not in New Brunswick where less and less salaried people are called upon to support more welfare recipients.

We are faced with serious problems in the social field. We all recognize it. However, all men of good will, all well intentioned governments must pool their resources to find solutions that will be satisfactory to the majority of Canadian taxpayers. Study groups, committees and white papers must be included in the exercise. But in the final analysis, each government must take realistic decisions. Motions such as the one introduced today are not the solution. I feel that the proposal is too oversimplified and therefore, I cannot support it.

The Parliamentary Secretary to the Minister of National Health and Welfare (Mr. Ouellet) will be closing the debate. I have much confidence in the young member for Papineau and I am eager to hear him. But before resuming my seat, I would ask him to discuss with the minister the possibility of extending the coverage of the old age security system to those individuals who, having not yet reached the conventional age of retirement, have become unable to earn their living, due to illness, disability or any other valid reason. There are plenty of such cases in these days of heart attacks, nervous breakdowns, accidents of all kinds and incurable diseases.

However, I would like to tell the Parliamentary Secretary that in my view it would be premature to set up a universal pension plan at age 60. Let us first of all look after the really old people and then we can think of spending additional sums of money for people 60 or over.

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I was afraid that after all the speakers to whom you gave the floor I could not get a few words in, at least, on the motion I was pleased to support this afternoon.

The motion is extremely simple and important. It purports to make all those who are 60 or over eligible for the old age security pension.

Mr. Speaker, I should now like to draw a parallel. A few days ago, the Solicitor General (Mr. Goyer) announced his department's policy concerning rehabilitation of inmates. He said here in the House that such rehabilitation was most important. Thus the Solicitor General apparently wanted to make available to inmates the promises of the just society, whereas the majority of our old people in Canada will unfortunately have to wait too long, particularly those in whose behalf we presented this motion today.

• (9:00 p.m.)

If we are going to be so considerate towards prisoners in Canada, it seems to me that we should be even more so towards people 60 years of age or over. It is with this purpose in mind that tonight I gladly second the motion proposed by my colleague, the hon. member for Roberval (Mr. Gauthier).

Old Age Security Pensions

Mr. Speaker, we in Canada—as everyone knows—live in affluence: we are constantly being told that we have too much wheat, too many dairy products, too many agricultural products, too much fuel, too many textile products, too many building materials, too many slums, too many farmers, too many workmen, too many teachers. On the other hand, we also have 650,000 unemployed too many—including educated ones—too many illiterate people, too many retrained people, too many poor, too many industries which do not run to their full potential, too many empty pockets, too many bankruptcies, too many debts and too many taxes, as well as too many old people who live in poverty.

When a man turns 50, it is true today that he cannot find employment in Canada. Nor does he like to beg the mere pittances of social welfare. He wants to work and not to live off public charity. If our economy cannot give him a job, it seems to me we could pay him a pension at 60, especially when we know that, in most cases, those people brought up seven or eight children.

The government should revise its social policy along those lines. They would thus give opportunities to the young who in turn want to have a family and have the privilege of doing what others had a chance to do before them.

Today, Mr. Speaker, a young person who is unemployed is a candidate for protestation and also, perhaps, unfortunately, a candidate for revolution.

Mr. Speaker, the 60 year old man and woman are cast aside. Thus we take away from them their privilege as respected human beings in our society by imposing upon them a social life pattern where often and unfortunately they are rudely treated. They must suffer the humiliation of being rejected as useless by a selfish and unfair society while, during the electoral campaign in 1968, we had them dream of a just society which is yet to come.

Often, we unfortunately blame the elderly people for their age. If the pension begins at 65, old age begins however at hiring, that is at 40, because at 50 no job is available anywhere. According to reports of the Department of Manpower and Immigration, we must let the young work but, unfortunately, today the place of 40 year old people in our society is often in the welfare office.

Mr. Speaker, that motion proposes that pensions be paid from the age of 60 for many reasons, because after having worked for over 40 years, those same people often feel tired and are no longer able to do their job properly. And others can no longer work due to poor health. They also would like to enjoy some comfort, to live it up, to travel before the end of their lives.

Mr. Speaker, in these days of unemployment, young people should be allowed to replace their elders in the labour force.

If we gave the old age pension to the 60-year olds, we would automatically reduce the number of unemployed who, unfortunately, include too many young people. We would be surprised at the number of young people who would work. It would not cost the government more to give pensions to those citizens 60 years of age.

Moreover, with the implementation of the recommendations contained in the motion, many people would be

pleased to keep their aged parents with them. According to the stupid social welfare legislation we know, particularly in the province of Quebec, those who would like to keep and maintain their parents would be no longer eligible to any social welfare allowance. If welfare services agree to help them, the amount allowed is reduced to the bare minimum.

If the aged are living with strangers, or alone in a small apartment, welfare services grant them the full pension and pay all drugs and care.

These laws are stupid, they force children to neglect their aged parents. I personally know of married children who are working and living without any luxury, but who would welcome their aged parents in their home. But the fear of drugs and care costs forces them to be prudent and prevents them from keeping their parents under their own roof.

In 1971, Canada could, I think, pay a pension to the 60-year olds and they could end their days in serenity with the members of their own family instead of living in solitude.

Today, in our society, children are unfortunately in the same position as older people. They do not have their place in our so-called modern society. They seem to embarrass everybody, and this scandal should not be tolerated in our country.

I have with me very interesting data on showing the aging pattern of the population.

• (9:10 p.m.)

In 1951, there was 126,000 people aged 65 or more. In 1961, 306,000. In 1971, 411,000. In 1981, they will be 600,000. And the June, 1970, figures show that in Canada, there are close to 750,000 people aged 60 to 65 who now receive no old age pension at 60.

Senior citizens deserve better than having to worry about tomorrow, worries, financial difficulties, moral hardships and insecurity. They deserve better than having to live on others, all the more as at this age illness and worries about their children are often their major concern.

If we are to have a modern society, we should do better for our old people than the so-called primitive tribes which show more concern about their aged people than we do. At present, certain under-developped countries do more for their people aged 60 and even 50 than we do here in Canada.

Mr. Speaker, it is also quite normal for people aged 60, in the last ten years of their life, that they may enjoy recreational activities in this century of leisure, at a time when automation increasingly reduces working hours, when unemployment is affecting thousands of homes; we should be able in our modern society to enable our senior citizens to enjoy recreational activities.

The motion before us is most simple. The government will probably again use the pretext of expenses, while Canadians can certainly provide the aged people with food, accommodation and comfort, in short, anything we can possibly give them.

[Mr. Rondeau.]

But there again we are up against backwards, obsolete and archaïc financial conditions. Therefore the members of the Ralliement créditiste are right in saying that Canada is bursting with all sort of riches while our citizens between 40 and 60 years of age cannot find jobs nowhere in Canada. It is high time that this government, the self-declared government of the just society, would at least provide our older citizens with an opportunity to live decently.

This is why I urge the government to study the matter earnestly, because the Creditistes are not alone in asking for the pension to be paid at 60 years of age. For several years, various public bodies and organizations have asked for it. We often read in the newspapers open letters with requests for the payment of the pension at 60 years of age.

Prior to the next federal election, we should be able to say to our 60 year-old people that they are not a privileged group and that we recognize what they have done, for we must not forget that if we can enjoy the comforts and the standard of living we now have, if our society has been developed we owe it mainly to our older citizens.

It is on account of such facts and because we can achieve that physically that the government should not stumble against a mere financial difficulty, that it should get off the beaten track so as to put money at the service of production, production at the service of old people in order that our 60 year-old citizens may be regarded as full-fledged citizens in our economy, benefit from this country's great production and enjoy the last years of their life, especially since they have given so much for this country and for their fellow-citizens.

Mr. André Ouellet (Parliamentary Secretary to Minister of National Health and Welfare): Mr. Speaker, this week the Social Credit party has taken its "money-printing machine" out of mothballs. Last Monday evening, the leader of the Social Credit party, the hon. member for Témiscamingue (Mr. Caouette) talked about a guaranteed income plan for all Canadians of 18 and over, regardless of whether they were working or not, had money or not, were millionaires or unemployed. That plan would cost roughly $18 billion, four times more than what is now being spent in the field of social security. With that plan, the annual budget expenditures of the federal government would automatically double.

Now, the Social Credit party is putting forward new proposals for older people in Canada. This new formula would cost over $1.1 billion to the public treasury. As you can see, the Creditiste "money-printing machine" is going at full blast this week.

If we were to grant an old age pension of $80 a month to all older people between 60 and 65, it would cost an additional amount of $740 million in 1972, an increase of nearly 45 per cent over present expenditures.

Furthermore, if we were to extend the guaranteed income supplement to that age group, the combined additional cost of guaranteed income and old age pensions would be roughly $850 million, for a total amount of $3.4 billion in 1972, and that would be for all persons of 60 and over.

The present government is undoubtedly concerned with older people. The record of all Liberal governments in the

past has more than proved it, and I think it would be useful to recall the part it has played in the old age security pension plan. The first attempt in Canada to make any kind of government provision for older persons was the passage in 1908 of the Canadian Government Annuities Act.

In 1927 the Old Age Pension Act went into effect. This provided financial assistance to persons 70 years of age or over who could meet a means test. This act was administered by the provinces with a federal sharing of the costs of the pension. At first the federal government contribution was 50 per cent but this was later increased to 75 per cent. In the years that followed after 1927, there were a number of amendments to the Old Age Pensions Act liberalizing the amount of the benefit which originally had been $20 a month to $40 a month and there were changes in the means test requirements as well. Nevertheless it became apparent that there was some dissatisfaction with this method of meeting the needs of older people.

• (9:20 p.m.)

In 1950 there was established a joint parliamentary committee of the House of Commons and the Senate. This committee made an exhaustive study of the various pension schemes then in existence throughout the world and they heard briefs from various organizations and individuals to get any opinions possible as to the best course to be followed in Canada. It is interesting now to read the committee reports of that date and to notice that there was some discussion of the introduction of an insurance plan similar to the Old Age and Survivors Insurance of the United States which had gone into effect in the mid-30's. Coming out of this committee were recommendations to the effect that there should be established a system of universal pensions for persons 70 and over coupled with a program to be called Old-Age Assistance paid on a means test basis for persons 65 to 69 years of age. The federal government would administer and pay for the universal pension while the provinces would administer the Old Age Assistance Act—with the federal government paying 50 per cent of the assistance payment.

The government of the day decided to implement the committee recommendations, but before this could be done it was ncessary to obtain a constitutional amendment which would permit the federal government to legislate concurrently with the provincial governments. This was obtained and the Old Age Security Act of 1951 was passed to become effective January 1952.

The amount which was to be paid under the Old Age Security Act when it was first established in January 1952 was $40 a month. This was changed over the years so that, in July 1957, under a Liberal government, the pension became $46 a month, in November 1957 $55 a month, in February 1962 $65 a month and since October 1963 has been at the rate of $75 a month.

The main premise of the old age security scheme is to pay a pension on a universal basis with no means test and with no direct connection with the financing of the plan. The application for pension does not have any question concerning income or resources. In order to qualify for the pension, the individual needs only to establish that he is of the proper age and that he has met certain residence requirements. In other words, any person who meets the age and residence requirements is eligible for the pension and there is no reference to his income or to any contribution he may have made to the Old Age Security fund in the past, present, or future. It is obvious that the principle of the Old Age Security Act follows more closely the schemes in effect in New Zealand and Sweden, rather than the social insurance approach of the United States and Great Britain. It can be noted, besides, that at present the Canada Pension Plan is based on the social insurance principle.

The plan is operated on a pay-as-you-go basis. The Old Age Security fund receives money through a sales tax, a corporation income tax and a personal income tax. Originally, the formula was 2 per cent for each of these items, subject to a limit of $60 a year for the personal income tax contribution. This is the formula 2-2-2, and those who were concerned with the operation of the program could only hope that the coincidence that this formula sounded like a headache tablet would not bear any omen of difficulties ahead. The financing at present is through a 3 per cent sales tax, a 3 per cent corporation tax and a 4 per cent personal income tax, subject to a limit of $120, thus a 3-3-4 formula.

Since the passing of the Old Age Security Act, there have been years where the financial resources obtained through these taxes have turned out to be insufficient to meet the costs of pensions. Where this has happened temporary loans have been advanced to the fund and these loans have, in turn, been paid off through grants from general revenue. The current situation is that the income is greater than the outgo.

As can be seen, the evolution of old age security through the years is tremendous. One may be interested to learn that old age security pensioners received $1,730,000,000 during the fiscal year ended March 31, 1970, out of a national budget of approximately $14,000,000,000. There are now approximately 1,670,000 old age security pensioners in Canada. From these figures, one can appreciate that the decisions which are reached must be equitable not only to recipients of social security benefits but also to the taxpayers who must pay for all services provided by the government. Unless, of course, we use the money-making machine of the Créditistes. As a matter of fact, that is why we must tackle the question with the utmost caution even if, spontaneously, the members of all parties would like to do much more for the aged.

I think that it is important to deal more particularly with the new guaranteed income supplement program. I would like to say a word about it.

Five years ago, in December 1966, the guaranteed income supplement program for old age security recipients was approved by the members of this House. In January 1967, people who were 68 or older and who had no other source of income became eligible for a 40 per cent supplement to their old age security pension—that is, an extra $30 a month. In the three succeeding years the amount of this supplement rose slightly as the cost of living rose, and the whole benefit—old age security and guaranteed income supplement combined—became payable earlier. Presently, people who are 65 or older can receive as much as $135, consisting of $80.00 in old age

security pension and $55.00 in guaranteed income supplement. This guaranteed income supplement program has proven very effective. Almost half all old age security recipients are drawing some supplement. The figure had now reached more than 830,000. These people submit application forms each January stating what their family income has been in the previous calendar year. In this way we can be sure that the benefits are being paid to those who need them most, the aged people who have little or no other source of income. This program cost $263 million in 1969-1970, and during the current fiscal year it is expected to cost nearly $300 million.

There are two major features of this program which have made it so effective. One is the income test I have just mentioned. This is an impersonal test that does not involve any private investigation of one's living habits or spending habits. It is no more degrading than the income test that all taxpayers must undergo when they file their income tax returns.

• (9:30 p.m.)

The second is the built-in incentive feature. The supplement is not cut back by a dollar for every dollar of income a person has from other sources. It is only cut back by $1 a month for each $2 a month one has from other sources. This leaves an incentive for older people who can supplement their pensions by doing some work to do so. It leaves an incentive for younger people contemplating retirement to save toward that day.

There are those who argue that the OAS pension itself should have been increased. To raise it by $10 a month to $90 in 1971 would have cost us an extra $206 million. We considered it a far better use of resources to concentrate this sum on improving the supplement for low-income old age pensioners. We have therefore suggested raising the supplement for single pensioners by $22 and for married couples by $29 a month, at a net cost of $194 million.

By so doing we have been able to ensure that all persons over 65 will have incomes of at least $1,600 if single, or of $3,000 if married pensioners. We estimate that about 970,000 pensioners are drawing the supplement, including about 470,000 who are getting full supplement.

Mr. Speaker, there appears to be a growing interest in matters relating to retirement at ages below the traditional retirement age of 65. It is advisable, we feel, to know what the Canadian experience with early retirement has been and whether or not any trends toward early retirement can be detected. For this reason, various data sources have to be examined.

There is no apparent trend towards decreased participation in the combined labour force for the age group 55-64. In fact, there has been a general increase in participation since 1951 for that age group. In the case of males *only*, however, for the age group 55-64, participation has dropped fairly regularly since 1951 and each year since 1966. Female labour force participation, on the other hand, has increased substantially every year except in 1953 and 1970.

For Canadians in the age group 65 to 69, there is a definite trend towards lesser participation in employment. The participation rate for males, in particular, has declined rapidly in the period 1966 to 1970. This likely is a reflection of the increasing availability of pension income through OAS and CPP for that age group. The Economics and Research Branch of the federal Department of Labour routinely undertakes a number of studies of developments within the field of collective agreements. In the course of this work some attention is given to the provisions relating to pension plans, which, unfortunately could be given only cursory examination. A detailed study in this area is scheduled for the fall of 1972.

The Department of Labour reports that they have recently conducted an examination of 341 collective agreements negotiated during the period July 1st, 1970, to June 30, 1971. Examination of these collective agreements indicates that 70 contracts had negotiated new provisions with respect to pensions and 26 of these contained clauses for early retirement.

The Department of Labour cannot provide information on the nature of the clauses relating to early retirement nor their effect on retirement age experience. Nevertheless, it seems clear that the private pension field is more and more turning its attention to changes which would allow retirement at ages prior to normal retirement ages.

Many Canadian pension plans permit members to retire early provided certain conditions, based on age or service or a combination of both, are met. The most recent survey of pension plans available for public scrutiny was conducted by The National Trust Company in 1969.

The National Trust survey involved 113 employers which had 136 different pension plans in operation covering more than 1 million employees. There were 24 plans (18 per cent of plans surveyed) which permitted an employee to take his pension prior to normal retirement age without the consent or approval of the employer.

It may be, Mr. Speaker, that a trend will become clear in the next few years.

However, I would like to say in closing that if the Canadian government considers it advisable to look after the aged in order to provide them with decent living conditions, it absolutely does not feel, like the Social Credit, that it is timely to retire persons between 60 and 65 years who can still be very useful in the labour force.

Hon. Théogène Ricard (Saint-Hyacinthe): Mr. Speaker, I do not intend to speak at length tonight for various reasons, the first being the celebration we are having tonight on the occasion of the great victory achieved in Ontario by the Conservative party, and also because I would like to allow time for my hon. friend of the Social Credit party who has been attacked by the Parliamentary Secretary.

Without subscribing outright to the motion submitted by the hon. member for Roberval (Mr. Gauthier), I would like from the start to state that I share his view that our senior citizens deserve a closer attention than is presently accorded them.

The meaning of the words "physical, material, and human resources of Canada" should however be specified. I am sure there are all sorts of words to be clarified in this respect and the information we could obtain would enable an easier debate of the motion now before the House.

The purpose which the hon. member for Roberval had in mind in introducing his motion goes to show that he keeps close to the people, unlike the members on the government side. Because he is aware of the needs of the humbler classes, and of the grievances of those who became unemployed at the age of 55 or 60, and who were unable to find other jobs that could afford them a living, he thought unto himself: "Well, I believe it is my duty to introduce a motion that will call the attention of the House to that matter".

He is to be commended for it and should be encouraged to keep on working for the benefit of our humbler classes because if we leave it to the government members, we may be sure that the conditions of our people will only deteriorate from one year to another.

Some hon. Members: What about the $135?

Hon. Mr. Ricard: I will come to it later on, Mr. Speaker.

I was extremely interested and amused with the history lesson delivered to us by the parliamentary secretary. He described the Liberal Party as one great party, that had done everything or almost everything, in the social field—

Some hon. Members: Hear, hear!

• (9:40 p.m.)

Mr. Ricard: Mr. Speaker, no great knowledge of history is needed to start applauding as the hon. members on the other side of the House are doing at the present time, since we could not expect the Progressivé Conservative party or the Railliement créditiste to take such measures while the Liberal party was in office.

The Liberal party has been in office for many years, and it is because it has been in office so long that the Canadian people, especially our older citizens, suffer such hardships today.

At the time of the 1957 elections, the government members were prepared to grant pensions equivalent to the cost of a daily cup of coffee. This the parliamentary Secretary to the Minister of National Health and Welfare (Mr. Ouellet) forgot to tell us, as he forgot to state that a prominent Quebec Liberal premier, Mr. Taschereau, who was in office from 1927 to 1936, rejected the idea of old age pensions for senior citizens in Quebec. While that province contributed to the pensions being paid to the remainder of this country's citizens, that eminent Liberal politician, with whom the government members claim some association, from year to year refused to have the older men and women in Quebec receive the pension to which they were entitled—

Mr. Albert Béchard (Parliamentary Secretary to the Minister of Justice): Mr. Speaker, would the hon. member permit a question?

The Acting Speaker (Mr. Laniel): Order. Is the Parliamentary Secretary to the Minister ofJustice rising on a point of order?

Mr. Ricard: He probably has more nonsense to utter.

Mr. Béchard: I should like to ask a question to the hon. member.

The Acting Speaker (Mr. Laniel): Order. If there is no point of order, I would suggest that the Parliamentary Secretary may ask a question with the consent of the hon. member for Saint-Hyacinthe (Mr. Ricard).

Mr. Ricard: Mr. Speaker, I would like the House not to hear an idiotic question from the Parliamentary Secretary.

Mr. Caouette: That is true!

Mr. Ricard: I would simply like to continue—

Mr. Béchard: Mr. Speaker, on a point of privilege.

The Acting Speaker (Mr. Laniel): The honourable Parliamentary Secretary rises on a question of privilege.

Mr. Béchard: Mr. Speaker, before saying my question is idiotic, I would like the hon. member to reply in a sensible way to a sensible question.

Can he tell the House why Mr. Taschereau rejected old age pensions and family allowances? Can he tell us why?

The Acting Speaker (Mr. Laniel): Order. The Parliamentary Secretary will admit that the hon. member for Saint-Hyacinthe did not give his consent. The Chair has therfore no other alternative than to recognize the hon. member for Saint-Hyacinthe.

Mr. Ricard: This proves how silly is the parliamentary secretary who cannot even follow our rules—

The Acting Speaker (Mr. Laniel): Order. In spite of this late hour and of the interest of the hon. members in this debate, it is most advisable that we keep our decorum and avoid strong words. The member for Saint-Hyacinthe has the floor. Is the parliamentary secretary rising on a question of privilege?

Mr. Béchard: Mr. Speaker, I would like the hon. member to reply. It is no trifling matter. He said that Mr. Taschereau had refused—

The Acting Speaker (Mr. Laniel): Order. The parliamentary secretary is aware that he may put his question only with the consent of the member who has the floor. The hon. member of Saint-Hyacinthe has the floor.

Mr. Ricard: Mr. Speaker, I would like you to do a favour to the parliamentary secretary. Would you please send him a copy of the Standing Orders and urge him to study them closely. Perhaps the House would benefit from this.

Mr. Béchard: This is no answer to the question.

An hon. Member: Answer the question.

An hon. Member: We want an answer.

Mr. Ricard: It is always surprising, Mr. Speaker, when a member from the province of Quebec, whether a Conservative or a Social Crediter, speaks in the House, to see those who were called donkeys by their present leader open their mouth to bray and try to prevent us from speaking.

An hon. Member: We have an example presently.

Mr. Ricard: They should simply prevail themselves of their right to speak, participate in the debates and prove to the House they have something between the ears besides servility to their leader. Let them make the country benefit from their studies and teach us what they know.

Mr. Béchard: Mr. Speaker, I rise on a point of order.

The Acting Speaker (Mr. Laniel): Order, please. The Parliamentary Secretary to the Minister of Justice is rising on a point of order.

Mr. Béchard: Mr. Speaker, I beg the Chair to remind the hon. member for Saint-Hyacinthe that he is out of order. He is straying far from the subject now before us.

Mr. Ricard: Mr. Speaker, if I am out of order, it is because I followed the Parliamentary Secretary's path, he was the first one to broach this subject.

Mr. Béchard: Let the hon. member answer my question.

Mr. Ricard: If he had let me make my speech quietly, as I religiously listened to the Parliamentary Secretary to the Minister of National Health and Welfare (Mr. Ouellet) who, in turn, is listening to me, I would have likely finished my speech by now, and we would not have witnessed the disgraceful scene that the hon. member for Bonaventure-Îles-de-la-Maleleine—

Mr. Béchard: That's a lot of rubbish.

Mr. Ricard: It is easy to see he is not even able to listen. What a superman! With a superiority complex at that! Let us then leave him to this business of his and try to proceed just the same.

I was saying that if ever there was a segment of society that deserved the attention of this House and this government, it is these older people who have earned a secure retirement.

Was it not last week that we heard the Solicitor General (Mr. Goyer) forsake the security of the entire population to assist the criminals? He said it was more important to protect and try to re-train criminals than to look after the security of the people.

That is what the government means by security. That is the kind of security they intend to provide for our people. I shall make no further comments because I want to give my hon. friend of the Social Credit the opportunity of saying a few things to the hon. parliamentary secretary.

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I welcome my very good friend from Saint-Hyacinthe (Mr. Ricard) among the Créditistes. He has—

An hon. Member: Some recruit!

Mr. Ricard: Mr. Speaker—

The Acting Speaker (Mr. Laniel): Order. The hon. member for Saint-Hyacinthe raises the question of privilege.

Mr. Ricard: I raise the question of privilege, Mr. Speaker.

[Mr. Ricard.]

I just wanted to say that I would like to remain a Progressive Conservative.

Mr. Caouette: The hon. member is perfectly right in saying that we must give more consideration to the elderly people in Canada. The motion now before us asks that pensions be paid to both husband and wife, provided that one of them has reached the age of 60.

A while ago the hon. member for Papineau (Mr. Ouellet) was accusing the Créditistes of wanting to play around with the money press. I will remind him that in 1962 when I publicly asked for a pension of $100 a month for the elderly, it was then only $55 a month. The hon. member should get that into his head. But I was then called a fool because I asked for $100. Today this Liberal government is boasting that it pays $135 a month. This means that the Liberals have become "$80 a month more foolish" than I was in 1962.

• (9:50 p.m.)

Mr. Ouellet What was the cost of living at that time?

Mr. Caouette: Mr. Speaker, some mention the cost of living at that time. The hon. member for Papineau was saying: "The Creditistes will start operating their money-making machine because the cost would be four times as high with their social security program."

The hon. member who travels throughout the province of Quebec, said in Sherbrooke: "The Creditistes are opposed to our helping the underdeveloped countries." The hon. member knows very well that he is lying through his teeth, because we say that we should help underdeveloped countries, but that there is no reason in the world for not helping our provinces, our municipalities, our school boards in the same way, without depriving anyone of anything.

When the hon. member said a few moments ago that it costs $4 billion for social welfare, social security, unemployment insurance, etc., if he wants to take notes, I shall give him statistics. At the present time, $8,735,400,000 are being paid in social assistance, social welfare. The administrative costs are not included in this amount. I am referring to the Ramsay Committee report on social welfare, dated December 22, 1969. These are the most recent figures. This is a submission from the Canadian Association of Tax Studies.

As regards provincial authorities which make a contribution, the figures for 1969 are reported in the DBS Bulletin 68-205 under *Provincial Government Finance.*

As for the municipalities, their latest contributions date from 1967.

But, from 1967 to 1971, they have increased, and if we add to $8,735,000,000 the administrative costs of all welfare and unemployment insurance offices, the hon. member will realize that we are now getting close to 12 billion dollars!

The plan which I suggested the other day, under which all others would be abolished, would include pensions, unemployment insurance, social welfare which at the present time create countless abuses. For a population of 21,337,000 inhabitants, this program would cost $19,580,-945,000. It is therefore not four times more. If the hon.

member knows how to count, instead of referring to a money press to show how smart he is, he should use his common sense to establish facts. We are basing ourselves, Mr. Speaker—

Mr. Ouellet: I raise on a question of privilege, Mr. Speaker.

Mr. Deputy Speaker (Mr. Laniel): Order, the Parliamentary Secretary to the Minister of National Health and Welfare on a question of privilege.

Mr. Ouellet: The hon. member seems to distort the figures I gave in the House. When he refers to $19 billion, that is even $1.5 billion more than my estimate of the cost of the program. I stated that it would cost $18 billion, but he himself admits that it would cost $19.5 billion.

The Acting Speaker (Mr. Laniel): Order. I must point out to the hon. member—

Mr. Ouellet: The hon. member recognizes then that his program would cost four times as much as what the federal government spends—

The Acting Speaker (Mr. Laniel): Order. Would the hon. member kindly resume his seat. I must point out to him that his argument proves that his question of privilege is really a point of debate. His speech being over, I must recognize the hon. member for Témiscamingue.

Mr. Caouette: Mr. Speaker, his was neither a point of order nor even a question of privilege. Instead, it is proof that the hon. member cannot count. We counted though. That program would cost $19 billion and not $18 billion. This is neither four times as much as what it costs now, nor even twice as much. Taking for granted the fact that the provinces and municipalities contribute to the present overall social welfare program, in all honesty, outside of political considerations, on what do we base ourselves?

We know—and the hon. member is aware of it—that we are producing this year $90 billion worth of consumer goods and services. That is the total production and the total national revenue, including the parliamentary secretary's increase, comes to $65 billion. The figures are not mine but those of government statisticians. Therefore there is a $25 billion gap between our production and our revenue. That production exists but we cannot have it because there are no corresponding credits.

When the Minister of Finance (Mr. Benson) announced a credit of $1,070 billion to provide employment, he did not tell us where it would come from. Did he use a money press? No. He merely said: We are going to have $1,070 billion of new credit. Prior to the last war, our national debt was $3 billion; after the war, it was $17 billion. The $14 billion did not come out in thin air. It did not come out of our pockets because we did not have any money. The government came up with sums of money, appropriations. We made war.

We are presently in conflict with the younger generation and we are wondering what to do about it. And the hon. member knows it because when he went to Sherbrooke he could easily see that it was so. The younger generation nowadays is boiling. They have a grudge against us. They have a grudge against the establishment. Why? Because last summer, 900,000 of them could not find a summer job. The hon. member also knows that if a war was to break out tomorrow we would have a job for each and everyone of them. They are the ones who do not accept the government's position.

Mr. Speaker, it is not by talking the way the hon. member for Papineau was a while ago that we are going to solve our problems. Mr. Speaker, the "money-printing machine" is becoming outmoded. To the extent that the Canadian people produce goods and services—to that same extent, no more but no less—we suggest that the Department of Finance should use the Bank of Canada to obtain equivalent funds and create new sources of credit.

I have been hearing those people speak of a "money-printing machine" for the last 32 years. I can hear them bawling. A lot of bawlers! They understand nothing and yet they denounce everything without any reason. What the hon. member said a few moments ago did not prove anything. He got even mixed up in his statistics. He said: "Four times more". My proposal would promote the sale of Canadian goods. We would not less dependent on the United States with regard to exports and the 10 per cent surtax, because our major market, the domestic market, could still be supplied with goods. Industries would then operate normally and new jobs would be created. That would be a solution to unemployment.

We would no longer see abuses like those now rampant throughout Canada: in Quebec, in Ontario and in all the other provinces. And with the new programs which will be implemented, we will be confronted this coming winter with an unbearable economic situation. So let us have solutions. On our part, we are prepared to support logical solutions. I do not have the time this evening to give further details on the cost of a social security plan, but I have the figures. If any hon. member wants a copy of them, I can send him one. They are true figures. If the hon. member for Bonaventure-îles de la Madeleine wants figures, I will give them when I am in his constituency early in November to make sure that the hon. member knows that his constituents are more interested and more informed than he himself has kept them informed since he has been here.

Mr. Speaker, I call it 10 o'clock. So I will close my remarks, and I will come back to them at the next opportunity.

The Acting Speaker (Mr. Boulanger): Order. It being ten o'clock, it is my duty to inform the House that pursuant to section (11) of Standing Order 58 proceedings on the motion have expired.

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MESSAGE FROM THE SENATE

The Acting Speaker (Mr. Boulanger): I have the honour of informing the House that the Senate has sent a message saying that it has agreed to meet with the House in a joint committee of both houses for the purpose of studying and reviewing statutory instruments which are, under Section 26 of the Statutory Instruments Act, referred to that com-

mittee on an ongoing basis, and that honourable senators who are to sit on that committee will be designated at a later date.

• (10:00 p.m.)

[*English*]

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

NATIONAL PARKS—KLUANE GAME SANCTUARY—POSSIBLE SITE OF NEW PARK

Mr. Randolph Harding (Kootenay West): Mr. Speaker, on October 15, I directed the following question to the Minister of Indian Affairs and Northern Development (Mr. Chrétien):

Can the minister inform the House if the entire Kluane game sanctuary in the Yukon is actively being considered as a site for a national park?

My supplementary question was:

When may we expect a decision from the minister on the setting aside of this outstanding area for national park purposes?

Mr. Speaker suggested that these questions be placed on the order paper, but I felt that in view of their national importance and the need for an early decision to be made I should raise the issue on our so-called ten o'clock show. May I first point out that there is some urgency in the need for establishing additional national parks throughout Canada. An increasing number of Canadians and interested organizations are actively pressing the government for action on the establishing of more national parks. I will not detail the immense value which accrues to Canadians through the establishment of parks but perhaps I should mention the basic purposes of Canada's national parks as defined in the government's 1964 parks policy statement. It is:

To preserve for all time areas which contain significant geographical, geological, biological or historic features as a national heritage for the benefit, education and enjoyment of the people of Canada.

Canada's national parks system began with the establishment of Banff national park in 1885. Since that time we have added 27 national parks to our parks system. There is urgent need for other areas to be set aside as national parks in an effort to round out the system so that it truly represents all the major regions of our country and includes major geographical and ecological features of national significance. There is increasing urgency for the need to complete our parks system while there is still time. The minister several years ago at a conference in Calgary made the following statement:

The national park system in Canada originated here in the west but it has taken too long to extend the system to other parts of Canada, where there is just as great a need and just as exciting opportunities to establish such parks so that all parts of Canada can share in the benefits of what must become a truly national policy. I would like to impress upon you my sense of urgency on this question of establishing additional national parks. It is estimated that to achieve adequate representation of Canada's heritage at a suitable scale we shall require 40 to 60 new national parks by 1985.

Wheat creates this sense of urgency are two factors. First, the increased cost of acquiring land for park use is reaching prohibitive levels. Second, past experience has shown that areas of natural beauty can quickly be spoiled for potential park use by different problems of economic and social development. Failure to recognize the urgent need for additional parks will mean that one day we will risk reaching the point of no return.

The very principle of conservation demands that we have the foresight and determination to take action needed today so that tomorrow will not be a time for regretting lost opportunities.

I fully endorse this statement made by the minister, but it is becoming obvious that he is ducking the parks issue as it affects several areas of Canada. One of the most important is the need for a national park in the Yukon which will set aside for all time the Kluane game sanctuary. I point out there are national parks in every province of Canada but none in either the Yukon or the Northwest Territories.

I understand that 28 years ago almost all of the newly created 10,000 square mile Kluane game sanctuary in the Yukon was reserved for national park purposes. I ask the minister why there has been such a lengthy delay in establishing this area as a national park. Are the lobbies of the powerful mining industry to take precedence over what could and should be a national reserve for all time? I point out that mineral resources are non-renewable but the resources of an area preserved in a national park are there for all time and will provide a far more stable economic base over the long-run.

The Kluane game sanctuary is one of the unique areas in Canada. It has terrific potential as a national park. It is located in the extreme southwestern tip of the Yukon and on its eastern boundary is parallelled by the Alaska highway for 200 miles. It is one of the most beautiful areas in the north and contains the Saint Elias mountains which are the highest in Canada. Here we find Mount Logan, our highest peak which towers 19,850 feet.

The game sanctuary contains an outstanding number of wild animals and bird species. It contains a vast ice field, the largest in the world outside of the polar regions. This area is easily accessible and can be reached by automobile from Edmonton and by the Alaska ferry system and car from Vancouver and Prince Rupert. A daily jet service to Whitehorse brings this area only a few hours flying time away from the most populated areas of North America.

The Kluane game sanctuary was reserved 28 years ago for national park purpose. To date no action has been taken by this government or past governments in having it set aside as a national park. At the present time the mining industry has been free to operate in sanctuary virtually without restraint. This is in direct violation of national parks principles and objectives. There is no doubt that the mining industry is extremely important in Canada's economy, but I again refer the minister to the statement which he made at the Calgary conference several years ago:

We must have the foresight and determination to take action needed today so that tomorrow will not be a time for regretting lost opportunities.

Mr. Chrétien: Hear, hear!

Mr. Harding: I suggest to the minister that the time to set the Kluane game sanctuary aside for a national park is now. We cannot afford to lose any more of these choice areas through economic exploiters. Already procrastination on the part of this government and other governments has seen some of the most outstanding park areas in Canada lost for all time to future generations. I point out to the minister that we must look to the future and legislate for the future in the wise disposition of our natural resources.

Our national parks system must be extended to the Yukon and the Northwest Territories. The Kluane game sanctuary should be the first step in our national parks program for the north. This park could become one of the major economic assets of the north and, unlike nonrenewable resources such as minerals, we can expect its value and economic return to sharply increase as time goes on. Here, too, we have an asset which can provide employment for a large number of native people who call northern Canada their home. Their natural talents and skills can be utilized in such projects to a far greater degree than in industrial and economic activities which are for the most part foreign to their way of life.

I urge the minister and the government to move without delay on this very important matter. I trust we shall soon see the entire Kluane game sanctuary set aside as another national park to serve the interests of all Canadians both at the present and in the future.

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I thank the hon. member for raising this question. I have already stated in my speeches, especially in the Yukon, that it is my goal to have the Kluane reserve set aside for a national park. There is one problem which prevents the possibility of doing that right away. We are not in a position to do so because of the legislative time required to have the Yukon Mineral Act adopted. I have already stated that the government plans to make this a national park as soon as the legal possibility exists.

At this time I say to the hon. member who subscribes to my policies that we have overcome something very important by speaking. As I have said, we do not only say things. In the 40 years prior to 1968, only four new national parks were created in Canada. In a little more than three years we have succeeded in creating six new national parks in Canada. We have created the first two national parks in the province of Quebec. Different governments tried to do this for many years. This government has succeeded in creating two national parks in the province of Quebec, one in Newfoundland, one in New Brunswick and one in British Columbia on the west coast of Vancouver Island, an outstanding area for a national park. For the first time we have succeeded in getting a big chunk of land to make a national park in Ontario. This will be a large area at Lake Superior between Sault Ste. Marie and Port Arthur. In three years we have succeeded in creating six new national parks.

I intend to maintain the goal I referred to in my speech in Calgary in 1968. This is the speech with which the hon. member agreed. I would like to create four additional national parks before the end of the fiscal year, or next summer.

Some hon. Members: Hear, hear!

Mr. Chrétien: When the time comes for us to go to the people, we will be able to prove to them that this government is not only talking; it is acting and it is acting with the support of the opposition parties.

VETERANS AFFAIRS—CANADIAN PENSION COMMISSION—POSSIBLE APPOINTMENT OF EXTRA BODIES TO CLEAR BACKLOG OF CASES

Mr. Robert McCleave (Halifax-East Hants): Mr. Speaker, I should point out to hon. members, and especially to our distinguished clutch of visitors in the galleries, that a great show is taking place outside. It has undoubtedly cut down on our attendance. No doubt the attendance is completely to the satisfaction of the party that I represent. I will now move to non-partisan matters.

• (10:10 p.m.)

I bow to nobody as a parliamentarian in paying respect to those of this Parliament who have concerned themselves with veterans affairs and with the treatment of those who did so much for Canada. It is on their behalf, that is to say on behalf of the veterans of Canada, that I make this pitch tonight. I hope nobody will misconstrue it in any way as being sour or partisan or bitter.

I wish to try to do something about what I believe to be an injustice to Canadian veterans, believing that while good legislation has been passed by all parties in this House there are simply not enough people to carry it out and see that those who are entitled to benefits will receive them quickly. I think that if you have to stand in a queue one mile long and shuffle forward awaiting your turn, even if you will receive justice at the head of the queue, justice delayed is justice denied.

The chairman of the Canadian Pension Commission, Mr. Allan O'Solomon, according to a report in the Halifax *Chronicle-Herald* of Wednesday points out that applications under the new act are coming in at the rate of 1,000 a month. In other words, some 7,000 cases have been piled on the doorstep of the Commission since the new legislation came into effect. There are many reasons for this situation. First, any claim which has been denied in the past can be reopened because of the provision made for a shift in the balance of the preponderance of evidence rules which guided the commission in the past. We all fought for that. We are glad to see it in effect, but it means that many claims are being put forward which are unlikely to be dealt with expeditiously in the present circumstances.

Other factors can now be taken into consideration, too. There is the effect of a war disability upon a second disability incurred since war service; there is the special position of those who were prisoners of the Japanese; there is the effect of the new clauses dealing with disability claims and widows claims. So in effect we are dealing with a wholly new situation when it comes to claims which can be presented to the commission, thanks to the generous action of this House. I do not make any claim

that I had anything to do with that. Perhaps I did with regard to the evidentiary balance, but otherwise no.

I can see around me hon. members who were engaged in this work and I am proud of the decisions they reached. But if a man is at the back of a queue of 7,000 people he is at the back of a queue which is very long indeed. I therefore make two suggestions for speeding up this whole process so that those affected can obtain their rights. First, there should be consultation between the Department of Veterans Affairs and Bar Associations in various parts of Canada, particularly in areas where large numbers of claims have been filed in order that lawyers may be retained even on a temporary basis to provide what is in effect a free legal counsel which is available to everyone who uses the veterans bureau to present claims.

The other suggestion is this. There must be a method of apppointing special panels even on a temporary basis until we can clear up this overwhelming backlog of cases. This need not be done in all areas; it can be done where the need is most pressing. In some provinces sufficient resources are already available, but if we take a sensible attitude even the 7,000 cases which have arisen since the new legislation became effective could be processed with some kind of expedition. People would not then feel that they were caught forever in the back end of an alley and could not see their way to the front. I make that suggestion to the government and I hope it will be considered.

Mr. Allen B. Sulatycky (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, on behalf of the Minister of Veterans Affairs (Mr. Dubé) I thank the hon. member for Halifax-East Hants (Mr. McCleave) for his question. I am sure that no member of the House doubts the sincerity or impartiality of his concern, which indeed is shared by all members of this House including members of the government.

I should like to point out that the present backlog is 5,348 cases. Although it is a substantial number, it is somewhat less than the number suggested by the hon. member. The present rate of entitlement decision completion is 23.88 files per working day over the period September 25 to date. An accurate forecast concerning elimination of the backlog is difficult, if not impossible, and will be influenced by a number of factors. The present rate of application input is variable but, as stated on October 18, it is hoped the peak will be reached by the end of the calendar year. While at our present rate it will take a year to deal only with the 5,348 cases pending, increasing familiarity with the amended act and more experience with the work by new people on the commission should permit increased output during each succeeding month.

The statute permits the appointment of not more than 12 regular members of the commission plus a maximum of five ad hoc members appointed for one year. This maximum complement of commissioners has already been appointed. I might add that in any case a new appointee to this work needs at least a year's experience before he could make a worth-while contribution. The current backlog of work represents a temporary peakload resulting from recent amendments to the Pension Act, and the present membership of the commission is already eating into the backlog.

[Mr. McCleave.]

MANPOWER—AVAILABILITY OF JOB VACANCY SURVEY DATA

Mr. Frank Howard (Skeena): Mr. Speaker, yesterday I asked the Minister of Manpower and Immigration (Mr. Lang) for an explanation of some of the many inefficiencies in his department. Specifically, I asked him why it has taken four years, the employment of 106 bureaucrats and the spending of more than $3 million to produce a report about job vacancies, and the data is not available and probably will not be available until the end of the year.

Additionally, as far as another survey is concerned the minister told the House a few days ago that he is spending I do not know how many dollars on it, this time collecting data on occupational shortages. I do not know what is the difference between job vacancies and occupational shortages but I suppose that some sophisticated bureaucrat in the department, even the minister himself, being a former law professor, may be able to argue the difference between the two. The fact of the matter is, however, that the difference does not really matter to the man who is out of work, which should be the key purpose of the department to remedy.

Another statistical analysis undertaken by the department relates to job orders. Here again, I do not know how much money is involved because the amount has not yet been determined. Looking at some statistics in this regard, in the fiscal year 1966-67 employers placed 850,000 job orders with Canada Manpower. By the last fiscal year, 1970-71, it had dropped to fewer than 600,000.

• (10:20 p.m.)

There is another statistical series which has emanated from the minister's department, namely, job placements by Canada Manpower. Not surprisingly, the statistical figures for this operation are equally disastrous. In the period 1965-66, when we still had the National Employment Service in operation and a much smaller labour force than we have today, the number of placements by the department was 961,000. In the last fiscal, 1970-71, the number of placements by the new department working under extended operations had fallen to below 650,000, a drop of some 32 per cent in job placements.

I think more pertinent than that is the fact that in 1965-66 the cost of placing a person in a job was $23. Today, taking into account manpower training and all the other programs of the department, the cost of placing one person in a job has escalated to $647. If we exclude the training program, it still costs about $268 to place a person in a job. I am sure, Mr. Speaker, that the Prime Minister (Mr. Trudeau), the Minister of Finance (Mr. Benson) and all the other ministers, obsessed as they are with destroying and defeating inflation, cannot be accused of losing the battle at such a clip as to account for the 2,700 per cent increase in placement costs over only five years.

In the field of the operations of the Department of Manpower and Immigration three things only are growing: one, the amount of money being spent; two, the number of bureaucrats being employed by the department and, three, the number of people who are unemployed in the nation. These three factors do not make up any equation at all. The growth in these areas seems to be

the only accomplishment of the department. I think the statistic—and the minister seems to be obsessed with statistics—which the minister should be giving to the public is how many of the people who actually go through manpower training end up getting jobs afterwards. How many are successful? The manpower training program is currently costing over $300 million a year, and another $35 million was added to that figure the other day.

What is it for? Primarily, to train people for jobs that simply do not exist. I think the main objective, therefore, in the eyes of the government is to hide away, to cover up in any given month some 80,000 unemployed people so that the forecasts and prognostications of the Minister of Finance about the level of unemployment will look slightly less ludicrous and damaging than they otherwise would. I personally, members of this House and people across the country object strongly to that sort of government trickery and I resent very much the cruelty of the hoax which is being perpetrated on the unemployed. Quite a number of them hope that after the training is over there will be a job waiting for them. Regretfully, that does not seem to be the case.

The minister has made a mess in his handling of the grain situation. It appears that he is bent on making an equal mess of the manpower aspect that is under his jurisdiction.

[*Translation*]

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, I listened with great interest to the hon. member and, in my reply, I shall try to disregard the partisan side of his remarks—

[*English*]

Mr. Speaker, may I deal with the matter the hon. member has raised. With respect to that part of the hon. member's question relating to the job vacancy survey, I would point out that this survey is being conducted among employers throughout Canada in the expectation that the results will give a more constant picture of the state of the labour market at the national level. Particular attention is being paid to those job vacancies which have been open for a month or more, and the survey will produce a three-month moving average of these vacancies.

However, as was pointed out to the hon. member, the survey is still in the developmental stage. As this job vacancy survey is being developed by Statistics Canada under contract to the Department of Manpower and Immigration, I would suggest that if more technical information is required relating to the timing of completion of this developmental work such a request should be directed to the minister responsible for Statistics Canada. The development of this survey is but one aspect of a continuing effort to improve the quality of labour market knowledge available to assist in the planning and implementation of manpower programs and placement activities.

With specific reference to the hon. member's remarks concerning the job placement activities of the department, I would point out that the main reason there has been a decline in the number of placements in employment by Canada Manpower centres since 1965 and 1966 is that Canada Manpower centres have been heavily involved in several new programs and services which have been added to the functions performed by the Canada Manpower centres, including the Canada Manpower training program and the Canada Manpower mobility program. When the placements in these programs are taken into account, the total output of the Canada Manpower centres compares favourably with previous years. I say that because I believe it is the answer the hon. member is looking for. For example, in 1970-71 the Canada Manpower centres placed 344,846 people in training and made 648,966 placements in jobs, excluding casual jobs, for a total of 993,812. This total exceeds the 960,995 placements made in 1965-66.

The Acting Speaker (Mr. Boulanger): Order.

Mr. Prud'homme: With the indulgence of the House perhaps I could finish the paragraph.

Mr. Howard (Skeena): I would be quite agreeable to the hon. gentleman concluding the paragraph. After all, it was written for him by someone in the department and I want to make sure it is on the record.

The Acting Speaker (Mr. Boulanger): We have agreed we should be specific in respect of time. The hon. gentleman's time has elapsed and I doubt whether the Chair has the power to allow him to continue.

Mr. Prud'homme: Mr. Speaker—

The Acting Speaker (Mr. Boulanger): Would the hon. member please resume his seat? According to the rules I must be firm about this. I am sorry, but that is my answer.

Motion agreed to and the House adjourned at 10.30 p.m.

HOUSE OF COMMONS

Friday, October 22, 1971

The House met at 11 a.m.

HOUSE OF COMMONS

PRESENCE IN SPEAKER'S GALLERY OF PRIME MINISTER OF CEYLON, MADAME BANDARANAIKE

Mr. Speaker: It gives me much pleasure to bring to the attention of hon. members the presence in the Speaker's gallery of a very distinguished visitor to our country, Madame Bandaranaike, Prime Minister of Ceylon.

Some hon. Members: Hear, hear!

Mr. Speaker: Mrs. Bandaranaike heads the government of a country with which, over a long period of years, we have had very close ties. We welcome you, Madame Prime Minister, as the enlightened leader of a country with which we are associated as partners in the Commonwealth of Nations and we welcome you as a friend of Canada.

On behalf of hon. members I thank you for the hospitality which your parliament, your government and you personally have extended to Canadian parliamentarians who have visited Ceylon through the Inter-Parliamentary Union and the Commonwealth Parliamentary Association.

[*Translation*]

We are therefore very happy to welcome you to Canada. On behalf of hon. members and all Canadians, I want to wish you and those who came with you a useful as well as a pleasant visit in Canada.

Some hon. Members: Hear, hear!

[*English*]

ROUTINE PROCEEDINGS

BUSINESS OF THE HOUSE

PROCEDURE FOR DEALING WITH INCOME TAX BILL IN COMMITTEE OF THE WHOLE

Hon. Allan J. MacEachen (President of the Privy Council): Mr. Speaker, I wish to make a brief statement to the House with respect to the method of dealing with Bill C-259 in committee of the whole. The House leaders met on this bill several times this week, and this morning we agreed that on Monday the committee of the whole should turn to the question of income exemption levels and certain deductions, as dealt with in the proposed new sections 109 and 110 found on pages 277 to 289 of the bill. Our understanding is that when these two proposed new sections are called on Monday discussion in committee of the whole will be directed to the subject matter of those provisions.

Mr. G. W. Baldwin (Peace River): Mr. Speaker, we agree that this method should be adopted. In light of the problems posed by this bill we think that the suggestion that has been outlined and discussed deserves the support of all members in an effort to have a relevant debate. The simple fact is that, having been confronted with this Frankenstein, we are now going to try to housebreak it.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, we too are prepared to agree to this proposal for Monday, namely, that we focus our discussion on those aspects of the bill that are covered by the proposed new sections 109 and 110. It is also our hope that after this discussion has been concluded we may find other areas that we can similarly pinpoint and discuss under specific headings.

* * *

• (11:10 a.m.)

[*Translation*]

INDUSTRY

TABLING OF REPORT OF TEXTILE AND CLOTHING BOARD ON SHIRT MANUFACTURING

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, under Standing Order 41(2), I would like to table, in both official languages, the Textile and Clothing Board report on men's and boys' shirts as well as a press release outlining the measures taken by the government in that matter.

* * *

[*English*]

MANPOWER

JOB VACANCY SURVEY—REQUEST FOR UNANIMOUS CONSENT TO HAVE MOTION UNDER S.O.43

Mr. Frank Howard (Skeena): Mr. Speaker, pursuant to Standing Order 43 I desire to seek the unanimous consent of the House to move a motion of urgent and pressing necessity occasioned by the admission of the ineffectiveness of the Canadian job vacancy survey program currently being conducted. If I get unanimous consent I will move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

The subject matter of the Canadian job vacancy survey be referred to the Standing Committee on Labour, Manpower and Immigration for an evaluation of the purposes and potential of the said survey.

Inquiries of the Ministry

Mr. Speaker: The motion proposed by the hon. member under the terms of Standing Order 43 requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity. The motion cannot be put.

ORAL QUESTION PERIOD

EXTERNAL AFFAIRS

DISCUSSIONS WITH PREMIER KOSYGIN—ADDITIONAL SALES OF CANADIAN PRODUCTS—FUTURE GRAIN CONTRACTS—JOINT PROJECTS INVOLVING CANADIAN INDUSTRY

Mr. Speaker: The hon. Leader of the Opposition.

Some hon. Members: Hear, hear!

Mr. Bell: Newfoundland next.

Mr. Horner: Then Assiniboia.

Mr. Ricard: There is another one coming.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I do not know what that is all about, but I am sure the Ontario Conservatives could never have done so well without the help of the federal Liberals.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Stanfield: I wish to direct my question to the Prime Minister. Earlier in the week the Prime Minister told me he did not anticipate that the visit of Premier Kosygin and his party would result in the signing of any trade agreement between the two countries. I now wish to ask him whether as a result of this visit any additional sales of Canadian products to the U.S.S.R. have been arranged or consummated or whether he anticipates that any will be arranged and announced prior to the departure of Premier Kosygin from the country?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker.

Mr. Stanfield: Mr. Speaker—

Mr. Knowles (Winnipeg North Centre): Don't you sit down between questions?

Mr. Stanfield: Only when the answers are long enough to give me a chance to sit down. I wish to ask the Prime Minister a question with regard to our relations with the U.S.S.R. on the subject of grains. Have we received any firm commitment that Canada will continue to be a preferred supplier of grain for the U.S.S.R. market and has there been some general understanding or agreement reached with regard to prices and terms of future sales?

[Mr. Howard (Skeena).]

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): I will try to answer this question, Mr. Speaker. The communiqué coming at the end of Mr. Kosygin's visit will be issued in due course. There will be something in it on trade. Yesterday I answered an hon. member's question by saying that the Russians have adopted the good habit of coming to Canada first when they are in need of wheat. This has taken place. I said also yesterday that the contacts between the Canadian Wheat Board and Exportkhleb were as intimate as could be, trade-wise, and that talks are taking place now on the possibility of adding further to the present contract under which deliveries are made to the Soviet Union, which anticipates export of 3.5 million tons of grains from Canada to the Soviet Union and comes to an end by April, 1972. On the general trade picture it was decided that the trade agreement between Canada and the U.S.S.R. which comes to an end next year will be renegotiated and discussions to that effect will begin early next year.

Mr. Stanfield: Mr. Speaker, I hope the minister does not mind my asking this question so quickly after the one put yesterday, because we find that government policy changes from month to month and I thought it might change from day to day. I should like to ask the Prime Minister or the Minister of Industry, Trade and Commerce whether in the discussions with Premier Kosygin and his party any definite arrangements were made with regard to the consummation of any joint projects involving Canadian industry in association with the U.S.S.R. working in partnership in some areas where Canadian industry is regarded as having some special expertise?

Mr. Pepin: Mr. Speaker, I will have to refrain on this subject. I think we should wait for the communiqué. I will expand on the communiqué if there is need to do so after it has been issued.

* * *

SENATE AND HOUSE OF COMMONS

POSITION OF STUDY OF CONFLICT OF INTEREST AND POSSIBLE LEGISLATION

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, if the President of the Privy Council were still here I would put this question to him, but since he has departed perhaps I might put it to the Prime Minister. Some time ago, under the direction of the former President of the Privy Council, now the Minister of National Defence, the government had given some attention to the question of legislation respecting conflict of interest, having in mind particularly Senators, Members of Parliament and high-placed government officials. Can the Prime Minister say what has happened to that study and whether there is any present plan to bring in legislation in this area?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the study was pursued so far as we could within government circles. We discussed it among ministers for our own guidance, but we see no possibility of bringing in legislation in the immediate future.

THE CANADIAN ECONOMY

CONSIDERATION BY GOVERNMENT OF RECOMMENDATION ON OWNERSHIP OF COMPANIES OPERATING IN CANADA

Mr. Jack Murta (Lisgar): Mr. Speaker, I should like to direct my question to the Minister of National Revenue. Since the Gray report recommended, as we have seen in some newspapers, that 50 per cent or 51 per cent Canadian ownership should be required in all major companies operating in Canada, is the government considering this recommendation at this time?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, as the House is aware, the cabinet is presently considering work I have been supervising in this area of policy. I cannot comment further on the hon. member's question because cabinet documents in their very nature are always confidential, but the Prime Minister has confirmed that when cabinet discussions are complete there will be a statement of policy.

Mr. Murta: Mr. Speaker, I should like to direct a second question to the Minister of National Revenue. Is the government considering any such suggestion at this time, regardless of its origin, along the lines of my first question?

Mr. Gray: I regret there is nothing I can properly add to the answer I gave to the hon. member's first question.

FOREIGN OWNERSHIP—POSSIBLE EFFECT OF REPORT TO CABINET ON RELATIONS WITH UNITED STATES

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I should like to ask the Minister of National Revenue whether the serious deterioration in relations between this government and the government of the United States is the reason for the delay in the Gray report or for the change in policy of this government?

Mr. Speaker: Order, please. The hon. member will recognize that a question asked in those terms is not in order. It is obviously in the form of an argument. I suggest that the hon. member might wish to rephrase the question.

• (11:20 a.m.)

Mr. Woolliams: It was not my intention to start an argument.

Some hon. Members: Oh, oh!

Mr. Woolliams: That is the last thing I would think of this morning. I will try to reword the question because I do not intend to start an argument. I think this is a question of fact. Is the apparent serious deterioration in the relations between this government and the government of the United States one of the reasons or the reason that the Gray report and its recommendations have not been brought forward?

Hon. Herb Gray (Minister of National Revenue): I do not agree with the hon. member's premise indicating that there has been any delay in this matter. It is a complicated and comprehensive matter and as soon as cabinet discussions are completed, as the Prime Minister has said, it is the government's intention to make an appropriate statement.

Mr. Woolliams: Can the Minister of National Revenue tell the House whether there has been any discussion with officials of the United States government regarding the contents of this report and what effect it might have on the relationships between this government and that of the United States?

Mr. Gray: No, Mr. Speaker.

* * *

[*Translation*]

HOUSE OF COMMONS

COMPLAINT RESPECTING UNILINGUAL TELEPHONE SERVICE

Mr. René Matte (Champlain): Mr. Speaker, my question is directed to the Prime Minister.

Could he tell the House the nature of and the reasons for the conflict which prevents French-speaking members of Parliament to have French telephone service today?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I did not catch the last words but if the hon. member is referring to the conflict at Bell Canada, I understand that it involves all employees, whether their language or their extraction.

Mr. Matte: May I put a supplementary question?

Has the Prime Minister, who seems never to place a call in French, not notice that we have no telephone operator on duty—

Mr. Speaker: Order.

Mr. Trudeau: Mr. Speaker—

Mr. Speaker: Order. Unless the Prime Minister rises on a question of privilege, I believe that the question, as asked, is not in order. The hon. member has not really asked a supplementary question.

* * *

[*English*]

CROWN CORPORATIONS

POLYMER—LAY-OFF OF EMPLOYEES—INQUIRY AS TO PROFIT THIS YEAR

Mr. Charles H. Thomas (Moncton): My question is for the Minister of Supply and Services. On Tuesday the minister stated that the Polymer lay-off was a management decision based on difficult markets. I note that last year Polymer made a $7 million profit. Has Polymer been making a profit this year?

Mr. Speaker: Order, please. That question should normally be placed on the order paper. The hon. member asks whether a Crown corporation has made a profit. To my way of thinking, that question should be placed on the order paper .

Inquiries of the Ministry

Mr. Thomas (Moncton): May I rephrase the question, Mr. Speaker, and ask the minister whether, after Polymer announced the lay-off decision he checked the profit picture of the company with Polymer officials?

Hon. James Richardson (Minister of Supply and Services): Yes, Mr. Speaker. Polymer has shown some profit at this point but the final figures, of course, will not be known until the end of the year.

* * *

TRADE

SUGGESTED USE BY CANADA OF UNITED KINGDOM AS SPRINGBOARD TO DIVERSIFY TRADE WITH EUROPEAN COMMON MARKET

Mr. Gordon Ritchie (Dauphin): I have a question for the Minister of Industry, Trade and Commerce. Has the government any plans to respond to the invitation of the British High Commissioner speaking to the Canadian Export Association, that Canada use the United Kingdom as a springboard in order to diversify our trade with the European Common Market?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): The idea is a familiar one to me. The High Commissioner is a very intelligent and sympathetic man. He has expressed these views before at the Canada-U.K. meetings which took place a few weeks ago. We are aware of those ideas and hoping that Canadian businessmen will take advantage of the offer.

* * *

INDIAN AFFAIRS

DIRECTIVE THAT WOMEN MARRYING NON-INDIANS REMAIN ON BAND REGISTRY—POSSIBLE APPEAL OF LAVELL CASE TO SUPREME COURT

Mr. Frank Howard (Skeena): May I direct my question to the Minister of Indian Affairs and Northern Development. Has a directive been issued from his department by Mr. Chapman, who I understand is the registrar, to the effect that Indian women who marry non-Indians no longer will be removed from the band register? If this is so, does it indicate the government has concluded that it will not appeal the decision of the Federal Court with respect to that matter?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): If I understand the situation correctly, Mr. Speaker, the registrar has decided to suspend proceedings until the matter is clarified.

The Minister of Justice and myself are presently considering the possibility of appealing this ruling of the Federal Court to the Supreme Court and as soon as a decision has been reached, I shall be pleased to inform the House.

[*English*]

Mr. Howard (Skeena): If the decision is made to proceed by way of appeal to the Supreme Court of Canada, would the government also take the occasion at that time to refer the whole Indian Act to the Supreme Court for analysis in terms of its offensiveness against the Bill of Rights?

[*Translation*]

Mr. Chrétien: Mr. Speaker, I do not know whether that procedure would be advisable, but I will consider it.

* * *

[*English*]

TRADE

NEGOTIATIONS WITH UNITED KINGDOM TO OFFSET DIFFICULTIES FOR CANADIAN AGRICULTURAL EXPORTS IF BRITAIN ENTERS COMMON MARKET

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I want to ask the Minister of Industry, Trade and Commerce whether negotiations or consultations are still being carried on between officials of his department and their counterparts in the United Kingdom so that we can offset some of the difficulties that Canadian agricultural exports may encounter if and when the United Kingdom enters the Common Market?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, this was done a few months ago with some results which were reported to the House by the minister responsible for the Wheat Board at that time. The whole question of the position of Canadian exports of grains to the United Kingdom will be the subject of further discussion when an adjustment is made between Canada and the United Kingdom on all matters pertaining to entry. I am afraid the answer is not very clear, but I will meet the hon. gentleman later if he wants me to elaborate further.

* * *

TRANSPORT

RETURN OF «JOHN HAMILTON GRAY» TO BORDEN-TORMENTINE FERRY SERVICE

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, I should like to direct a question to the Minister of Transport. Since October 21, an otherwise auspicous day too, was the day the *John Hamilton Gray* was to return to the Borden-Tormentine ferry service, can the minister now confirm that that ship is in fact on the strait service where it of course belongs?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I am delighted to be able to say that I have met my commitment not only to the day but to the hour and that this fine ship is now plying the route as I said she would.

* * *

HARBOURS

DEVELOPMENT OF ADDITIONAL DEEP WATER PORTS IN BRITISH COLUMBIA

Mr. G.W. Baldwin (Peace River): Mr. Speaker, while the Minister of Transport is in such a good mood I would like

to ask him whether, in light of the very substantial increases in the production and export of coal from western Canada and the consequent need for additional ports, he is giving consideration to the development of one or two additional deep water ports in British Columbia?

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker. In answer to questions from the hon. member for Skeena and also the hon. member for Peace River on previous occasions I have in fact indicated first of all in principle our willingness to establish a national harbour at Prince Rupert. What is being done now is that the confines that will come within that national harbour are being determined. As soon as that is done a formal declaration of its status will be made known. I hope that will be in a matter of a few weeks.

* * *

TRADE

ACTION TO EXPAND EXPORT MARKETS FOR CANADIAN CATTLE

Mr. R. R. Southam (Qu'Appelle-Moose Mountain): Mr. Speaker, I wish to direct a question to the Minister of Industry, Trade and Commerce. In light of the recent release by Statistics Canada indicating that the Canadian cattle population has reached an all-time high, what steps is the government taking to expand export markets for cattle and thus maintain the cattle population and assist in expanding it to a still higher level?

Mr. Speaker: Order, please. This is a very general question. I suggest to the hon. member that this type of question ought to be replied to by way of a statement. If the minister can reply in three words, or perhaps four, he might be allowed to do so, but I suggest that the question is wide in scope and should be placed on the order paper or should invite a statement on motions.

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, the export of cattle is one of the department's great preoccupations and also mine. If the hon. member wants to put down a written question I will give him the performance achieved in that field in the last two years.

* * *

[*Translation*]

NATIONAL PARKS

DISCUSSION OF ESTABLISHMENT OF PARK IN TÉMISCAMINGUE AREA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Minister of Indian Affairs and Northern Development who is responsible for national parks.

Is the minister in a position to tell us whether he has come to an agreement with the Quebec authorities concerning the development of a national park in the Témiscamingue area, a matter long under consideration?

Inquiries of the Ministry

• (11:30 a.m.)

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I have nothing to report in this connection. I know that studies have been made at several locations in Quebec during the summer, but the provincial government has made no concrete proposal.

Mr. Caouette: Mr. Speaker, I should like to put a supplementary question.

Is the department making joint investigations with provincial authorities in Témiscamingue about the establishment of a national park in that area?

Mr. Chrétien: Not only the department, Mr. Speaker, but the minister himself has been involved.

* * *

[*English*]

EXTERNAL AFFAIRS

TREATMENT TO BE ACCORDED PRESIDENT TITO ON FORTHCOMING VISIT TO CANADA—POSSIBILITY OF AGREEMENTS BEING SIGNED

Mr. Thomas M. Bell (Saint John-Lancaster): Mr. Speaker, I have a question for the Prime Minister. Is the Canadian government going to accord to President Tito the same level of honour and acclaim during his forthcoming visit as it did to Premier Kosygin, and does the government hope to sign cultural and trade agreements?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, on the matter of level of honour the hon. member should know that one is a head of state and the other is only the head of the government and therefore the treatment may vary in terms of protocol.I am not an expert on that, Mr. Speaker. As far as signatures are concerned, I am afraid we will have to wait until we sit down and discuss to ascertain whether any agreement is going to be signed.

* * *

NATIONAL REVENUE

ACTION TO PREVENT DUMPING OF APPLE CONCENTRATES—IMPLEMENTATION OF RECOMMENDATIONS OF NATIONAL APPLE CONFERENCE

Mr. J. P. Nowlan (Annapolis Valley): I have a question for the Minister of National Revenue. Would the minister tell the House, if he can, whether the government intends to take any different action on the question of importation of apple concentrates from foreign countries prior to the meeting of the anti-dumping tribunal which I gather is scheduled for November 25?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, as the hon. member has confirmed, the Department of National Revenue has found dumping with respect to the importation of apple concentrates from certain countries. If I am not mistaken, this means that provisional duty is being applied subject to the final determination of injury by the injury tribunal. I am glad he has confirmed the greater degree of activity of the depart-

ment in the matter of anti-dumping investigations over the past year.

Mr. Nowlan: I have a supplementary question for the Prime Minister, Mr. Speaker. I appreciate that he may not be able to give an answer today but I hope he will take the matter up with the Minister of Agriculture. Since the question of importation of apple concentrates and apple products from offshore countries into Canada has been before the government in one form or another through briefs, in particular the brief from the national apple conference of January, 1971, and different types of action have been taken but no national apple policy has been enunciated, is the government prepared to implement the other recommendations from the first national apple conference of 1971 so the apple growers of the country will know just how to fit into the government's national plan?

Right Hon. P. E. Trudeau (Prime Minister): I shall take notice of the question on behalf of the Minister of Agriculture, Mr. Speaker.

* * *

NATIONAL DEFENCE

AIRCRAFT PURCHASED FOR TESTING FLYING POTENTIAL OF PILOT TRAINEES

Mr. Doug Rowland (Selkirk): My question is addressed to the Minister of National Defence and relates to the purchase of aircraft for testing the flying potential of pilots, Mr. Speaker. Does the Musketeer aircraft which has been purchased have aerobatic capabilities and, if so, why? Do those capabilities result in an additional cost of $3,500 per unit over similar aircraft used for similar purposes by the United States Air Force?

Mr. Speaker: Order, please. I would think a question such as this should be placed on the order paper. If there is some urgency which is not apparent, perhaps the minister might be allowed to reply briefly.

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I should like to thank the hon. member for asking this question. The CBC report last night by Mr. Cleverley was erroneous in six major respects. The government acquired the aircraft in 1970 not for $1,500 above list price but for $1,500 below. The air force trainers have always been painted yellow, rather than only during World War II. The immediate predecessor of this aircraft, for example, was painted yellow. The aircraft, as used as part of the air force training, is used for aerobatic training in the sense of doing crisis control, stalls, spins and so on. It is for that reason that the aircraft whose manufacturer I take it was probably the source of the CBC reporter's information was not accepted and this aircraft was. The aerobatic procedures which are used are not the same as those in the United States air force. The Americans follow a different and more expensive system. We think ours is the better. The aircraft are not used for 12 hours flying as asserted but for 20 hours. As I have already indicated, we follow a different system in order to bring our pilots at an earlier point to a more advanced stage. I think it will be recognized that the CBC was again spreading false news.

[Mr. Gray.]

Mr. Rowland: A supplementary, Mr. Speaker. With regard to the urgency of the question, I thought the Liberals required some aid and comfort this morning!

Some hon. Members: Oh, oh!

* * *

INCOME TAX

OBJECTION BY MASSEY-FERGUSON PRESIDENT TO CERTAIN PROPOSALS IN BILL

Mr. S. Perry Ryan (Spadina): My question is directed to the right hon. Prime Minister. The president of Massey-Ferguson Limited has stated that certain tax proposals will make Massey-Ferguson less attractive to Canadian investors than Canadian corporations operating only in Canada and will result in Massey-Ferguson coming under the control of foreign investors—

Mr. Speaker: Order, please. I would invite the hon. member to ask the question directly. I think it is not quite in order to quote in detail the statement on which the question is based.

Mr. Ryan: Thank you, Mr. Speaker. I was just coming to the question. Is the government going to make a statement about this matter which is of major concern to the thousands employed by Massey-Ferguson in metro Toronto?

Right Hon. P. E. Trudeau (Prime Minister): I have not seen the remarks of the president of Massey-Ferguson, Mr. Speaker. Obviously the hon. member has and I would invite him to raise the matter with the Minister of Finance when the tax reform bill is discussed at that stage.

Mr. Ryan: As I consider it most urgent, would the Prime Minister ask the Department of Finance officials to review this serious matter immediately?

Mr. Speaker: The hon. member for Yorkton-Melville.

An hon. Member: Let him answer.

Mr. Trudeau: Mr. Speaker, we consider it most urgent too. That is why the bill is before the House now and that is why I invite the hon. member on an urgent basis to express his concern to the Minister of Finance.

Mr. Speaker: The hon. member for Yorkton-Melville.

* * *

AGRICULTURE

FARM MACHINERY—IMPLEMENTATION OF RECOMMENDATIONS OF BARBER COMMISSION

Mr. Lorne Nystrom (Yorkton-Melville): In view of the supplementary to the previous question and in view of the very high cost of farm machinery as pointed out in the report of the Barber Commission, can the Prime Minister inform the House when we may expect action to implement the recommendations of that report?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I shall take note of the question.

INDIAN AFFAIRS

SUPPLEMENTARY FUNDS FOR NEW SCHOOL CONSTRUCTION ON RESERVATIONS—IMPLEMENTATION OF COMMITTEE RECOMMENDATIONS ON EDUCATION

Mr. Paul Yewchuk (Athabasca): I have a question for the Minister of Indian Affairs and Northern Development. Is the minister in the process of negotiation or considering negotiation with the President of the Treasury Board for supplementary funds for the purpose of new school construction on Indian reservations?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, if the hon. member refers to the situation prevailing in northern Alberta, we have already taken steps in order to make three mobile schools available to Indian communities, and urgently needed repairs to the water system have been made. We are still prepared to have talks with the Indian chiefs, if they are willing to meet with us here, but it is most urgent that the children go back to school immediately.

[*English*]

Mr. Yewchuk: Can the minister indicate whether he intends to implement any of the recommendations contained in the fifth report of the Standing Committee on Indian Affairs and Northern Development which deals with Indian education?

[*Translation*]

Mr. Chrétien: Mr. Speaker, we are now in the progress of studying the recommendations of the committee. I am making a review of the federal government policy on the education of the Indians. The problem is extremely important and complex. As soon as we have come to some conclusions, I shall be pleased to advise the House.

[*English*]

Mr. Yewchuk: Can the minister tell the House when he intends to go to northeastern Alberta to meet with the chiefs?

[*Translation*]

Mr. Chrétien: Mr. Speaker, I told the chiefs concerned that I should be pleased to go to Alberta in the weeks following the children's return to school.

* * *

• (11:40 a.m.)

[*English*]

INDUSTRY

POSITION OF DISCUSSIONS WITH UNITED STATES ON AUTO PACT

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to ask the Minister of Industry, Trade and Commerce a question. A speech made recently by the Minister of National Revenue suggested that discussions on the auto pact between Canada and the United States are in abeyance. Are these discussions in fact in abeyance at present?

Inquiries of the Ministry

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, these discussions have been in first, second or third gear at different times in the last 18 months, although I must say that at present they are in abeyance if one means by that that no active discussion is taking place. That is so today. I want to remind the hon. member that quite a number of meetings were held in the past at which Canadian negotiators tried to demonstrate to their United States counterparts that some of the suggestions they were making were in effect that the elimination of the safeguards might lead to greater difficulties than they had suspected and would result in freer entry into Canada for overseas produced cars.

Mr. Stanfield: Can the minister indicate briefly why these talks are in abeyance, particularly in view of the importance we have been led to believe the United States authorities attach to these talks? Are they deadlocked or is there some other explanation.

Mr. Pepin: Mr. Speaker, the only explanation is the one that the Prime Minister and I have offered on a number of occasions. When we met with the Americans after the August 15 announcement they informed us that they had a number of irritants they would like—

Mr. Woolliams: One of which is the Prime Minister.

Mr. Pepin: —to discuss with us. We said at the time that we would gladly do so and that we too had a number of irritants to discuss. The only interpretation I can make, as to why the discussions have not yet begun, is that the U.S. authorities had other things to do which were more important in their minds, for example, international conferences, IMF talks, discussions with the Japanese on textiles, and so on. In due course, when they have done their homework, I am sure they will be in touch with us, and as we have done our homework we will be ready to start discussions.

* * *

[*Translation*]

INQUIRY OF THE MINISTRY

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I should like to put a question to the right hon. Prime Minister.

Has he ordered the Quebec premier, Mr. Bourassa, to meet Mr. Kosygin?

* * *

[*English*]

FISHERIES

RESPONSE BY PREMIER KOSYGIN TO CANADIAN REPRESENTATIONS RESPECTING CONSERVATION OF RESOURCES

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct a question to the Prime Minister. As the Prime Minister is aware, there is grave concern in Atlantic Canada about the decline in our fishing resources on our offshore banks as the result of overfishing by the Russians. I understand this matter was discussed with Premier Kosygin when he was in Ottawa. What response did the

Prime Minister receive from Premier Kosygin to his representations? Was any agreement reached that would be helpful, and when may we expect an announcement concerning any arrangements or agreements that were reached between our two countries?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the matter was discussed mainly between the Minister of Fisheries or Minister of the Environment and Mr. Kosygin, and the hon. member may wish to direct his question to that minister.

An hon. Member: That's a red herring.

* * *

EXTERNAL AFFAIRS

UNITED STATES RESPONSE TO HOUSE OF COMMONS RESOLUTION URGING CANCELLATION OF AMCHITKA NUCLEAR TEST

Mr. Barry Mather (Surrey-White Rock): Mr. Speaker, I have a question for the Prime Minister. It has to do with the resolution passed by the House and endorsed by all parties last Friday urging President Nixon that the United States cancel the underground nuclear blast at Amchitka. Has Canada received an acknowledgement of this request and, if so, can the Prime Minister indicate what the form of the acknowledgement was?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I do not know that we have received any substantive response to our representations. It is possible that there has been an acknowledgement but certainly there has been no substantive response.

* * *

[*Translation*]

NATIONAL SECURITY

QUEBEC—REPORTED PROPOSAL TO HIRE SPECIAL INVESTIGATORS

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, I would like to answer a question that was put to me yesterday by the hon. member for Calgary North (Mr. Woolliams).

The Public Service Commission has announced a competition for the hiring by my department of three regional analysts who will be assigned to the Security Planning and Research Group. The salaries range between $13,400 and $15,200 and the applicants are subject to the normal security clearance process.

However, the journalist mentioned in his article that he had obtained this false information from an informer. This newspaperman should revise his knowledge about hiring methods.

[*English*]

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, may I direct a question to the Solicitor General. Since we at last have this admission, am I to take it that investigation in reference to security is being taken out of the hands of the RCMP and the provincial police of Quebec and is being handed over to these new recruits who will investigate and infiltrate the various strata of society in that province?

[*Translation*]

Mr. Goyer: Mr. Speaker, I think that I have been very clear in my reply. They are not investigators but analysts.

[*English*]

Mr. Fairweather: A supplementary question, Mr. Speaker.

Mr. Woolliams: Mr. Speaker, may I ask a supplementary.

Mr. Speaker: The hon. member for Calgary North may ask one last supplementary. The hon. member for Fundy-Royal has a supplementary to the previous question. He will be recognized immediately after the hon. member.

Mr. Woolliams: Mr. Speaker, the Solicitor General used an unusual word. Can he tell us what the duties are of these analysts? What will they do?

[*Translation*]

Mr. Goyer: Mr. Speaker, I explained the matter at length in a statement to the House. Those persons will simply analyze the conclusions of investigations undertaken by the Royal Canadian Mounted Police and by various other groups, departments or governments.

* * *

[*English*]

EXTERNAL AFFAIRS

FORM OF TRANSMISSION OF HOUSE OF COMMONS RESOLUTION ON PROPOSED AMCHITKA NUCLEAR BLAST TO UNITED STATES PRESIDENT

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, I was interested in my colleague's question about the Amchitka blast and the resolution of this House. May I ask the Prime Minister this question. Exactly what form did the government use to transmit the resolution of this Parliament to the President of the United States? Did we mail a copy of *Hansard* to him or what did we do?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I cannot say exactly what form was followed or what steps were taken; certainly the Secretary of State for External Affairs could. I know that the opinion of the House was transmitted not only to the United States government but also to the governments of the other three countries mentioned and discussed at that time. Certainly, if the hon. member asks the minister, he will be able to say what form the representations took.

* * *

AIRPORTS

VAL D'OR—STUDY OF POSSIBLE ENLARGEMENT

Mr. Oza Tétrault (Villeneuve): Mr. Speaker, I address my question to the Minister of Transport. Can the minis-

ter say whether his department is studying the possibility of enlarging the size of Val d'Or airport?

Mr. Jamieson: Mr. Speaker, I am—

Mr. Speaker: Order, please. I doubt whether this type of question ought to be asked. Normally it should be placed on the order paper. If there is urgency which is not obvious or even apparent to the Chair the minister might answer, but I would invite the hon. member to place the question on the order paper.

* * *

AIR CANADA

REVIEW OF CENTRALIZATION OF RESERVATIONS SERVICE FOR OTTAWA PASSENGERS IN MONTREAL—EDMONTON FLIGHTS

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is directed to the Minister of Transport. In light of reports that since Air Canada reservation operations have been centralized in Montreal arrangements for Ottawa passengers have seriously deteriorated, is the government reviewing its decision to remove reservation services out of Ottawa. If so, when will a statement be made?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I am not capable of assessing the correctness of the first part of the statement. As for the decision it was not, of course, a government decision; it was one taken by Air Canada independently. I have made representation to them on behalf of those who do not like the idea, but they are entirely free to make that decision if they wish.

Mr. Paproski: Would the minister check into the next Air Canada flight schedule for flights to and from Edmonton and see that Edmonton receives a few extra flights, or at least as many as go to and from the city of Calgary?

Mr. Speaker: Order, please. Of course that can be considered to be a representation rather than as a question.

SUGGESTED ESTABLISHMENT OF TOLL-FREE TELEPHONE SERVICE FOR PERSONS OUTSIDE HALIFAX WISHING TO MAKE RESERVATIONS

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, my supplementary is related more to the first question asked by my hon. friend than to the second. When the Minister of Transport is checking with whoever he checks with at Air Canada from time to time, would he also check on service in the Atlantic area, particularly in Nova Scotia, and find out if it is possible to establish Zenith toll-free numbers for those Canadian citizens living outside Metropolitan Halifax who, through their taxes, help to support Air Canada so they can phone directly for reservations inasmuch as aircraft, because of fog and other reasons, sometimes do not fly?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I will be glad to do that.

Inquiries of the Ministry

NATIONAL REVENUE

ATLANTIC SUGAR REFINERIES PROPOSAL TO SELL ASSETS TO ACADIA PULP AND PAPER—PREVENTION OF LOSS OF TAXES

Mr. Frank Howard (Skeena): Mr. Speaker, I had a question for the Minister of National Revenue but I see he is not in his seat at the moment. Perhaps I might pose it and he could reply later.

An hon. Member: Here he is.

Mr. Howard (Skeena): I wish to ask the minister about the proposal of Atlantic Sugar Refineries Company Limited to sell its business and assets to Acadia Pulp and Paper, a wholly owned subsidiary of Atlantic Sugar, and thereby cheat the federal government of $2,300,000 in otherwise legitimate taxes over the next two years. Would the minister cause an inquiry to be made and see that this tax revenue is not lost?

Mr. Speaker: Order, please. The hon. member's question contains a number of allegations and to that extent it is not in order. Perhaps the minister will overlook the allegations and answer that part of the question which is in order.

Hon. Herb Gray (Minister of National Revenue): I shall simply say I will have the matter thoroughly looked into.

Mr. Thomas M. Bell (Saint John-Lancaster): Would the minister be prepared to state that Atlantic Sugar Refineries, an important employer in New Brunswick, is only carrying out a normal corporate action such as companies all over Canada have been doing for years?

Mr. Speaker: Order, please. I suggest to the hon. member that his question amounts to debate or a representation. Orders of the day.

• (11:50 a.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Wednesday, October 20, consideration in committee of Bill C-259, to amend the Income Tax Act and to make cert ain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Boulanger in the chair.

On Clause 1:—

Mr. Benson: Mr. Chairman, there seems to be agreement among the parties opposite and ourselves that in order to deal with the amendments to clause one, which I have tabled in the House, we might ask my colleague, the Minister of National Revenue, to move them all at one time so that they might be considered as the various aspects of the matter are dealt with. This would in no way preclude the moving of further amendments, either by the opposition or by ourselves. It is simply a method of get-

ting the amendments before the committee in proper form.

The Assistant Deputy Chairman: Is there unanimous consent to that proposal?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): May I inquire as to the nature of the amendments to be moved? Will the minister be moving the amendments which appeared as an appendix to *Votes and Proceedings* on October 13?

Mr. Benson: He would be moving the amendments as tabled on that day. There is a slight difference between the two. There was one section as printed in *Votes and Proceedings* which got into the wrong place, and the underlining was omitted.

Some hon. Members: Resign.

Mr. Benson: It had nothing to do with the government. It was simply a printing error. Therefore, my colleague will move the amendments as tabled on October 13.

Mr. Knowles (Winnipeg North Centre): Yes, Mr. Chairman, this was understood. I might make the point that the batch of amendments to clause one now being presented will, of course, appear in *Hansard* at this point, so any confusion between what has been tabled and what has been printed will be cleared up, if the minister does it correctly.

Mr. Benson: Yes, Mr. Chairman, that is understood. They will appear in *Hansard* properly with the underlining included.

Mr. Knowles (Winnipeg North Centre): Do some of the amendments tabled on October 13 refer to clauses other than clause 1?

Mr. Benson: No, they were all amendments to clause 1.

[*Translation*]

The Assistant Deputy Chairman: The hon. member for Lotbinière rises on a point of order.

Mr. Fortin: Mr. Chairman, in the House there is a party that is apparently not taken into account. We would also like to give our agreement subject however to a consensus of the House leaders of all parties about a formula for the discussion.

[*English*]

Mr. Gray: I hereby move:

Pages 17 and 20

That section 8 as set forth in clause 1 of Bill C-259 be amended

(*a*) by striking out lines 28 to 32 on page 17 and substituting the following:

'amounts expended by him in the year for the purpose of earning the income from the employment (not exceeding the commissions or other similar amounts fixed as aforesaid received by him in the year) to the extent that such amounts were not

(v) outlays, losses or replacements of capital or payments on account of capital, except as described in paragraph (*j*), or

(vi) outlays or expenses that would, by virtue of paragraph 18(1)(*l*), not be deductible in computing the taxpayer's income for the year if the employment were a business carried on by him;'

(*b*) by striking out line 12 on page 20 of the French version and substituting the following:

'(ii) sans dépasser, au total, le moins élevé des montants suivants:

(A) le plafond de la cotisation affé-'

Page 26

That the French version of section 12 as set forth in clause 1 of the said Bill be amended by striking out line 7 on page 26 and substituting the following:

'(ii) déduite, en vertu de l'alinéa 20(1)*n*) ou du paragraphe 20(7),'

Page 35

That section 13 as set forth in clause 1 of the said Bill be amended by striking out lines 1 and 2 on page 35 and substituting the following:

'Deduction in respect of automobile used in performance of duties

(11) Any deduction made under subparagraph 8(1)(*j*) (ii) of this Act or subsection 11(11) of *The*'

Pages 47 and 48

That section 15 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 11 and 12 on page 47 and substituting the following:

'(*d*) on the reduction of capital, the redemption of shares or the winding-up, discontinuance or reorganization of its business, or otherwise by way of a transaction to which section 84, 88 or Part II applies,'

(*b*) by striking out lines 11 to 17 on page 48 and substituting the following:

'Interest on income bonds

'(3) An annual or other periodic amount paid by a corporation resident in Canada to a taxpayer in respect of an income bond or income debenture shall be deemed to have been paid by the corporation and received by the taxpayer as a dividend on a share of the capital stock of the corporation, unless the corporation is entitled to deduct the amount so paid in computing its income.'

Pages 55 to 58

That section 18 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 13 to 18 on page 55 and substituting the following:

'(*a*) interest on borrowed money used to acquire land, or on an amount payable by him for land, or

(*b*) property taxes (not including income or profits taxes or taxes computed by reference to the transfer of property) paid or payable by him in respect of land to a province or a Canadian municipality,'

(*b*) by striking out lines 14 and 15 on page 56 and substituting the following:

'in computing its income for the year in respect of interest paid or payable by it on outstanding debts to specified non-residents that'

(*c*) by striking out lines 8 to 19 on page 57 and substituting the following:

'(*a*) that was payable by the corporation to a person who was, at any time in the year,

(i) a shareholder of the corporation who, either alone or together with persons with whom the shareholder was not dealing at arm's length, owned 25% or more of the issued shares of any class of the corporation and who was

(A) a person not resident in Canada, or

(B) a non-resident-owned investment corporation, or

(ii) a person described in clause (i)(A) or (B) who was not dealing at arm's length with a shareholder described in subparagraph (i), and'

(*d*) by striking out lines 39 to 46 on page 57 and lines 1 to 21 on page 58 and substituting the following:

'Limitation on application of section 21 where ss. (4) applicable

(7) Where

(*a*) section 21 is applicable in respect of an amount or a part of an amount specified by a corporation resident in Canada in its election under that section that, but for that section, would have been deductible in computing its income for a taxation year,

(*b*) a portion of the amount or of the part of the amount described in paragraph (*a*) may reasonably be considered to be an amount that, but for section 21, would have been deductible in computing the income of the corporation for the year in respect of interest paid or payable by it on outstanding debts to specified non-residents, and

(*c*) subsection (4) is or would be, if this Act were read without reference to section 21, applicable in computing the income of the corporation for the year,

notwithstanding section 21, that proportion of the portion described in paragraph (*b*) that, but for this subsection, would

(*d*) be added by virtue of section 21 to the capital cost to the corporation of depreciable property acquired by it, or

(*e*) be deemed by section 21 to be exploration, prospecting and development expenses incurred by it in the year,

as the case may be, that the amount determined under paragraph (4)(*a*) in respect of the corporation for the year is of the amount determined under paragraph (4)(*b*) in respect of the corporation for the year shall not be so added or be so deemed, as the case may be.'

Pages 63 and 64

That section 20 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 26 on page 63 and substituting the following:

'Discount on certain obligations

(*f*) an amount paid in the year in satisfaction of the'

(*b*) by striking out lines 16 to 23 on page 64 and substituting the following:

'the amount by which the lesser of the principal amount of the obligation and the amount so paid in satisfaction of the principal amount thereof exceeds the amount for which the obligation was issued, and

(ii) in any other case, ½ of the amount by which the lesser of the principal amount of the obligation and the amount so paid in satisfaction of the principal amount thereof exceeds the amount for which the obligation was issued;'

Pages 98 and 99

That section 39 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 14 and 15 on page 98 and substituting the following:

'Capital gains and losses in respect of foreign currencies

(2) Notwithstanding subsection (1), where, by virtue of any fluctuation after 1971 in the value of the'

(*b*) by adding, immediately after subsection (2) on page 99, the following subsection:

'Gain in respect of purchase of bonds, etc., by issuer

(3) Where a taxpayer has issued any bond, debenture or similar obligation and has at any subsequent time in a taxation year and after 1971 purchased the obligation in the open market, in the manner in which any such obligation would normally be purchased in the open market by any member of the public,

Income Tax Act

(*a*) the amount, if any, by which the amount for which the obligation was issued by the taxpayer exceeds the purchase price paid or agreed to be paid by the taxpayer for the obligation shall be deemed to be a capital gain of the taxpayer for the taxation year from the disposition of a capital property; and

(*b*) the amount, if any, by which the purchase price paid or agreed to be paid by the taxpayer for the obligation exceeds the greater of the principal amount thereof and the amount for which it was issued by the taxpayer shall be deemed to be a capital loss of the taxpayer for the taxation year from the disposition of a capital property,

to the extent of the amount of the capital gain or capital loss, as the case may be, that would not, if section 3 were read in the manner described in paragraph (1)(*a*) of this section, be included or be deductible, as the case may be, in computing the taxpayer's income for the year or any other taxation year.'

Pages 100, 101 and 102

That section 40 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 27 to 33 on page 100 and substituting the following:

'(i) one plus the number of taxation years ending after 1971 for which the property was his principal residence and during which he was resident in Canada,

is of

(ii) the number of taxation years ending after 1971 during which he owned the property, whether jointly with another person or otherwise;'

(*b*) by striking out lines 7 to 10 on page 101 and substituting the following:

'of this paragraph, less the aggregate of

(A) $1,000, and

(B) $1,000 for each taxation year ending after 1971 for which the property was his principal residence and during which he was resident in Canada;'

(*c*) by striking out lines 20 to 30 on page 101 and substituting the following:

'(*e*) where the taxpayer is a corporation, its loss otherwise determined from the disposition of any property disposed of by it to

(i) a person by whom it was controlled, or

(ii) a corporation that was controlled by a person described in subparagraph (i),

is nil;'

(*d*) by striking out lines 42 to 46 on page 101 and lines 1 to 11 on page 102 and substituting the following:

'(ii) a loss from the disposition of a debt or other right to receive an amount, unless the debt or right, as the case may be, was acquired by the taxpayer for the purpose of gaining or producing income from a business or property (other than exempt income) or as consideration for the disposition of capital property to a person with whom the taxpayer was dealing at arm's length, or

(iii) a loss from the disposition of any personal-use property of the taxpayer other than listed personal property,

is nil.'

(*e*) by striking out lines 12 to 14 on page 102 and substituting the following:

'Deemed gain where amounts to be deducted from adjusted cost base exceed cost plus amounts to be added to adjusted cost base

(3) Where

(*a*) the aggregate of all amounts required by subsection 53(2) (except paragraph (*c*))'

(*f*) by adding, immediately after subsection (3) on page 102, the following subsections:

'Where principal residence disposed of to spouse or trust in favour of spouse

(4) Where a taxpayer has, after 1971, disposed of property to an individual who is deemed by subsection 70(6) or 73(1) to have acquired it for an amount equal to its adjusted cost base to the taxpayer immediately before the disposition, for the purposes of computing the individual's gain from the disposition of the property under paragraph (2) (*b*) or (*c*), as the case may be,

(*a*) the individual shall be deemed to have owned the property throughout the period during which the taxpayer owned it;

(*b*) the property shall be deemed to have been the individual's principal residence

(i) in any case where subsection 70(6) is applicable, for any taxation year for which it would, if the taxpayer had designated it in prescribed manner to have been his principal residence for that year,

have been the taxpayer's principal residence, and

(ii) in any case where subsection 73(1) is applicable for any taxation year for which it was the taxpayer's principal residence; and

(*c*) where the individual is a trust, the trust shall be deemed to have been resident in Canada during each taxation year during which the taxpayer was resident in Canada.

Principal residence where property of trust in favour of spouse

(5) For the purposes of determining whether any property of a trust described in subsection 70(6) or 73(1) was its principal residence for any taxation year, paragraph 54(*g*) shall be read as if

(*a*) the reference in subparagraph (i) of that paragraph to "the taxpayer" were read as a reference to the spouse referred to in subparagraph 70(6)(*b*)(i) or paragraph 73(1)(*a*), as the case may be, and

(*b*) the references in subparagraph (iii) of that paragraph to "him" were read as references to the trust and the spouse mentioned in paragraph (*a*).'

Page 108

That section 46 as set forth in clause 1 of the said Bill be amended by striking out line 27 on page 108 and substituting the following:

'value of any personal-use property of a'

Page 109

That section 47 as set forth in clause 1 of the said Bill be amended by striking out lines 1 to 31 on page 109 and substituting the following:

'Identical properties

47. (1) Where at any particular time after 1971 a taxpayer who owns one property or two or more identical properties that was or each of which was, as the case may be, acquired by him after 1971, acquires one or more other properties (in this subsection referred to as "newly-acquired properties") each of which is identical to each such previously-acquired property, for the purposes of computing, at any subsequent time, the adjusted cost base to the taxpayer of each such identical property,

(*a*) the taxpayer shall be deemed to have disposed of each such previously-acquired property immediately before the particular time for proceeds equal to its adjusted cost base to him immediately before the particular time, and

(*b*) the taxpayer shall be deemed to have acquired each such identical property at the particular time at a cost equal to the quotient obtained when

(i) the aggregate of the adjusted cost bases to the taxpayer immediately before the particular time of the previously-acquired properties, and the cost to him (determined without reference to this section) of the newly-acquired properties

is divided by

(ii) the number of such identical properties owned by the taxpayer immediately after the particular time.

Where identical properties are bonds, etc.

(2) For the purposes of subsection (1), where a group of identical properties referred to in that subsection is a group of identical obligations within the meaning of subsection (3), subparagraph (1)(*b*)(ii) shall be read as follows:

"(ii) the quotient obtained when the aggregate of the principal amounts of all such identical properties owned by the taxpayer immediately after the particular time is divided by the principal amount of the identical property." '

Pages 110 and 111

That section 48 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 22 to 25 on page 110 and substituting the following:

'Election by taxpayer ceasing to be resident in Canada

(2) Where subsection (1) would otherwise apply for the purpose of computing the income for a taxation year of a taxpayer who is an individual other than a trust or that was, immediately before it ceased to be resident in Canada, a Canadian corporation, if the taxpayer'

(*b*) by striking out lines 1 to 8 on page 111 and substituting the following:

'(*d*) the taxpayer shall, except for the purposes of subsections 70(6), 72(2) and 73(1), be deemed to have been resident in Canada throughout any taxation year for which he had a capital gain from the disposition of any property (other than property described in paragraph (1)(*a*) or (*b*)) owned by him at the time he ceased to be resident in Canada.'

(*c*) by striking out lines 9 to 16 on page 111 and substituting the following:

'Deemed acquisition on becoming a resident of Canada

(3) For the purposes of this subdivision, where at any time after 1971 a taxpayer becomes a resident of Canada, he shall be deemed to have acquired at that time each property owned by him at that time, other than

(*a*) property that would be property described in paragraph (1)(*a*) if he had disposed of it immediately before that time, and

(*b*) where the taxpayer has previously made an election under subsection (2) in

respect of the last time he ceased to be resident in Canada, any property owned by him immediately before that last such time,

at a cost equal to its fair market value at the time he becomes a resident of Canada.'

Page 111

That section 49 as set forth in clause 1 of the said Bill be amended by striking out lines 28 to 30 on page 111 and substituting the following:

'Where option expires

(2) Where at any time an option described in paragraph (1)(b) (other than an option the consideration for the granting of which is an amount described in subparagraph 66(15)(b) (v) paid pursuant to an agreement described in that subparagraph) that has been granted by a corporation after 1971 expires,'

Page 113

That section 51 as set forth in clause 1 of the said Bill be amended by striking out lines 28 to 40 on page 113 and substituting the following:

'Convertible properties

51. Where shares of the capital stock of a corporation have, after 1971, been acquired by a taxpayer in exchange for a preferred share, bond, debenture or note of the corporation (in this section referred to as a "convertible property") the terms of which conferred upon the holder the right to make the exchange,

(a) the exchange shall be deemed not to have been a disposition of property, and

(b) the cost to the taxpayer of the shares shall be deemed to be the adjusted cost base to him of the convertible property immediately before the exchange.'

Pages 115, 116, 119 and 120

That section 53 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 43 to 48 on page 115 and substituting the following:

'(B) paragraph (i) of this subsection, section 55, paragraph 82(1)(b) and the provisions of the *Income Tax Application Rules, 1971* relating to income from the operation of new mines,'

(b) by striking out lines 5 and 6 on page 116 and substituting the following:

'ship property,

(iii) the taxpayer's share of the amount, if any, by which

(A) any proceeds of a life insurance policy received by the partnership after 1971 and before that time in consequence of the death of any person whose life was insured under the policy,

exceeds

(B) all amounts paid as or on account of premiums under the policy, and

(iv) where the taxpayer has, after 1971,'

(c) by striking out lines 25 and 26 on page 119 and substituting the following:

'Canada, any amount required by section 92 or subsection 93(1) to be'

(d) by striking out lines 41 to 44 on page 119 and substituting the following:

'(B) section 31, subsection 40(2) and section 55,'

(e) by striking out lines 43 to 47 on page 120 and substituting the following:

'capital stock of a corporation, the amount paid by the taxpayer therefor, to the extent that the amount was paid pursuant to an agreement described in subparagraph 66(15)(b)(v);'

Pages 123 and 125

That section 54 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 18 to 20 on page 123 and substituting the following:

'except that

(iii) for greater certainty, where any property of the taxpayer is property that was reacquired by him after having been previously disposed of by him, no adjustment to the cost to him of the property that was required to be made under section 53 before its reacquisition by him shall be made under that section to the cost to him of the property as reacquired property of the taxpayer, and

(iv) in no case shall the adjusted cost base of any property at the time of its disposition by the taxpayer be less than nil;'

(b) by striking out lines 8 to 22 on page 125 and substituting the following:

' "Personal-use property"

(f) "personal-use property" of a taxpayer includes

(i) property owned by him that is used primarily for the personal use or enjoyment of the taxpayer or for the personal use or enjoyment of one or more individuals each of whom is

(A) the taxpayer,

(B) a person related to the taxpayer, or

(C) where the taxpayer is a trust, a beneficiary under the trust or any person related to the beneficiary,

(ii) any debt owing to him in respect of the disposition of property that was his personal-use property, and

(iii) any property of the taxpayer that is an option to acquire property that would, if he acquired it, be personal-use property of the taxpayer,

and "personal-use property" of a partnership includes any partnership property that is used primarily for the personal use or enjoyment of any member of the partnership or for the personal use or enjoyment of one or more individuals each of whom is a member of the partnership or a person related to such a member;'

Pages 133 and 134

That the French version of section 57 as set forth in clause 1 of the said Bill be amended as follows:

(*a*) by striking out lines 5 and 6 on page 133 and substituting the following:

'caisse de retraite ou de pensions ou en vertu d'une caisse ou d'un régime de retraite ou de pensions dont'

(*b*) by striking out line 17 on page 133 and substituting the following:

'tribuable à la caisse ou au régime ou en vertu de la caisse ou du'

(*c*) by striking out line 25 on page 133 and substituting the following:

'tribuable à la caisse ou au régime ou en vertu de la caisse ou du'

(*d*) by striking out line 35 on page 133 and substituting the following:

'caisse ou au régime ou en vertu de la caisse ou du régime ainsi que'

(*e*) by striking out lines 41 to 45 on page 133 and substituting the following:

'paiement reçu par un contribuable d'une caisse ou d'un régime de retraite ou de pensions ou en vertu d'une caisse ou d'un régime de retraite ou de pensions si le contribuable n'a effectué aucun paiement à la caisse ou au régime ou en vertu de la caisse ou du régime.'

(*f*) by striking out lines 3 to 17 on page 134 and substituting the following:

'reçu par un contribuable d'une caisse ou d'un régime de retraite ou de pensions ou en vertu d'une caisse ou d'un régime de retraite ou de pensions au titre d'une période de service pour une partie seulement de laquelle il a effectué des paiements à la caisse ou au régime ou en vertu de la caisse ou du régime, le paragraphe (1) ne s'applique qu'à la partie du paiement qui peut raisonnablement être considérée comme ayant été reçue au titre de la période pour laquelle il a effectué des paiements à la caisse ou au régime ou en vertu de la caisse ou du régime et toute partie du paiement qui peut raisonnablement être considérée comme ayant été reçue au titre d'une période pour laquelle il n'a pas fait de paiements à la caisse ou au régime ou en vertu de la caisse ou du régime est incluse'

(*g*) by striking out lines 23 to 34 on page 134 and substituting the following:

'une caisse ou un régime enregistré de pensions ou en vertu d'une caisse ou d'un régime enregistré de pensions, au titre de services qu'il a fournis avant de commencer à effectuer des paiements, seule est incluse dans le calcul de son revenu, en ce qui concerne tout paiement qu'il a reçu de la caisse ou du régime ou en vertu de la caisse ou du régime, la partie du paiement restant après déduction de la fraction de ce paiement représentée par le rapport existant entre la cotisation ainsi versée moins $300 et le total des sommes qu'il a payées à la caisse ou au régime ou en vertu de la caisse ou du régime.'

(*h*) by striking out lines 36 to 45 on page 134 and substituting the following:

'tribuable affilié à une caisse ou à un régime de retraite ou de pensions visé au paragraphe (1) ou (4), une personne reçoit, dans une année d'imposition, un paiement d'une caisse ou d'un régime ou en vertu d'une caisse ou d'un régime, seule est incluse dans le calcul du revenu reçu à ce titre dans l'année par cette personne, la partie du paiement qui, si le paiement avait été reçu dans l'année, d'une caisse ou d'un régime ou en vertu d'une caisse ou d'un régime par le contribuable, aurait été incluse,'

Page 136

That the French version of section 58 as set forth in clause 1 of the said Bill be amended by striking out lines 46 and 47 on page 136, and substituting the following:

'd'une caisse ou d'un régime enregistré de pensions ou en vertu d'une caisse ou d'un régime enregistré de pensions.'

Pages 142 and 145

That section 60 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 27 and 28 on page 142 of the French version, and substituting the following:

'(A) à titre de cotisation à une caisse ou à un régime enregistré de pensions ou en vertu d'une caisse ou d'un régime enregistré de'

(*b*) by striking out lines 30 to 32 on page 142 and substituting the following:

'deductible under paragraph (*l*), paragraph 8(1)(*m*) or subsection 146(5) in computing his income for the year;'

(*c*) by striking out lines 2 and 3 on page 145 and substituting the following:

'(i) any pension described in clause 56(1)(*a*)(i)(A),'

Pages 146 and 147

That section 61 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 29 and 30 on page 146 of the French version, and substituting the following:

'(i) d'une caisse ou d'un régime de pensions de retraite ou autres pensions ou en vertu d'une caisse ou d'un'

Income Tax Act

(*b*) by striking out the word "and" at the end of line 37 on page 147.

(*c*) by striking out line 40 on page 147 and substituting the following:

'by virtue of his employment; and

(*g*) the amount, if any, by which any amount received by the individual in the year as or on account of a prize for achievement in a field of endeavour ordinarily carried on by him exceeds $500.

Page 152

That section 63 as set forth in clause 1 of the said Bill be amended by striking out lines 32 to 34 on page 152 and substituting the following:

'(C) his wife was confined as described in clause (*b*) (iii) (A) or subparagraph (*b*) (iv) or was incapable as described in clause (*b*) (iii) (B),'

Pages 154 and 155

That section 64 as set forth in clause 1 of the said Bill be amended by striking out lines 40 and 41 on page 154 and lines 1 to 11 on page 155 and substituting the following:

'the current year, there may be deducted as a reserve in respect of that amount the part thereof that is not receivable until a day that is after the end of the current year (not exceeding, where the property was disposed of in a taxation year preceding the current year, any amount deducted under this subsection in respect of the disposition of the property in computing the taxpayer's income for the taxation year immediately preceding the current year), and for greater certainty, no deduction may be made in respect of that amount by virtue of paragraph 20(1)(*n*).'

Pages 157, 158, 163 and 165

That section 66 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 30 on page 157 and substituting the following:

'2. the amount deducted under'

(*b*) by striking out line 31 on page 158 and substituting the following:

'2. the amount deducted under sec-'

(*c*) by striking out line 23 on page 163 and substituting the following:

'after 1971 and between a time when the corporation ceased to'

(*d*) by striking out line 1 on page 165 and substituting the following:

'ration corporation under subsection (10)'

(*e*) by striking out lines 23 to 40 on page 165 and substituting the following:

'(v) where the taxpayer is a principal-business corporation, the amount paid by it for any share or any interest therein or right thereto, to the extent that the amount was paid pursuant to an agreement under which it undertook to incur, after 1971, the cost of

(A) drilling or exploration activities, including any general geological or geophysical activities, in or in respect of exploring or drilling for petroleum or natural gas in Canada,

(B) prospecting, exploration or development activities in searching for minerals in Canada, or

(C) acquiring a Canadian resource property,'

Pages 173 and 174

That section 70 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 33 to 42 on page 173 and lines 1 to 3 on page 174 and substituting the following:

'(*b*) a trust created by the taxpayer's will under which

(i) his spouse is entitled to receive all of the income of the trust that arises before the spouse's death, and

(ii) no person except the spouse may, before the spouse's death, receive or otherwise obtain the use of any of the income or capital of the trust,

and both the taxpayer and the spouse or trust, as the case may be, were resident in Canada immediately before the death of the taxpayer, the following rules apply:

(*c*) paragraphs (5) (*a*) to (*d*) are not applicable to the property;'

(*b*) by striking out line 22 on page 174 and substituting the following:

'ty at the same amount; and

(*e*) where the property was depreciable property of the taxpayer of a prescribed class, paragraph (5) (*e*) is applicable as if the reference therein to "paragraph (*b*)" and to "paragraph (*d*)" were read as references to "paragraph (6)(*d*)".'

Page 175

That section 72 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 12 on page 175 and substituting the following:

'"transferee"), if both the taxpayer and the transferee were resident in Canada immediately before the death of the taxpayer and the taxpayer's legal repre-'

(*b*) by striking out lines 41 to 44 on page 175 and substituting the following:

'(C) an amount that, by virtue of subsection 59(1) or (3), has been included in computing the transferee's income for a previous year,'

Pages 176 and 177

That section 73 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 26 to 28 on page 176 and substituting the following:

'income of the trust that arises before the spouse's death, and'

(*b*) by striking out line 33 on page 176 and substituting the following:

'and both the taxpayer and the spouse or trust, as the case may be, were'

(*c*) by striking out lines 9 to 25 on page 177 and substituting the following:

'Capital cost and amount deemed allowed to spouse or trust

(2) Where a spouse or trust, as the case may be, is deemed by subsection (1) to have acquired any particular depreciable property of a prescribed class of a taxpayer for an amount determined under paragraph (1)(*c*) and the capital cost to the taxpayer of the particular property exceeds the amount determined under that paragraph, for the purposes of sections 13 and 20 and any regulations made under paragraph 20(1)(*a*)

(*a*) the capital cost to the spouse or trust, as the case may be, of the particular property shall be deemed to be the amount that was the capital cost to the taxpayer thereof, and

(*b*) the excess shall be deemed to have been allowed to the spouse or trust, as the case may be, in respect of the particular property under regulations made under paragraph 20(1)(*a*) in computing income for taxation years before the acquisition thereof.'

Page 178

That section 74 as set forth in clause 1 of the said Bill be amended by striking out lines 1 to 7 on page 178 and substituting the following:

'since become his spouse (which property is referred to in this subsection as "transferred property"), in computing the transferor's income for any taxation year the amount, if any, by which

(*a*) the aggregate of

(i) the transferee's taxable capital gains for the year from dispositions of transferred property other than listed personal property and from dispositions of property (other than listed personal property) substituted for transferred property, and

(ii) the amount that the transferee's taxable net gain for the year from dispositions of listed personal property would be if the transferee had at no time owned listed personal property other than listed personal property that was transferred property or property substituted therefor,

exceeds

(*b*) the aggregate of the transferee's allowable capital losses for the year from dispositions of transferred property other than listed personal property and from dispositions of property (other than listed personal property) substituted for transferred property,

shall, during the lifetime of the transferor while the transferor is resident in Canada and the transferee is his spouse, be deemed to be a taxable capital gain of the transferor for the year from the disposition of property other than listed personal property, and any gain or loss taken into account in computing the aggregate described in paragraph (*a*) or the aggregate described in paragraph (*b*) shall, for the purposes of computing the income of the transferee for a taxation year, be deemed not to have been a gain or loss of the transferee.'

Page 178

That section 75 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 30 on page 178 and substituting the following:

'18 years of age, either directly or indirectly, by'

(*b*) by striking out line 39 on page 178 and substituting the following:

'18 years.'

Page 184

That section 80 as set forth in clause 1 of the said Bill be amended by striking out lines 43 and 44 on page 184 and substituting the following:

'may be, the amount by which the lesser of the principal amount thereof and the amount for which the obligation was issued by the taxpayer exceeds the amount so paid, if'

Page 187

That section 81 as set forth in clause 1 of the said Bill be amended by striking out lines 15 to 32 on page 187 and substituting the following:

'Interest on certain obligations

(*m*) interest received by a corporation resident in Canada (in this paragraph referred to as the "parent corporation") on a bond, debenture, bill, note, mortgage, hypothec or similar obligation received by it as consideration for the disposition by it, before June 18, 1971, of

(i) a business carried on by it in a country other than Canada, or

(ii) all of the shares of a corporation that carried on a business in a country other than Canada, and such of the debts and other obligations of that corporation as were, immediately before the disposition, owing to the parent corporation,

if

Income Tax Act

(iii) the business was of a public utility or public service nature,

(iv) the business or the property described in subparagraph (ii), as the case may be, was disposed of to a person or persons resident in that country, and

(v) the obligation received by the parent corporation was issued by or guaranteed by the government of that country or any agent thereof; or'

Page 189

That section 82 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 5 on page 189 and substituting the following:

'purposes of this section and sections 112 and 121, the'

(*b*) by adding, immediately after subsection (2) on page 189, the following subsection:

'Dividends received by spouse

(3) Where the amount that would, but for this subsection, be deductible under paragraph 109(1)(*a*) from a taxpayer's income for a taxation year is less than the amount that would be deductible under that paragraph from his income for the year if no amount were required by subsection (1) to be included in computing his spouse's income for the year and the taxpayer so elects in his return of income for the year under this Part, all amounts described in paragraph (1)(*a*) received in the year from taxable Canadian corporations by the taxpayer's spouse shall be deemed to have been so received by the taxpayer and not by his spouse.'

Pages 189 and 190

That section 83 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 9 and 10 on page 189 and substituting the following:

'1971 a dividend becomes payable by a Canadian corporation to shareholders of'

(*b*) by striking out lines 27 to 36 on page 189 and substituting the following:

'(*b*) the dividend shall be deemed to be payable out of the corporation's 1971 capital surplus on hand to the extent that

(i) the amount, if any, by which the portion of the dividend designated in the election to be payable out of such surplus exceeds the corporation's 1971 undistributed income on hand immediately before the particular time,

does not exceed

(ii) the corporation's 1971 capital surplus on hand immediately before the particular time;'

(*c*) by striking out lines 7 to 31 on page 190 and substituting the following:

'Capital dividend

(2) Where at any particular time after 1971 a dividend becomes payable by a private corporation to shareholders of any class of shares of its capital stock and the corporation so elects in respect of the full amount of the dividend, in prescribed manner and prescribed form and at or before the particular time or the first day on which any part of the dividend was paid if that day is earlier than the particular time, the following rules apply:

(*a*) the dividend shall be deemed to be a capital dividend to the extent that the portion thereof in excess of the aggregate of

(i) the corporation's 1971 undistributed income on hand immediately before the particular time, and

(ii) the corporation's tax-paid undistributed surplus on hand immediately before the particular time

does not exceed the corporation's capital dividend account immediately before the particular time; and

(*b*) no part of the dividend shall be included in computing the income of any shareholder of the corporation.'

Pages 190 and 191

That section 84 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 33 on page 190 of the French version, and substituting the following:

'Canada a, à une date quelconque après 1971, augmenté'

(*b*) by striking out lines 21 to 26 on page 191 and substituting the following:

'immediately after that time equal to that proportion of the dividend so deemed to have been paid by the corporation that the number of the shares of the particular class held by him immediately after that time is of the number of the issued shares of that class outstanding immediately after that time.'

Pages 195, 196 and 197

That section 85 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 1 on page 195 and substituting the following:

'(*b*) subject to paragraph (*c*), where the amount that the taxpayer and'

(*b*) by striking out lines 16 to 22 on page 196 and substituting the following:

'(*f*) the cost to the taxpayer of any particular property (other than shares of the capital stock of the corporation or a right to receive any such shares) received by him as consideration for the disposition shall be deemed to be an amount equal to the lesser of

(i) the fair market value of the particular property at the time of the disposition, and

(ii) that proportion of the fair market value, at the time of the disposition, of the property disposed of by the taxpayer to the corporation that

(A) the amount determined under subparagraph (i)

is of

(B) the fair market value, at the time of the disposition, of all properties (other than shares of the capital stock of the corporation or a right to receive any such shares) received by the taxpayer as consideration for the disposition;'

(c) by striking out line 34 on page 197 and substituting the following:

'less than 80% of the issued shares of each class of'

Pages 214, 215, 218 and 219

That section 87 as set forth in clause 1 of the said Bill be amended

(a) by adding, immediately after paragraph 87(2)(z) on page 214, the following paragraph:

'(z.1) in the case of a new corporation that is a private corporation, for the purposes of computing the capital dividend account of the new corporation at any particular time,

(i) ½ of the amount of any capital gain and ½ of the amount of any capital loss of any predecessor private corporation for any taxation year commencing after it last became a private corporation and ending after 1971 and either before or at the time of the amalgamation shall, in the case of a capital gain, be included, and in the case of a capital loss, be deducted,

(ii) any amount that would, if the amalgamation had not occurred but if any taxation year of a predecessor corporation that would otherwise have ended next after the amalgamation had ended immediately before the amalgamation, have been required by any of subparagraphs 89(1)(b)(ii) to (iv) to be included in computing the predecessor corporation's capital dividend account immediately after the amalgamation shall be included, and

(iii) any capital dividend that became payable by any predecessor corporation after it last became a private corporation and before the amalgamation shall be deducted.'

(b) by striking out line 25 on page 215 of the French version and substituting the following:

'cette Partie, payable par la nouvelle cor-'

(c) by striking out line 33 on page 215 of the French version and substituting the following:

'prévu par cette Partie, remboursable à la'

(d) by striking out lines 24 to 34 on page 218 and substituting the following:

'(iii) either

(A) the persons (except any predecessor corporation) who together owned all of the common shares of the capital stock of the predecessor corporation immediately before the amalgamation together received as consideration for the disposition of those shares on the amalgamation not less than 25% of the shares of each particular class of the issued common shares of the capital stock of the new corporation immediately after the amalgamation,

or

(B) in any case where

1. the shareholder owned one or more of the common shares of the capital stock of one or more other predecessor corporations immediately before the amalgamation, and

2. none of the persons (except any predecessor corporation) who owned one or more of the common shares of the capital stock of such one or more other predecessor corporations immediately before the amalgamation received any consideration for the disposition of those shares on the amalgamation other than one or more shares of the capital stock of the new corporation,

the shareholder received on the amalgamation, as consideration for the disposition of the common shares of the capital stock of the predecessor corporation and of such one or more other predecessor corporations owned by him immediately before the amalgamation, not less than 80% of the shares of each particular class of the issued common shares of the capital stock of the new corporation immediately after the amalgamation,'

(e) by striking out lines 13 to 39 on page 219 and substituting the following:

'Percentage of shares received by shareholders of predecessor corporation

(5) For the purposes of clause (4)(b)(iii)(A), the percentage of the shares of any particular class of the issued common shares of the capital stock of the new corporation immediately after the amalgamation received as described in that clause by the persons (except any predecessor corporation) who together owned all of the common shares of the capital stock of a particular predecessor corporation shall be deemed to be

(a) the percentage thereof otherwise determined,

plus

(b) that proportion of the percentage described in paragraph (a) that

(i) the fair market value of the issued common shares of the capital stock of the particular predecessor corporation owned by all other predecessor corporations immediately before the amalgamation

is of

(ii) the fair market value of the issued common shares of the capital stock of the

particular predecessor corporation owned by all persons (except any predecessor corporation) immediately before the amalgamation.'

Pages 221 and 222

That section 88 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 18 to 23 on page 221 and substituting the following:

'(*a*) each property of the subsidiary that was distributed to the parent on the winding-up shall be deemed to have been disposed of by the subsidiary for proceeds equal to,

(i) in the case of any property described in subsection 59(2), nil, and

(ii) in the case of any other property, the cost amount to the subsidiary of the property immediately before the winding-up;'

(*b*) by striking out lines 39 to 46 on page 221 and lines 1 and 2 on page 222 and substituting the following:

'(*c*) the cost to the parent of each property of the subsidiary distributed to the parent on the winding-up shall be deemed to be the amount deemed by paragraph (*a*) to be the proceeds of disposition of the property, plus, where the property was a capital property (other than depreciable property) of the subsidiary, the amount determined under paragraph (*d*) in respect thereof;'

Pages 223, 224, 225, 226, 228, 229, 230, 232 and 233

That section 89 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 35 to 37 on page 223 and substituting the following:

'(ii) resident in Canada throughout the period commencing June 18, 1971 and ending at that time,

except that for the purposes of subsection 83(1) a corporation that was incorporated in Canada before April 27, 1965 and that was not resident in Canada at the end of 1971 shall be deemed not to be a Canadian corporation;'

(*b*) by striking out lines 43 to 45 on page 223 and lines 1 to 13 on page 224 and substituting the following:

'corporation, for taxation years in the period commencing with the first taxation year commencing after the time the corporation last became a private corporation and ending after 1971, and ending with the last taxation year ending before the particular time, exceeds the aggregate of its capital losses for those years,

(ii) all amounts each of which is an amount in respect of a dividend received by the corporation on a share of the capital stock of another corporation in the period, which amount was, by virtue of subsection 83(2), not included in computing the income of the corporation,

(iii) all amounts each of which is an amount in respect of a business carried on by the corporation at any time in the period, equal to the amount, if any, by which

(A) the aggregate of the eligible capital amounts (within the meaning assigned by subsection 14(1)) in respect of the business that became payable to the corporation in the period

exceeds the aggregate of

(B) the cumulative eligible capital of the corporation in respect of the business at the commencement of the period, and

(C) ½ of the aggregate of the eligible capital expenditures in respect of the business that were made or incurred by the corporation in the period, and

(iv) the amount, if any, by which

(A) the proceeds of any life insurance policy received by the corporation in the period and after 1971 in consequence of the death of any person whose life was insured under the policy,

exceeds

(B) all amounts paid as or on account of premiums paid under the policy,

exceeds the aggregate of all capital dividends that became payable by the corporation after the commencement of the period and before the particular time;'

(*c*) by striking out line 16 on page 225 and substituting the following:

'paragraphs (*l*)(ii), (iii), (iv) and (iv.1) in res-'

(*d*) by striking out line 2 on page 226 and substituting the following:

'graph 111(1)(*a*) from the corporation's'

(*e*) by striking out lines 22 to 28 on page 226 and substituting the following:

'"Private corporation"

(*f*) "private corporation" at any particular time means a corporation that, at the particular time, was resident in Canada, was not a public corporation, and was not controlled, directly or indirectly in any manner whatever, by one or more public corporations; and for greater certainty for the purposes of determining, at any particular time, when a corporation last became a private corporation,

(i) a corporation that was a private corporation at the commencement of its 1972 taxation year and thereafter without interruption until the particular time shall be deemed to have last become a private corporation at the end of its 1971 taxation year, and

(ii) a corporation incorporated after 1971 that was a private corporation at the time of its incorporation and thereafter without interruption until the particular time shall be deemed to have last become a private corporation immediately before the time of its incorporation;'

(*f*) by striking out line 25 on page 228 and substituting the following:

'were allowed under paragraph'

(*g*) by striking out lines 8 and 9 on page 229 and substituting the following:

'(v) the amount of any debt owing to the corporation (other than any debt the amount of which was included in computing the corporation's income for its 1971 taxation year and deducted in computing that income under paragraph 11(1)(*f*) of this Act as it read in its application to the 1971 taxation year) or of any other right of the'

(*h*) by striking out lines 35 to 39 on page 230 and substituting the following:

'(i) the lesser of

(A) the amount that the corporation's tax-paid undistributed income (within the meaning of this Act as it read in its application to the 1971 taxation year) would be (if this Act as it so read were applicable to the period consisting of that part of the corporation's 1972 taxation year that is before 1972) as of the end of 1971, and

(B) the amount that the corporation's 1971 undistributed income on hand would be on January 1, 1972 if subsection 196(4) were read without reference to paragraph (*d*) thereof,'

(*i*) by striking out line 7 on page 232 and substituting the following:

'taxation year or acquired by it thereafter and disposed of by the'

(*j*) by striking out the word "and" at the end of line 13 on page 232, and by striking out line 25 on page 232 and substituting the following:

'distributed surplus on hand, and

(iv.1) all amounts each of which is an amount in respect of an eligible capital amount (within the meaning assigned by subsection 14(1)) in respect of a business carried on by the corporation that became payable to the corporation in a taxation year commencing after the time the corporation last became a private corporation and ending before the particular time, equal to the amount, if any, by which

(A) the amount that the eligible capital amount would be but for the provisions of the *Income Tax Application Rules* relating to section 14

exceeds

(B) the eligible capital amount.'

Income Tax Act

(*k*) by striking out line 26 on page 233 and substituting the following:

'year or acquired by it thereafter and disposed of by it before 1972,'

Page 238

That section 92 as set forth in clause 1 of the said Bill be amended by striking out line 21 on page 238 and substituting the following:

'amount deducted under subsection 113(2)'

Pages 250, 251, 253, 255 and 256

That section 98 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 36 on page 250 and substituting the following:

'Deemed proceeds

(2) Subject to subsection 85(3) and subsections (3) and (5) of this section, where at any time after 1971 a partner-'

(*b*) by striking out lines 1 and 2 on page 251 and substituting the following:

'Rules applicable where partnership ceases to exist

(3) Where at any particular time after'

(*c*) by striking out line 10 on page 253 and by striking out line 32 on page 253 and substituting the following:

'by him of the undivided interest; and

(*f*) the partnership shall be deemed to have disposed of each such property for proceeds equal to the cost amount to the partnership of the property immediately before its distribution.'

(*d*) by striking out the word "and" at the end of line 39 on page 255 and by striking out line 10 on page 256 and substituting the following:

'acquisition by him of the property; and

(*f*) the partnership shall be deemed to have disposed of each such property for proceeds equal to the cost amount to the partnership of the property immediately before the particular time.'

(*e*) by striking out lines 13 and 14 on page 256 and substituting the following:

'partnership") has ceased to exist at any particular time after 1971 and, at or before that time, all of'

Pages 261, 262, 263, 267, 268 and 270

That section 104 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 5 and 6 on page 261 and substituting the following:

'the income of the trust that arises before'

(*b*) by striking out line 38 on page 261 and substituting the following:

'exceeds that fair market value,

and to have reacquired each such depreciable property of that class immediately thereafter at a capital cost

(in this subsection referred to as the "deemed capital cost") equal to that proportion of the proceeds determined under paragraph (*a*) or (*b*), as the case may be, that the amount that was the fair market value of that property on that day is of the aggregate of the amounts that were the fair market values of all properties of that class on that day, except that

(*c*) where the amount that was the capital cost to the trust of any particular property of that class exceeds the deemed capital cost to the trust of the property, for the purposes of sections 13 and 20 and any regulations made under paragraph 20(1) (*a*) as they apply in respect of the property at any subsequent time,

(i) the capital cost to the trust of the property shall be deemed to be the amount that was the capital cost to the trust of the property, and

(ii) the excess shall be deemed to have been allowed to the trust in respect of the property under paragraph 20(1) (*a*) in computing income for taxation years before the reacquisition by the trust of the property, and any other amount allowed to the trust in respect of the property under that paragraph in computing income for those years shall be deemed to be nil, and

(*d*) subsection 13(2) is not applicable in respect of any such reacquisition.'

(*c*) by striking out lines 42 and 43 on page 261 and substituting the following:

'that would, but for this subsection, subsection (12) and subsection 105(2), be its income for the year as was'

(*d*) by striking out lines 28 to 32 on page 262 and substituting the following:

'taxation year of a trust other than a mutual fund trust, in respect of any amount that is deemed by subsection (21) to be a taxable capital gain for the year of a non-resident person or of a non-resident-owned investment corporation from the disposition of capital property.'

(*e*) by striking out line 43 on page 263 and substituting the following:

'paragraph (4)(*a*) and the taxpayer's spouse referred to therein is alive at the end of the year, an amount equal to,'

(*f*) by striking out lines 23 to 47 on page 267 and lines 1 to 47 on page 268 and substituting the following:

'Deduction for foreign taxes

(22) For the purpose of section 126, the following rules apply:

(*a*) such portion of the income of a trust for a taxation year (before making any deduction under subsection (6) or (12)) from sources in a foreign country as

(i) may reasonably be considered (having regard to all the circumstances including the terms and conditions of the trust arrangement) to be part of the income that, by virtue of subsection (13) or (14), as the case may be, was included in computing the income for a taxation year of a particular beneficiary under the trust, and

(ii) was not designated by the trust in respect of any other beneficiary thereunder,

shall, if so designated by the trust in respect of the particular beneficiary in its return of income for the year under this Part, be deemed to be income of the particular beneficiary for the taxation year from sources in that country;

(*b*) a beneficiary under a trust shall be deemed to have paid as income tax for a taxation year, on the income that he is deemed by paragraph (*a*) to have for the year from sources in a foreign country, to the government of that country an amount equal to that proportion of the income or profits tax paid by the trust for the year to the government of that country or to the government of a state, province or other political subdivision of that country (except such portion of that tax as was deductible under subsection 20(11) or (12) in computing its income for the year) that

(i) such portion of the amount included in computing his income for the year by virtue of subsection (13) or (14), as the case may be, as is deemed by paragraph (*a*) to be income for the year from sources in that country,

is of

(ii) the income of the trust for the year from sources in that country (before making any deduction under subsection (6) or (12));

(*c*) the income of a trust from sources in a foreign country for a taxation year shall be deemed to be its actual income therefrom for the year minus the aggregate of the amounts deemed by paragraph (*a*) to be the income therefrom for the year of all beneficiaries under the trust; and

(*d*) a trust shall be deemed to have paid as income tax to the government of a foreign country for a taxation year an amount equal to the income or profits tax actually paid by it for the year to the government of that country, or to the government of a state, province or other political subdivision of that country (except such portion of that tax as was deductible under subsection 20(11) or (12) in computing its income for the year), minus the aggregate of

the amounts deemed by paragraph (b) to have been paid to the government of that country for the year by all beneficiaries under the trust.'

(g) by striking out line 2 on page 270 of the French version and substituting the following:

'(13) et (20), une somme ne doit pas être considérée'

Page 270

That section 106 as set forth in clause 1 of the said Bill be amended by striking out lines 41 to 43 on page 270 and substituting the following:

'(a) except where subsection (3) is applicable, there shall be included in computing his income for the year the proceeds of the disposition;'

Page 273

That section 107 as set forth in clause 1 of the said Bill be amended by striking out lines 45 to 49 on page 273 and substituting the following:

'who was a beneficiary under the trust and the property was not taxable Canadian property or property that would be taxable Canadian property if at no time in the taxation year of the trust in which it was so distributed the trust had been resident in Canada, notwithstanding paragraphs (2)(a) to (c) the provisions of paragraphs (4)(d) to (f) are applicable in respect of the property as if the reference in paragraph (4)(f) to "that fair market value" were read as a reference to "the adjusted cost base to him of the interest or part thereof, as the case may be, immediately before the property was so distributed".'

Pages 275, 276 and 277

That section 108 as set forth in clause 1 of the said Bill be amended

(a) by striking out line 20 on page 275 and substituting the following:

'means the individual referred to in paragraph'

(b) by striking out lines 3 to 12 on page 276 and substituting the following:

"'Testamentary trust" (i) "testamentary trust" means a trust or estate that arose upon the death of an individual and in consequence of his death, but for greater certainty does not include any such trust that was created by any person other than that individual; and'

(c) by striking out line 15 on page 276 and substituting the following:

'104(4), (5), (12), (14) and (15) and sections'

(d) by striking out lines 24 to 47 on page 276 and lines 1 to 3 on page 277 and substituting the following:

Income Tax Act

'Meaning of expression "unit trust" (2) For the purposes of this Act, a trust is a unit trust at any particular time if, at that time, it was an *inter vivos* trust the interest of each beneficiary under which was described by reference to units of the trust, and

(a) the issued units of the trust included

(i) units having conditions attached thereto that included conditions requiring the trust to accept, at the demand of the holder thereof and at prices determined and payable in accordance with the conditions, the surrender of the units, or fractions or parts thereof, that are fully paid, or

(ii) units qualified in accordance with prescribed conditions relating to the redemption of the units by the trust,

and the fair market value of such of the units as had conditions attached thereto that included such conditions or as were so qualified, as the case may be, was not less than 95% of the fair market value of all the issued units of the trust (such fair market values being determined without regard to any voting rights attaching to units of the trust), or

(b) throughout the taxation year in which the particular time occurred it complied with the following conditions:

(i) it was resident in Canada,

(ii) its only undertaking was the investing of funds of the trust,

(iii) at least 80% of its property throughout the year consisted of shares, bonds, mortgages, marketable securities, or cash, or of rights to or interests in any rental or royalty computed by reference to the amount or value of production from an oil or gas well, or from a mineral resource, situated in Canada,

(iv) not less than 95% of its income for the year was derived from, or from dispositions of, investments described in subparagraph (iii),

(v) at no time in the year did more than 10% of its property consist of shares, bonds or securities of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality, and

(vi) all holdings of and transactions, if any, in its units accorded with prescribed conditions relating to the number of its

Income Tax Act

unit holders, dispersal of ownership of its units and public trading of its units.

Meaning of "income" of trust

(3) For the purposes of subparagraph 70(6)(b)(i), paragraph 73(1)(a), subparagraph 104(4)(a)(i) and paragraph 108(1)(e), the income of a trust is its income computed without reference to the provisions of this Act.'

Page 279

That section 109 as set forth in clause 1 of the said Bill be amended by striking out line 37 on page 279 and substituting the following:

'(ii) dependent upon the individual for'

Pages 283, 286 and 287

That section 110 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 3 to 9 on page 283 and substituting the following:

'(vi) for the care, or the care and training of the taxpayer, his spouse or any such dependant in a school, institution or other place that is specially equipped to provide care and training to persons who are physically or mentally handicapped and that admits for care, or for care and training, only persons who are so handicapped,

(b) by striking out lines 43 to 47 on page 286 and lines 1 to 17 on page 287 and substituting the following:

'Gifts made by partnership

(5) Where a taxpayer was, at the end of a taxation year of a partnership, a member of the partnership, his share of any amount that would, if the partnership were a person, be a gift made by the partnership to any donee, shall, for the purposes of this section, be deemed to be a gift made by the taxpayer, in his taxation year in which the taxation year of the partnership ended, to that donee.'

Page 292

That section 111 as set forth in clause 1 of the said Bill be amended by striking out lines 31 to 38 on page 292 and substituting the following:

'from an office, employment, business or property and all amounts deductible under section 112 or subsection 113(1) from the taxpayer's income for the year

exceeds

(ii) the amount determined under paragraph 3(c); and'

Pages 293 and 295

That section 112 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 14 and 15 on page 293 and substituting the following:

'(b) a corporation resident in Canada (other than a non-resident-owned investment corporation) and controlled by it,'

(b) by striking out lines 1 to 9 on page 295 and substituting the following:

'Meaning of certain expressions

(6) For the purposes of this section,

(a) "taxable dividend" does not include a capital gains dividend within the meaning assigned by subsection 131(1); and

(b) one corporation is controlled by another corporation if more than 50% of its issued share capital (having full voting rights under all circumstances) belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length.'

Page 296

That section 113 as set forth in clause 1 of the said Bill be amended

(a) by striking out line 24 on page 296 and substituting the following:

'to in clause (A) exceeds the'

(b) by striking out lines 37 and 38 on page 296 and substituting the following:

'(ii) the aggregate of amounts deducted under this subsection in respect of'

Pages 299, 300, 301 and 302

That section 115 as set forth in clause 1 of the said Bill be amended

(a) by adding, immediately after subparagraph 115(1)(a)(iii) on page 299, the following subparagraph:

'(iii.1) proceeds of the disposition by him in the year of a property that is a Canadian resource property (within the meaning assigned by subsection 66(15)) or that would have been such a property if it had been acquired by him after 1971, to the extent not included in computing his income from a business carried on by him in Canada,'

(b) by striking out lines 36 to 42 on page 299 and lines 1 to 6 on page 300 and substituting the following:

'(i) real property situated in Canada, or an interest therein,

(ii) any other capital property used by him in carrying on a business in Canada,

(iii) a share of the capital stock of a corporation resident in Canada (other than a public corporation), or an interest therein,

(iv) a share of the capital stock of a public corporation, or an interest therein, if at any time during such of the period of 5 years immediately preceding

the disposition thereof as is after 1971, not less than 25% of the issued'

(c) by striking out lines 15 and 16 on page 300 and substituting the following:

'time during such of the period of 12 months immediately preceding the disposition thereof as is after 1971, the fair'

(d) by striking out line 19 on page 300 of the French version and substituting the following:

'société qui étaient des biens visés dans le'

(e) by striking out lines 30 and 31 on page 300 and substituting the following:

'any time during such of the period of 5 years immediately preceding the disposition thereof as is after 1971, not less'

(f) by striking out the word "or" at the end of line 25 on page 301

(g) by adding, immediately after paragraph 115(2)(b) on page 301, the following paragraph:

'(b.1) an individual who had, in any previous year, ceased to be resident in Canada in the course of or subsequent to moving to carry on research or any similar work under a grant received by him to enable him to carry on that research or work, or'

(h) by striking out line 2 on page 302 of the French version and substituting the following:

'déterminé en vertu du présent alinéa, au sujet de la personne non résidante, est'

Page 305

That section 116 as set forth in clause 1 of the said Bill be amended by striking out line 1 on page 305 and substituting the following:

'(a) the purchaser, unless after reasonable inquiry he had no reason to believe that the non-resident person was not resident in Canada, is liable to pay, as tax'

Page 312

That section 117 as set forth in clause 1 of the said Bill be amended by striking out subsection (8) thereof on page 312.

Pages 325, 326 and 327

That section 125 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 17 to 21 on page 325 and substituting the following:

'the business limit for the year of each of the corporations is the amount so allocated to it under subparagraph (a)(i) and the total business limit for the year of each of the corporations is the amount so allocated to it under subparagraph (a)(ii).'

(b) by striking out lines 26 to 42 on page 326 and lines 1 to 7 on page 327, and substituting the following:

'(i) the corporation's taxable incomes for taxation years commencing after 1971 and ending not later than the end of the particular year, and

(ii) 4/3 of the amounts deductible under section 112 or subsection 113(1) from the corporation's incomes for those years

exceeds the aggregate of

(iii) 4/3 of the taxable dividends paid by the corporation in those years, and

(iv) 4 times the amount, if any, by which the corporation's refundable dividend tax on hand (within the meaning assigned by subsection 129(3)) at the end of the particular year exceeds its dividend refund (within the meaning assigned by subsection 129(1)) for the particular year.'

Page 332

That section 127 as set forth in clause 1 of the said Bill be amended by striking out lines 19 to 27 on page 332 and substituting the following:

'except that in no case shall the aggregate of amounts in respect of all provinces that would otherwise be deductible under this section from the tax otherwise payable by the taxpayer under this Part for the year exceed 6⅔% of the amount, if any, by which the taxpayer's taxable income for the year or taxable income earned in Canada for the year, as the case may be, exceeds, where the taxation year ends after 1976, the lesser of'

Pages 337 and 338

That section 129 as set forth in clause 1 of the said Bill be amended

(a) by striking out lines 1 and 2 on page 337 and substituting the following:

'Dividend refund to private corporation

129. (1) Where a corporation was, at the end of any taxation year, a private corporation,'

(b) by striking out lines 28 to 35 on page 337 and substituting the following:

'"Refundable dividend tax on hand"

(3) In this section, "refundable dividend tax on hand" of a private corporation at the end of any particular taxation year means the aggregate of amounts each of which is an amount in respect of any taxation year commencing after it last became a private corporation and ending not later than the end of the particular taxation year, equal to the least of'

(c) by striking out lines 40 and 41 on page 338 and substituting the following:

'plus the aggregate of the taxes under Part IV payable by the corporation for the particular taxation year and any previous taxation years during or after which it last became a

private corporation, and minus the aggregate of the corporation's dividend refunds for taxation years ending after it last became a private corporation and before the particular taxation year.'

Page 340

That the French version of section 130 as set forth in clause 1 of the said Bill be amended by striking out line 29 on page 340 and substituting the following:

'cette année d'imposition et pendant toutes les années se terminant après'

Pages 343 and 345

That section 131 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 9 on page 343 of the French version and substituting the following:

'(appelée dans le présent article son "remboursement" '

(*b*) by striking out lines 1 to 8 on page 345 and substituting the following:

'(B) the amount, if any, by which the aggregate of the fair market value at the end of the year of all of the issued shares of its capital stock and all amounts each of which is the amount of any debt owing by the corporation, or of any other obligation of the corporation to pay an amount, that was outstanding at that time exceeds the aggregate of the cost amounts to it at that time of all of its properties and the amount of any money of the corporation on hand at that time, '

(*c*) by striking out lines 22 to 28 on page 345 and substituting the following:

'(i) its capital gains from dispositions of property after 1971 and before that time while it was a mutual fund corporation,

exceeds

(ii) the aggregate of

(A) its capital losses from dispositions of property after 1971 and before that time while it'

Page 348

That section 132 as set forth in clause 1 of the said Bill be amended by striking out lines 17 to 24 on page 348 and substituting the following:

'(B) the amount, if any, by which the aggregate of the fair market value at the end of the year of all of the issued units of the trust and all amounts each of which is the amount of any debt owing by the trust, or of any other obligation of the trust to pay an amount, that was outstanding at that time exceeds the aggregate of the cost amounts to it at that time of all of its properties and the amount of any money of the trust on hand at that time, '

Pages 349, 350, 351, 352, 353 and 354

That section 133 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 19 to 32 on page 349 and lines 1 to 15 on page 350 and substituting the following:

'Computation of income

133. (1) In computing the income of a non-resident-owned investment corporation for a taxation year,

(*a*) no deduction may be made in respect of interest on its bonds, debentures, securities or other indebtedness, and

(*b*) no deduction may be made under subsection 65(1),

and its income and taxable income shall be computed as if

(*c*) the only taxable capital gains and allowable capital losses referred to in paragraph 3(*b*) were taxable capital gains and allowable capital losses from dispositions of taxable Canadian property or property that would be taxable Canadian property if at no time in the year the corporation had been resident in Canada,

(*d*) any taxable capital gain or allowable capital loss of the corporation were an amount equal to 2 times the amount thereof otherwise determined, and

(*e*) subsection 83(2) were read without reference to paragraph (*b*) thereof.

Non-resident-owned investment corporations

(2) In computing the taxable income of a non-resident-owned investment corporation for a taxation year, no deduction may be made from its income for the year, except

(*a*) interest received in the year from other non-resident-owned investment corporations,

(*b*) taxes paid to the government of a country other than Canada in respect of any part of the income of the corporation for the year derived from sources therein, and

(*c*) net capital losses for taxation years preceding and the taxation year immediately following the taxation year, as provided for by section 111.

(*b*) by striking out lines 23 to 44 on page 351, lines 1 to 38 on page 352, lines 1 to 46 on page 353 and lines 1 to 37 on page 354 and substituting the following:

'Election re capital gains dividend

(7.1) Where at any particular time after 1971 a dividend has become payable by a non-resident-owned investment corporation to shareholders of any class of shares of its capital stock, if the corporation so elects in respect of the full amount of the dividend, in prescribed manner and prescribed form and at or

before the particular time or the first day on which any part of the dividend was paid if that day is earlier than the particular time, the following rules apply:

(a) the dividend shall be deemed to be a capital gains dividend to the extent that the portion thereof in excess of the corporation's 1971 undistributed income on hand immediately before the particular time does not exceed the corporation's capital gains dividend account immediately before the particular time; and

(b) any amount received by another non-resident-owned investment corporation in a taxation year as, on account or in lieu of payment of, or in satisfaction of the capital gains dividend shall not be included in computing its income for the year.

Definitions

(8) In this section

"Allowable refund"

(a) "allowable refund" of a non-resident-owned investment corporation for a taxation year means the aggregate of amounts each of which is an amount in respect of a taxable dividend paid by the corporation in the year on a share of its capital stock, equal to that proportion of the dividend that

(i) the corporation's allowable refundable tax on hand immediately before the dividend was paid

is of

(ii) the greater of the amount of the dividend so paid and the corporation's cumulative taxable income immediately before the dividend was paid;

"Canadian property"

(b) "Canadian property" means property other than foreign property within the meaning assigned by section 206;

"Capital gains dividend account"

(c) "capital gains dividend account" of a non-resident-owned investment corporation at any particular time means the amount, if any, by which the aggregate of the following amounts in respect of the period commencing January 1, 1972 and ending immediately after its last taxation year ending before the particular time, namely:

(i) the corporation's capital gains for taxation years ending in the period from dispositions in the period of Canadian property or shares of another non-resident-owned investment corporation, and

(ii) amounts received by the corporation in the period as, on account or in lieu of payment of, or in satisfaction of capital gains dividends from other non-resident-owned investment corporations,

exceeds the aggregate of

(iii) the corporation's capital losses for taxation years ending in the period from dispositions in the period of Canadian property or shares of another non-resident-owned investment corporation,

(iv) 25% of the amount, if any, by which the aggregate of the corporation's capital gains for taxation years ending in the period from dispositions in the period of taxable Canadian property or property that would be taxable Canadian property if at no time in the period the corporation had been resident in Canada, exceeds the aggregate of its capital losses for those years from dispositions in the period of such property, and

(v) all capital gains dividends that became payable by the corporation before the particular time;

"Non-resident-owned investment corporation"

(d) "non-resident-owned investment corporation" means a corporation incorporated in Canada that, throughout the whole of the period commencing on the later of June 18, 1971 and the day on which it was incorporated and ending on the last day of the taxation year in respect of which the expression is being applied, complied with the following conditions:

(i) all of its issued shares and all of its bonds, debentures and other funded indebtedness were

(A) beneficially owned by non-resident persons (other than any foreign affiliate of a taxpayer resident in Canada),

(B) owned by trustees for the benefit of non-resident persons or their unborn issue, or

(C) owned by a non-resident-owned investment corporation, all of the issued shares of which and all of the bonds, debentures and other funded indebtedness of which were beneficially owned by non-resident persons or owned by trustees for the benefit of non-resident persons or their unborn issue, or by two or more such corporations;

Income Tax Act

(ii) its income for each taxation year ending in the period was derived from

(A) ownership of or trading or dealing in bonds, shares, debentures, mortgages, hypothecs, bills, notes, or other similar property or any interest therein,

(B) lending money with or without security,

(C) rents, hire of chattels, charterparty fees or remunerations, annuities, royalties, interest or dividends,

(D) estates or trusts, or

(E) disposition of capital property;

(iii) not more than 10% of its gross revenue for each taxation year ending in the period was derived from rents, hire of chattels, charterparty fees or charterparty remunerations;

(iv) its principal business in each taxation year ending in the period was not

(A) the making of loans, or

(B) trading or dealing in bonds, shares, debentures, mortgages, hypothecs, bills, notes or other similar property or any interest therein;

(v) it has, not later than 90 days after the commencement of its first taxation year commencing after 1971 elected in prescribed manner to be taxed under this section; and

(vi) it has not, before the end of the last taxation year in the period, revoked in prescribed manner the election so made by it;

except that in no case shall a new corporation (within the meaning assigned by section 87) formed as a result of an amalgamation after June 18, 1971 of two or more predecessor corporations be regarded as a non-resident-owned investment corporation unless each of the predecessor corporations was, immediately before the amalgamation, a non-resident-owned investment corporation; and

"Taxable dividend"

(e) "taxable dividend" does not include a capital gains dividend.

Definitions

(9) In paragraph (8)(a),

"Allowable refundable tax on hand"

(a) "allowable refundable tax on hand" of a corporation at any particular time means the amount, if any, by which the aggregate of

(i) all amounts each of which is an amount in respect of any taxation year commencing after 1971 and ending before the particular time, equal to the tax under this Part payable by the corporation for the year, and

(ii) 15% of the amount determined under subparagraph (b)(ii) in respect of the corporation

exceeds the aggregate of amounts each of which is

(iii) an amount in respect of the 1972 taxation year or any taxation year referred to in subparagraph (i), equal to 25% of the amount, if any, by which the aggregate of the corporation's taxable capital gains for the year from dispositions after 1971 of property described in paragraph (1)(c) exceeds the aggregate of

(A) its allowable capital losses for the year from dispositions after 1971 of property described in that paragraph, and

(B) the amount deductible from its income for the year by virtue of paragraph (2)(c)

(such gains and losses being computed in accordance with the assumption set forth in paragraph (1)(d)),

(iv) 1/3 of any amount paid or credited by the corporation after the commencement of its 1972 taxation year and before the particular time, as, on account or in lieu of payment of, or in satisfaction of interest, or

(v) an amount in respect of any taxable dividend paid by the corporation on a share of its capital stock before the particular time and after the commencement of its first taxation year commencing after 1971, equal to the amount in respect of the dividend determined under paragraph (8)(a); and

"Cumulative taxable income"

(b) "cumulative taxable income" of a corporation at any particular time means the amount, if any, by which the aggregate of

(i) its taxable incomes for taxation years commencing after 1971 and ending before the particular time, and

(ii) where the corporation's 1972 taxation year commenced before 1972, the amount, if any, by which its taxable income for that year exceeds the aggregate of

(A) all amounts received by the corporation as described in paragraph 196(4)(b), and

(B) the lesser of the amount determined under paragraph 196(4)(*e*) in respect of the corporation and the amount, if any, by which the aggregate of amounts determined under paragraphs 196(4)(*d*) to (*f*) in respect of the corporation exceeds the aggregate of amounts determined under paragraphs 196(4)(*a*) to (*c*) in respect of the corporation,

exceeds the aggregate of amounts each of which is

(iii) an amount in respect of the 1972 taxation year or any taxation year referred to in subparagraph (i), equal to the amount, if any, by which the aggregate of the corporation's taxable capital gains for the year from dispositions after 1971 of property described in paragraph (1)(*c*) exceeds the aggregate of

(A) its allowable capital losses for the year from dispositions after 1971 of property described in that paragraph, and

(B) the amount deductible from its income for the year by virtue of paragraph (2)(*c*)

(such gains and losses being computed in accordance with the assumption set forth in paragraph (1)(*d*)),

(iv) 4/3 of any amount paid or credited by the corporation, after the commencement of its 1972 taxation year and before the particular time, as, on account or in lieu of payment of, or in satisfaction of interest, or

(v) the amount of any taxable dividend paid by the corporation on a share of its capital stock before the particular time and after the commencement of its first taxation year commencing after 1971.'

Page 354

That section 134 as set forth in clause 1 of the said Bill be amended by striking out lines 44 and 45 on page 354 and substituting the following:

'be, except for the purposes of subsection 83(1) and sections 87 and 219.'

Pages 355 and 356

That section 135 as set forth in clause 1 of the said Bill be amended by striking out lines 32 to 44 on page 355 and lines 1 to 4 on page 356 and substituting the following:

'Limitation by reference to capital employed

(3) Where the deduction of an amount under subsection (1) or (2) would result in the taxpayer's taxable income for the taxation year (before making any deduction under section 111) being less than the lesser of

(*a*) the amount, if any, by which

(i) 5% of the members' capital employed by the taxpayer at the commencement of the year,

exceeds

(ii) the interest, if any, paid on money borrowed from members and deductible in computing the taxpayer's income for the year, and

(*b*) ⅓ of the amount that would be the taxpayer's taxable income (before making any deduction under section 111) for the year if the taxpayer were not entitled to any deduction under this section in computing his income for the year,

the amount that may be deducted under this section is such as will leave the taxpayer with a taxable income (before making any deduction under section 111) equal to the lesser of the amount determined under paragraph (*a*) and the amount determined under paragraph (*b*).'

Page 360

That section 136 as set forth in clause 1 of the said Bill be amended by striking out lines 16 to 27 on page 360 and substituting the following:

'Meaning of expression "cooperative corporation"

(2) In this section, "cooperative corporation" means a corporation that was incorporated by or under a law of Canada or a province providing for the establishment of the corporation or respecting the establishment of cooperative corporations for the purpose of marketing (including processing incident to or connected therewith) natural products belonging to or acquired from its members or customers, of purchasing supplies, equipment or household necessaries for or to be sold to its members or customers or of performing services for its members or customers, if

(*a*) the statute by or under which it was incorpo-'

Pages 361, 362 and 363

That section 137 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 35 to 42 on page 361 and lines 1 to 10 on page 362 and substituting the following:

'Limitation by reference to capital employed

(3) Where the deduction of an amount under subsection (2) would result in a credit union's taxable income for the year (before making any deduction under section 111) being less than the lesser of

Income Tax Act

(*a*) the amount, if any, by which

(i) 5% of the members' capital employed by the credit union at the commencement of the year,

exceeds

(ii) the aggregate of annual or other periodic amounts paid by the credit union in the year to its members in respect of the members' shares in the credit union, and

(*b*) ⅓ of the amount that would be the credit union's taxable income (before making any deduction under section 111) for the year if the credit union were not entitled to any deduction under this section in computing its income for the year,

the amount that may be deducted under subsection (2) is such as will leave the credit union with a taxable income (before making any deduction under section 111) equal to the lesser of the amount determined under paragraph (*a*) and the amount determined under paragraph (*b*).'

(*b*) by adding, immediately after subsection (4) on page 362, the following subsection:

'Amount paid in respect of members' share deemed paid as interest

(4.1) For the purposes of this Act, any annual or other periodic amount paid or payable by a credit union to a member thereof in respect of his share in the credit union, other than any such amount paid or payable as or on account of capital, shall be deemed to have been paid or payable, as the case may be, by the credit union as interest and, when received by the member, to have been received by him as interest.'

(*c*) by striking out lines 19 to 29 on page 362 and substituting the following:

'Member's income

(5) Where a payment has been received by a taxpayer from a credit union in a taxation year in respect of an allocation in proportion to borrowing, the amount thereof shall, if the money so borrowed was used by the taxpayer for the purpose of earning income from a business or property (otherwise than to acquire property the income from which would be exempt or to acquire a life insurance policy), be included in computing the taxpayer's income for the year.'

(*d*) by striking out lines 32 to 34 on page 362 and substituting the following:

'for a taxation year means an amount credited by a credit union to a person who was a member of the credit union in the year on terms that the'

(*e*) by striking out lines 11 to 21 on page 363 and substituting the following:

(i) it derived its revenues primarily from

(A) loans made to, or cashing cheques for, members,

(B) bonds of, or guaranteed by, the Government of Canada or a province, or a Canadian municipality, or bonds of a municipal or public body performing a function of government in Canada, (C) bonds of a corporation, commission or association not less than 90% of the shares or capital of which was owned by the Government of Canada or a province or by a municipality in Canada, or (D) loans made to a cooperative credit society of which it is member, or'

(*f*) by striking out lines 30 to 33 on page 363 and substituting the following:

(B) incorporated, organized or registered under, or governed by a law of Canada or a province with respect to cooperatives, or'

Page 369

That section 138 as set forth in clause 1 of the said Bill be amended by striking out line 44 on page 369 and substituting the following:

'of the aggregate of taxable dividends received by'

Page 379

That section 142 as set forth in clause 1 of the said Bill be amended by striking out lines 33 and 34 on page 379 and substituting the following:

'under a policy described in paragraph 148(1)(*b*) or under a policy that is a registered retirement savings plan or that is or is issued pursuant to a registered pension fund or plan,'

Page 384

That section 144 as set forth in clause 1 of the said Bill be amended by adding, immediately after subsection (8), the following subsection:

'Foreign tax deduction

(8.1) For the purpose of subsection 126(1), the following rules apply:

(*a*) that proportion of the income for a taxation year of a trust governed by an employees profit sharing plan from sources (other than businesses, carried on by it) in a foreign country that

(i) the aggregate of amounts allocated in the year by the trustee under the plan to a particular beneficiary under the plan

is of

(ii) the aggregate of amounts allocated in the year by the trustee under the plan to all beneficiaries under the plan

shall be deemed to be income of the particular beneficiary for the year from sources in that foreign country; and

(*b*) a particular beneficiary under the plan shall be deemed to have paid as non-business-income tax for a taxation year, on the income that he is deemed by paragraph (*a*) to have for the year from sources in

a foreign country, to the government of that country an amount equal to that proportion of the non-business-income tax paid by the trust for the year to the government of that country, or to the government of a state, province or other political subdivision of that country (except such portion of that tax as was deductible under subsection 20(11) in computing its income for the year) that

(i) the amount determined under subparagraph (*a*)(i) in respect of the particular beneficiary for the year

is of

(ii) the amount determined under subparagraph (*a*)(ii) for the year.'

Page 397

That the French version of section 146 as set forth in clause 1 of the said Bill be amended by striking out lines 31 to 33, on page 397 and substituting the following:

'b) à titre de cotisation à une caisse ou à un régime enregistré de pensions ou en vertu d'une telle caisse ou régime enregistré,'

Page 408

That the French version of section 147 as set forth in clause 1 of the said Bill be amended by striking out line 14 on page 408 and substituting the following:

'contribuable était un employé qui était un bénéficiaire en vertu'

Page 408

That section 148 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 27 on page 408, in the French version, and substituting the following:

'prix de base rajusté de cette police, pour le détenteur de police, à la date'

(*b*) by striking out lines 31 to 33 on page 408, in the French version, and substituting the following:

'enregistré d'épargne-retraite ni d'une caisse ou régime enregistré de pensions ou qui n'est pas établie en vertu d'une telle caisse ou'

Page 417

That section 149 as set forth in clause 1 of the said Bill be amended by adding, immediately after paragraph 149(1)(*h*) on page 417, the following paragraph:

'(*h*.1) the Association of Universities and Colleges of Canada, incorporated by chapter 75 of the Statutes of Canada, 1964-65;'

Income Tax Act

Page 425

That section 152 as set forth in clause 1 of the said Bill be amended by striking out lines 11 to 29 on page 425 and substituting the following:

'Idem (5) Notwithstanding subsection (4), there shall not be included in computing the income of a taxpayer, for the purpose of any reassessment, additional assessment or assessment of tax, interest or penalties under this Part that is made after the expiration of 4 years from the day referred to in subparagraph (4)(*a*)(ii), any amount that was not included in computing his income for the purposes of an assessment of tax under this Part made before the expiration of 4 years from that day and

(*a*) in respect of which the taxpayer establishes that the failure so to include it did not result from any misrepresentation that is attributable to neglect, carelessness or wilful default or from any fraud in filing a return of his income or in supplying any information under this Act, or

(*b*) that the taxpayer establishes cannot reasonably be regarded as relating to a matter specified in a waiver filed by the taxpayer with the Minister, in the form and within the time referred to in subsection (4), with respect to a taxation year to which the reassessment, additional assessment or assessment of tax, interest or penalties, as the case may be, relates.'

Page 426

That section 153 as set forth in clause 1 of the said Bill be amended by adding, immediately after paragraph 153(1)(*d*) on page 426, the following paragraph:

'(*d*.1) an amount as a benefit under the *Unemployment Insurance Act, 1971*,'

Page 429

That section 156 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out line 13 on page 429 and substituting the following:

'Other individuals **156.** (1) Every individual other than one to'

(*b*) by adding, immediately after line 25 on page 429, the following subsection:

'Mutual fund trusts (2) Notwithstanding subsection (1), the amount payable by a mutual fund trust to the Receiver General of Canada on or before any day referred to in paragraph (1)(*a*) in a taxation year shall be deemed to be the amount, if any, by which

Income Tax Act

(*a*) the amount so payable otherwise determined under that subsection,

exceeds

(*b*) 1/4 of the trust's capital gains refund (within the meaning assigned by section 132) for the year.'

Page 430

That section 157 as set forth in clause 1 of the said Bill be amended by adding thereto, immediately after subsection (2) on page 430, the following subsection:

'Private corporation, mutual fund corporations and non-resident-owned investment corporations

(3) Notwithstanding subsection (1), the amount payable by a corporation to the Receiver General of Canada on or before the last day of any of the first 12 months in the 15 months period referred to therein ending 3 months after the close of a taxation year shall be deemed to be the amount, if any, by which

(*a*) the amount so payable otherwise determined under that subsection,

exceeds

(*b*) where the corporation is a private corporation, 1/12 of the corporation's dividend refund (within the meaning assigned by section 129) for the year,

(*c*) where the corporation is a mutual fund corporation, 1/12 of the aggregate of

(i) the corporation's capital gains refund (within the meaning assigned by section 131) for the year, and

(ii) the amount that, by virtue of subsection 131(5), is the corporation's dividend refund (within the meaning assigned by section 129) for the year, and

(*d*) where the corporation is a non-resident-owned investment corporation, 1/12 of the corporation's allowable refund (within the meaning assigned by section 133) for the year.'

Page 431

That section 160 as set forth in clause 1 of the said Bill be amended by striking out lines 26 and 27 on page 431 and substituting the following:

'(*b*) to a person who was under 18 years of age,'

Page 433

That section 161 as set forth in clause 1 of the said Bill be amended by striking out lines 17 to 21 on page 433 and substituting the following:

'Limitation

(4) For the purposes of subsection (2), where a taxpayer is required to pay a part or instalment of tax for a taxation year as estimated by him on or by reference to his taxable income for a preceding year or his estimated taxable'

Page 441

That the French version of section 167 as set forth in clause 1 of the said Bill be amended by striking out line 42 on page 441 and substituting the following:

'cas, d'un avis d'opposition ou d'appel, en 3 exemplaires.'

Page 446

That section 172 as set forth in clause 1 of the said Bill be amended by striking out line 2 on page 446 and substituting the following:

'tion under subsection 212(14),'

Page 454

That section 184 as set forth in clause 1 of the said Bill be amended by striking out lines 36 to 38 on page 454 and substituting the following:

'corporation shall, at the time of the election, pay a tax under this Part equal to,

(*a*) where the corporation has elected in accordance with subsection 83(2), the amount of the excess, and

(*b*) where the corporation has elected in accordance with subsection 131(1), ⅓ of the excess.'

Page 456

That section 186 as set forth in clause 1 of the said Bill be amended by striking out lines 1 to 8 on page 456 and substituting the following:

'(ii) to the extent of the amounts in respect of those dividends that are deductible under subsection 113(1) from its income for the year, and'

Pages 459 and 460

That section 189 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out the word "or" in line 22 on page 459 and by striking out line 27 on page 459 and substituting the following:

'public its services as trustee, or

(C) a credit union, within the meaning assigned by subsection 137(6),'

(*b*) by striking out lines 18 to 23 on page 460 of the French version and substituting the following:

'fut, par la corporation donnée,'

Page 463

That the French version of section 190 as set forth in clause 1 of the said Bill be amended by striking out line 36 on page 463 and substituting the following:

'une année d'imposition et après 1971, une corporation qui'

Pages 468, 470, 471 and 472

That section 192 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 6 to 11 on page 468 and substituting the following:

'(*a*) the amount, if any, by which

(i) the amount of its earnings for the control period that was available for payment of dividends at the end of its 1971 taxation year (within the meaning assigned by subsection 28(5) of this Act as it read in its application to the 1971 taxation year),

exceeds

(ii) all amounts on which the corporation has, before the particular time, elected to pay tax under Part IX,'

(*b*) by striking out line 15 on page 468 and substituting the following:

'corporation's refundable dividend tax on hand (with-'

(*c*) by adding, immediately after subsection (10) on page 470, the following subsection:

'Life insurance corporation's control period earnings

(10.1) Notwithstanding anything contained in subsection (9), the amount of a life insurance corporation's earnings for a control period that was available for payment of dividends at a particular time is the aggregate of the amount thereof determined under subsection (9) and 2 times the aggregate of all income or profits taxes paid or payable by the corporation, for taxation years ending after 1971 that are in the control period, to a government of a country other than Canada or to a state, province or other political subdivision of a country other than Canada.'

(*d*) by striking out lines 24 to 44 on page 471 and lines 1 to 25 on page 472 and substituting the following:

' "Designated surplus" defined

(13) In this section, "designated surplus" at any particular time after 1971 of a corporation resident in Canada means,

(*a*) where control of the corporation was acquired before the end of the corporation's 1972 taxation year, the amount, if any, by which the aggregate of

(i) the amount determined under paragraph 196(4)(*a*) in respect of the corporation, and

(ii) where control of the corporation was acquired after 1971, all taxable dividends received by the corporation in the control period after 1971 and before the particular time from corporations resident in Canada and controlled by it, to the extent that the dividends

Income Tax Act

(A) were not paid out of designated surplus, and

(B) would have been paid out of designated surplus on the assumption made by subsection (10) with respect to the corporation,

exceeds the aggregate of

(iii) the amount of the corporation's earnings for the control period that was available for the payment of dividends (within the meaning assigned by subsection 28(5) of this Act as it read in its application to the 1971 taxation year) at the end of the corporation's 1971 taxation year,

(iv) the corporation's tax-paid undistributed income as of the end of its 1971 taxation year, computed in accordance with the provisions of this Act as it read in its application to the 1971 taxation year,

(v) any amount on which tax has been paid by the corporation, after the end of its 1971 taxation year and before 1972, under Part II of this Act as it read in its application to the 1971 taxation year,

(vi) the amount, if any, by which

(A) the aggregate of all amounts on which the corporation has, before the particular time, elected to pay tax under Part IX

exceeds

(B) the amount determined under subparagraph (iii) in respect of the corporation,

(vii) all dividends paid by the corporation after the end of its 1971 taxation year and before 1972, to the extent that they were, under the provisions of this Act as it read in its application to the 1971 taxation year, paid out of designated surplus, and

(viii) all taxable dividends paid by the corporation after 1971 to the extent that they were paid out of designated surplus; and'

Page 476

That section 194 as set forth in clause 1 of the said Bill be amended by striking out line 28 on page 476 and substituting the following:

'(*a*) a non-resident corporation or a non-resident-owned investment corporation, or'

Pages 479 and 480

That section 196 as set forth in clause 1 of the said Bill be amended by striking out lines 9 to 43 on page

479 and lines 1 to 11 on page 480 and substituting the following:

'Payment to controlling corporation of portion of dividend payable out of controlled corporation's tax-paid undistributed surplus

(2) Where, at any particular time after 1971, a corporation controlled (within the meaning assigned by section 28 of this Act as it read in its application to the 1971 taxation year) by a Canadian corporation throughout the period commencing at the end of 1971 and ending immediately after the particular time, has paid a dividend on shares of its capital stock all or any part of which was payable out of the controlled corporation's tax-paid undistributed surplus on hand, and, at the particular time, the amount of the controlling corporation's 1971 capital surplus on hand (computed as though paragraph 89(1)(*l*) were read without reference to subparagraph (iv) thereof) was greater than nil, the Minister shall, upon application in writing made within 2 years from the end of the calendar year in which the dividend was paid, pay to the controlling corporation an amount in respect of the dividend equal to 15/85 of that proportion of the lesser of

(*a*) such part of the dividend so paid as was paid out of the controlled corporation's tax-paid undistributed surplus on hand, and

(*b*) the amount, if any, by which 85/100 of the aggregate of

(i) the amount of the controlled corporation's earnings for a control period that was available for the payment of dividends at the end of its 1971 taxation year (within the meaning assigned by subsection 28(5) of this Act as it read in its application to the 1971 taxation year), and

(ii) all amounts each of which is an amount required by paragraph (4)(*c*) to be included in computing the controlled corporation's 1971 undistributed income on hand at the particular time

exceeds the aggregate of

(iii) the aggregate of dividends paid or credited by the controlled corporation after 1971 and before the particular time, to the extent that they were payable out of the controlled corporation's tax-paid undistributed surplus on hand, and

(iv) the amount, if any, by which

(A) the aggregate of amounts determined under paragraphs 192(9)(*e*) to (*i*) for the purposes of computing the amount of the controlled corporation's earnings for a control period that was available for payment of dividends at the particular time,

exceeds

(B) the aggregate of amounts determined under paragraphs 192(9)(*b*) to (*d*) for the purpose of computing the amount of the earnings described in clause (A),

that the part of the dividend received by the controlling corporation is of the whole dividend paid at the particular time by the controlled corporation.'

Page 494

That section 206 as set forth in clause 1 of the said Bill be amended by adding, immediately after subsection (2) on page 494, the following subsection:

'Idem

(3) Notwithstanding subsection (2), a share of the capital stock of an investment corporation acquired after October 13, 1971 by a taxpayer to whom this Part applies and held by him at a particular time shall, except as prescribed by regulation, be deemed to be a foreign property held by the taxpayer at that time.'

Page 495

That the French version of section 207 as set forth in clause 1 of the said Bill be amended by striking out lines 19 to 22 on page 495 and substituting the following:

'Dispositions applicables à la présente Partie

(3) Les paragraphes 150(2), (3) et 161(1), les articles 152 et 158, les articles 162 à 167 et la section J de la Partie I s'appliquent *mutatis mutandis* à la présente Partie.'

Page 496

That section 208 as set forth in clause 1 of the said Bill be amended by striking out lines 10 and 11 on page 496 and substituting the following:

'(*b*) 28 1/3% of that proportion of the aggregate of taxable dividends received by the insurer'

Pages 506, 507, 508 and 509

That section 212 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 4 to 11 on page 506 and substituting the following:

'(iii) an amount or payment referred to in subsection 81(1) to the extent that that amount or payment would not, if the non-resident person had been resident in Canada throughout the taxation year in which the payment was made, be included in computing his income, or'

(*b*) by striking out line 27 on page 506 of the French version and substituting the following:

'Prestations prévues par le Régime de pensions du Canada

i) un paiement d'une prestation prévue par'

(*c*) by striking out lines 36 to 38 on page 506 and substituting the following:

'Retiring allowances, etc.

(*j*) a payment of any allowance or benefit described in any of subparagraphs 56(1)(*a*)(ii) to (vi);'

(*d*) by striking out lines 15 to 19 on page 507 and substituting the following:

'Income-averaging annuity contract payments

(*n*) a payment under an income-averaging annuity contract, any proceeds of the surrender, cancellation, redemption, sale or other disposition of an income-averaging annuity contract, or any amount deemed by subsection 61(3) to have been received by the non-resident person as proceeds of the disposition of an income-averaging annuity contract; or'

(*e*) by striking out lines 34 to 36 on page 507 and substituting the following:

'as, on account or in lieu of payment of, or in satisfaction of a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 131(1) or 133(7.1)) or a capital dividend.'

(*f*) by striking out line 2 on page 508 and substituting the following:

'than this Act, minus 5% of that amount.'

(*g*) by striking out lines 32 to 39 on page 508 of the French version and substituting the following:

'ou en paiement intégral ou partiel d'un droit d'utilisation ou autre sur

a) des films cinématographiques, ou

b) des films ou des bandes magnétoscopiques pour la télévision, qui ont été utilisées ou reproduites au Canada, ou doivent l'être.'

(*h*) by striking out lines 25 to 28 on page 509 and substituting the following:

'(*a*) dividends or interest received by the trustee from a non-resident-owned investment corporation, or'

Page 517

That section 215 as set forth in clause 1 of the said Bill be amended by striking out lines 22 to 31 on page 517 and substituting the following:

'Regulations reducing amount to be deducted or withheld

(5) The Governor in Council may make regulations with reference to

(*a*) any non-resident person or class of non-resident person to whom any amount is paid or credited as, on account or in lieu of payment of, or in satisfaction of

Income Tax Act

any amount described in any of paragraphs 212(1)(*h*) to (*m*), or

(*b*) any resident person or class of resident person by whom any payment of interest is deemed by subsection 214(7) to be made,

reducing the amount otherwise required by subsections (1) to (3) to be deducted or withheld from the amount so paid or credited, or from the amount so deemed to be a payment of interest, as the case may be.'

Pages 523 and 526

That section 219 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 26 to 29 on pages 523 and substituting the following:

'(*c*) where the corporation was resident in Canada at any time in the year, the amount claimed under paragraph (*i*) for the immediately preceding taxation year,'

(*b*) by striking out lines 3 to 5 on page 526 and substituting the following:

'Provisions applicable to Part

(3) Sections 150 to 167, except sections 153, 155, 156, 157 and 160, are applicable *mutatis mutandis* to this Part.'

Page 537

That section 230 as set forth in clause 1 of the said Bill be amended by adding thereto, immediately after subsection (2) on page 537, the following subsection:

'Idem

(2.1) For greater certainty, the records and books of account required by subsection (1) to be kept by a person carrying on business as a lawyer (within the meaning assigned by paragraph 232(1)(c)) whether by means of a partnership or otherwise, include all accounting records of the lawyer, including supporting vouchers and cheques.'

Pages 537 and 538

That section 231 as set forth in clause 1 of the said Bill be amended by striking out lines 39 to 43 on page 537 and lines 1 to 3 on page 538, and substituting the following:

'Investigations

231. (1) Any person thereunto authorized by the Minister, for any purpose related to the administration or enforcement of this Act, may, at all reasonable times, enter into any premises or place where any business is carried on or any property is kept or anything is done in connection with any business or any books or records are or should be kept, and'

Income Tax Act

Page 559

That the French version of section 244 as set forth in clause 1 of the said Bill be amended by striking out lines 28 to 39 on page 559 and substituting the following:

'Idem

(18) Dans toutes procédures en vertu de la section J de la Partie I, la production d'une déclaration, d'un certificat, d'un état ou d'une réponse prescrite par la présente loi ou par un règlement, ou en vertu de la présente loi ou d'un règlement, donnée comme ayant été produite ou fournie par le contribuable ou en son nom ou ayant été faite ou signée par lui ou en son nom, doit être acceptée comme preuve *prima facie* que telle déclaration, certificat, état ou réponse a été produite ou fournie par cette personne ou pour son compte ou a été faite ou signée par cette personne ou pour son compte.'

Page 560

That section 245 as set forth in clause 1 of the said Bill be amended by striking out lines 23 to 26 on page 560 and substituting the following:

'(*a*) included in computing the taxpayer's income for the purpose of Part I,

(*b*) deemed to be a payment to a non-resident person to which Part XIII applies, or

(*c*) deemed to be a disposition by way of gift.'

Pages 566, 575 and 578

That section 248 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 25 to 27 on page 566 and substituting the following:

'(*f*) in any other case, the cost to the taxpayer of the property as determined for the purpose of computing his income, except to the extent that such cost has been deducted in computing his income for any taxation year ending before that time;'

(*b*) by striking out lines 5 to 8 on page 575 and substituting the following:

'incorporeal and, without restricting the generality of the foregoing, includes

(*a*) a right of any kind whatever, a share or a chose in action, and

(*b*) unless a contrary intention is evident, money;'

(*c*) by striking out lines 3 and 4 on page 578 and substituting the following:

'"taxable Canadian property" «*bien canadien...*»

"taxable Canadian property" has the meaning assigned by subsection 115(1) except that, for the purposes only of section 2, the expression "taxable Canadian property" includes a Canadian resource property (within the meaning assigned by subsection 66(15)), any property that would have been a Canadian resource property (within the meaning assigned by subsection 66(15)) if it had been acquired after 1971, and an income interest in a trust resident in Canada;'

Page 582

That section 250 as set forth in clause 1 of the said Bill be amended by striking out lines 24 to 27 on page 582 and substituting the following:

'(*c*) in the case of a corporation incorporated before April 27, 1965 (other than a corporation to which subparagraphs (*b*)(i) to (iv) apply), it was incorporated in Canada and, at'

Page 584

That section 251 as set forth in clause 1 of the said Bill be amended by striking out line 1 on page 584 and substituting the following:

'Control by related groups, options, etc.

(5) For the purposes of subsection (2) and section 256,'

Page 589

That section 256 as set forth in clause 1 of the said Bill be amended by adding, immediately after subsection (5) on page 589, the following subsection:

'Controlled corporations: saving provision

(6) Where, for the purposes of any provision of this Act, one corporation resident in Canada (in this subsection referred to as the "controlled corporation") would, but for this subsection, be regarded as having been controlled by another corporation resident in Canada (in this subsection referred to as the "controller") at a particular time and it is established to the satisfaction of the Minister that

(*a*) there was in effect at the particular time an agreement or arrangement enforceable according to the terms thereof, under which, upon the satisfaction of a condition or the happening of an event that it is reasonable to expect will be satisfied or happen, the controlled corporation will

(i) cease to be controlled by the controller, and

(ii) become controlled by a person or group of persons, with whom or with each of the members of which, as the case may be, the controller was at the particular time dealing at arm's length, and

(*b*) the chief purpose for which the controlled corporation was at the particular time so controlled was the safeguarding of rights or interests of the controller in respect of

(i) any loan made by the controller the whole or any part of the principal amount of which was outstanding at the particular time, or

(ii) any shares of the capital stock of the controlled corporation that were owned by the controller at the particular time and that were, under the agreement or arrangement, to be redeemed by the controlled corporation or purchased by the person or group of persons referred to in subparagraph (*a*)(ii), the controlled corporation shall be deemed, for the purposes of that provision, not to have been controlled by the controller at the particular time.'

Page 595

That the French version of section 257 as set forth in clause 1 of the said Bill be amended by striking out lines 38 and 39 on page 595 and substituting the following:

«valeur en capital versé»

g) «valeur en capital versé», d'une action, signifie

(i) dans le cas d'une action non émise qui'

Mr. Ritchie: I presume, Mr. Chairman, we are now continuing the debate. Speaking of mining and petroleum, we have to remind ourselves of the statement made by the Minister of Finance stated in his budget speech on June 18 while bringing in Bill C-259. He said:

In devising a tax system for the mining and petroleum industries which will best serve the national interest it is essential to reach a balanced judgment on their role in the development of slow-growth regions, present and prospective world-wide demand and supply, the risk involved in these industries, the international competition for capital and the levels of incentives available in other countries.

Then, he went on to say:

The three-year exemption for new mines will be withdrawn at the end of 1973. In place of this incentive, assets related to a new mine will be eligible for accelerated depreciation. The cost of these assets may be written off against income from a new mine as quickly as the income will permit. Social capital related to a new mine, such as houses, townsite facilities, schools and hospitals, will all be eligible for this fast write-off. The next major change for mining and petroleum income is that the present automatic depletion deduction will end in 1976. After that, depletion will be earned. Every $3 of eligible expenditure will earn $1 of depletion. Eligible expenditures will be exploration and development costs, the cost of most new mine assets which qualify for fast write-off and certain new processing facilities and expenditures connected with major expansion of the mine. Eligible expenditures made between November 7, 1969, and December 31, 1976, will earn depletion for 1977 and subsequent years.

I should like to discuss this under three main headings: First, the revoking of the three-year tax holiday and its replacement by accelerated depletion; second, the change in depletion allowance from 33-1/3 percent to a so-called earned depletion of $3 spent on earning $1 exemption; third, the position of the mining industry in relation to the province.

The three-year tax holiday is a device widely used throughout the world to deal with the taxation of mines. It has been justified on the basis that investment in mining is a high risk venture and that it will appeal to investment dollars whose owners like to gamble. Profits from the mining dollar are like hitting the jackpot at the Bingo or the daily double at the parimutuals. The tax holiday arrangement is followed by 67 major mining countries round the world; Ireland allows up to a 20-year tax holiday. There has been criticism on the ground that provision for a three-year tax holiday leads to so-called high-grading, but there seems no doubt that the revoking of this arrangement will discourage investment in the mining industry.

I should like to read a comment on this aspect by the Canadian Potash Producers Association. The Association had this to say:

As regards the three-year tax exemption for a new mine, it is proposed that this be abolished after December 31, 1973, and that, instead, a new mine be permitted a fast write-off of its exploration and development expenditures and the cost of mining machinery and equipment. Taxpayers can be pretty well assured that they would not be taxed on mining ventures until after they recover their investment.

While this proposal may look reasonable enough on paper, it is, in effect, a drastic reduction of the incentive currently afforded. It offers nothing except a quicker write-off of certain capital expenditures which would in any event be recaptured through depreciation. The three year tax exemption of a new mine is not in itself a matter of great concern to potash producers; they have all received it or are eligible to do so. But it was a factor of some importance in their original feasibility studies.

• (12 noon)

The accelerated form of depreciation in place of the three year tax holiday seems to have been drawn narrowly and needs to be broadened in the light of certain implications. One of the requirements that appears to be unreasonable is that assets be new. It has been pointed out that there are substantial markets in Canada for used equipment, and it is common practice for mining companies to buy this equipment if they are satisfied that it can do the job.

In order to provide non-arms length purchases that might lead to abuse, the government could qualify such purchases. As well, the government have a recapture provision for accelerated depreciation if the same asset was used otherwise. The requirement for assets to be acquired before the mine comes into production is also restrictive because assets, particularly in integrated processing where there is extensive downstream processing and infrastructure facilities, are often not operative before the mine itself goes into commercial production. Often, the processing facilities are not completed until many months after the mine is ready to start operation. There perhaps should be a time limit on acquisition from the commencement of production.

As well, the definition of social and industrial infrastructure should be broadened so that the wider definition

embraces those that will qualify. Finally, the exclusion of infrastructure expenditures from any major expansion does not seem entirely logical. Apparently, it is considered that this expenditure does not carry the same risk as an expenditure on mining assets. However, all these expenditures bear the same degree of risk, which is contingent upon whether the mine has the ability to produce profitably. In my opinion, these points should be taken into consideration when amending the bill. In dropping the three-year exemption in favour of an accelerated depreciation, the government has definitely reduced the incentive to risk money in mining and presumably feels that risk capital, as in the past, has been getting off too lightly in the tax structure.

Turning now to the wiping out of depreciation allowances of 33-1/3 per cent by substituting $1 credit for every $3 worth of exploration, the government has again departed from the standard type of tax incentives that are offered around the world. The United States has continued to offer percentage depletion at varying rates based on the gross revenue from mining, with a maximum deduction of 50 per cent of the net income before depletion. In the United States, for example, after exhaustive hearings on the subject, Congress substantially maintained the existing levels for hard minerals.

Around the world, most countries are not reducing tax incentives to promote mining exploration and development. The depletion allowance of 33-1/3 per cent was allowed on the presumption that mining was a wasting resource and that allowance should be made for this in order to encourage new discoveries and development. While there may be considerable argument over the best way to give incentive to the mining industry, depletion allowances of fixed percentages seem to have worked well in Canada.

Under Bill C-259, companies not engaged on off-property mineral rights exploration will receive no depletion allowance at all. While superficially this may seem to encourage mineral exploration, on closer analysis it is highly discriminatory and fails to meet the condition for which the depletion allowance was instituted. Some mining companies are by nature better organized and committed to broad and continuing mineral exploration. Others are concerned only with metals, such as gold, asbestos, potash and iron ore, of which abundant supplies and reserves are known to exist.

For some minerals there may be no point in continuing exploration programs. It seems a fundamental error and wholly unwarranted to make the depletion allowance completely dependent on future exploration expenditures. The justification for depletion allowance is the wasting asset nature of mining and ore bodies. There is no doubt that at the present time the depletion allowance has been an important factor in enabling Canadian companies to sell their products on the world market.

In the matter of earned depletion, the bill seems to need broadening so as to include the cost of any exploration and development in the vicinity of an existing mine, the development of permanent underground fixtures and development costs related to a major expansion of an open pit mine.

[Mr. Ritchie.]

In the area of new processing facilities that have to do with the processing of Canadian ores beyond the stage to which they were previously processed in Canada, it would seem logical that all new facilities should qualify if it is our intention to increase the processing of ores in Canada. This would seem to be a desirable role for Canada, one that would meet with wide approval.

The announcement by the Minister of Finance that there would be an abatement of 15 per cent for the provinces has clarified the situation to some extent. However, the provinces will not necessarily pass on these abatements and are under no obligation to do so. Until a more definite position on the part of the provinces is known, the mining companies will be in some confusion. The proposals in Bill C-259 definitely reduce the incentive to invest money in mining and will relatively reduce the amount of risk capital that will go to the mining industry.

In a recent speech Mr. A. G. Goodeve, president of McIntyre, Porcupine Mines, said:

> The most basic uncertainty regarding new provisions relates to exploration, because the investment decisions that must be made now are concerned not with short term but with the eventual rates of return from discoveries not yet made, which must compare favourably with investment opportunities elsewhere.

In revising the tax on the mining industry the government has made the decision that more capital should be directed away from the mining industry and—hopefully—channelled into the manufacturing sector of the economy.

Because of the mining industry's wide dispersion across the country, and its value as often the only industry in large areas of Canada, I think we must look at this tax very closely. Mining is carried on in many of the regions that have been designated under the regional economic expansion program. Under the proposed program, the government is making massive grants to the so-called underdeveloped areas of Canada and grants are being given to many firms that have little hope of becoming viable entities once these grants are discontinued. I think that the restrictions proposed by the federal government just do not make sense. Indeed, the government seems to be reversing its policy in its attempt to rehabilitate these regions by means of grants under the regional economic expansion program. Particularly is this true in western Canada, where mining, oil and gas industries are of extreme value to the economy of the four western provinces. Indeed, in the Yukon these industries are virtually the mainstay of the economy. In Manitoba towns like Thompson, Flin Flon and Lynn Lake are almost wholly dependent in economic terms upon the mining industry. The government has made a calculated effort to discriminate against communities on the periphery of the country in order to build up a central manufacturing industry.

It is generally accepted that there is adequate replacement of minerals from sources in the world other than Canada and at prices that are quite competitive. Cutbacks in the mining industry will only compound the problem of job creation and favourable trade balances that are so necessary for the 1970's. The unsettled international economic and monetary situation holds such serious potential consequences for Canada that we must view this aspect of the bill which relates to mining with some grave misgivings.

• (12:10 p.m.)

A recent report by the Science Council of Canada entitled "Innovation in a Cold Climate" illustrates why it is so dangerous to tamper with the taxation structure for Canadian mining at this time. The mining and petroleum industries are two outstanding Canadian sectors which have shown the capacity over the years to successfully compete in world markets. With regard to manufacturing, pages 20 and 21 of the Council's report read:

Growth, competitive ability, and profits go hand in hand. All three appear to be lacking in the Canadian Manufacturing Industry at the moment.—

Together, however, these trends represent a threat of unusual severity and duration. Additional complications have also begun to appear: the United States import surcharge, the rising exchange rate, and the possible recurrence of inflation, for example.—

—if these trends continue and there are no signs in the last four years of their improvement or even of their arrest —Canada's economy in this decade will increasingly become dependent on the resource and service industries.

If the council's views are correct, they surely add further support to the contention which the mining industry has repeatedly made; namely that with so many other industries in Canada in difficulty, it makes no sense, especially in these anxious times, to tamper with the taxation structure which has enabled the mining industry to develop successfully and thereby contribute so importantly to the over-all economic growth of this country.

I feel that the government has made major changes in the taxation structure of the mining industry. We do not know where this will lead. All indications are that there will be a dampening of mining activity in view of the heavy increase in the work force that is necessary in Canada and will occur in the 1970's. This indicates that the government has not acted wisely in its handling of the mining industry in Bill C-259.

Mr. Thomas (Moncton): Mr. Chairman, the most remarkable characteristic of this government, apart from its incompetence of course, is its amazing faith in its own infallibility. The members of this government believe they are right and the world is wrong. One would think that their dismal record to date, the funny forecasts of the Minister of Finance, the withdrawal of the grain stabilization bill, the about-face of the October 14 mini-budget, would cause some misgivings of their infallibility, but evidently not. Apparently the Minister of Finance is determined to bull these amendments through the House, despite the growing criticism the amendments belong in the minister's own Alice in Wonderland world and not in the cold reality of today's trading world. These criticisms are becoming so prevalent and diverse that surely the minister must be having some doubts.

I wish to refer to a few of the criticisms that have been made. Mr. Gerard Filion, the president of the Canadian Manufacturers Association, pointed out in a letter to the Prime Minister that the imposition of additional costs on industry in today's trading world is making it extremely difficult for Canadian industry to compete with foreign manufacturers in the export markets. These extra government costs, according to public opinion, cannot always be passed on to the consumer. In many cases they have to be added directly to the cost of the product. This makes it very difficult to compete in the trading world. He also preferred to the fact that while many of the government's social programs are nice to have, in many cases they are beyond the ability of Canadians to pay. Here again, additional charges are placed on industry. Mr. Filion went on to say, as reported in the *Globe and Mail*:

The letter says rules for the treatment of international income in the proposed changes to Income Tax Act would discriminate against the development of Canadian-based multi-national companies.

He called upon the government to withdraw from the order paper the Competition Act, the technological change provisions of the proposed amendments to the Canada Labour Code and other proposed changes which will cripple industry more than it is crippled at present.

Dr. Friedland, director of the Capital Markets Research program at York University, commented on the tax changes in the mini-budget. While he admitted they could have some effect as a crash program, they certainly would have little or no long-term effect. He suggested that the government should have made some concessions in excise taxes and in other types of sales taxes. I quote from the October 16 issue of the *Globe and Mail*:

As for tax reform measures, Dr. Friedland feels Ottawa would now like to delay their enactment until it sees more clearly what is going to happen in the economy, but that political pressures to enact the legislation on schedule may be unavoidable.

The president of the Canadian Real Estate Association recently commented on the effects on real estate business of the tax proposals. He stated that the tax reforms pose a serious threat to real estate companies and that possibly many of them may well be forced out of existence.

I quote from a newspaper article published yesterday:

A spokesman for Massey-Ferguson Limited says the government should postpone action on new tax laws for a year because of the damage they might do to Canadian business—

Peter N. Breyfogle, Massey-Ferguson comptroller, said that because of the current economic climate there is a greater need than normal for more jobs, more company profits, and—resulting from them—more government revenue.

This is what the government does not seem to be able to grasp.

But the tax revision introduced last June by Finance Minister Benson will increase the tax burden on multinational operations based in Canada and other companies depending on income from abroad, he added.

This is the disturbing feature of this whole exercise. Every day in this House questions are asked about lay-offs by various national firms. More of them will occur in the days to come, yet the government insists on going ahead with measures to place more restrictions on these firms. These will inevitably lead to further lay-offs.

I wish to refer to an editorial in the October 21 edition of the Toronto *Telegram* by Mr. Fraser Robertson. He commented on the Science Council report which has been referred to more than once in this debate. Mr. Robertson points out that the whole thrust of the report is that the government has not yet developed any long range policy. For three and a half years the government has gone along with stop-and-go programs. The private sector of the economy is completely confused about the intentions of the government. Each week we see further about-faces and further changes in the thrust of the economy. Mr. Robertson also referred to several pieces of legislation

which this goverment has proposed and which are apparently on the order paper. It is apparently the deliberate intention, through this legislation, to cripple the private sector of the economy and give more and more control to the public sector. He mentions a few of these pieces of legislation. He starts off with the tax reform proposals, the Competition Act and unfair labour laws. Mr. Robertson says:

• (12:20)

Each casts a chill across the business community. Each was conceived with the belief that business activity is, somehow, detrimental to Canada's interests. Each is designed to substitute bureaucratic control for business enterprise. If these measures are indicative of government policy, and not merely examples of mistaken expediency, then it may be said that government policy is to suppress business innovation of every sort, to persuade alike those who now have jobs and those who do not have jobs that business is their enemy.

I know I will probably be accused of being a spokesman for business and the CMA. I would be quite happy to be accused of taking such a position because I believe it is high time someone in this House spoke out on behalf of the whipping boys of the government, the business community of this country. On Friday, October 15 I was interested in reading the leading editorial in the *Globe and Mail*. It reads:

As a general rule, a carpenter does not continue to remodel a house while the roof burns.

Yet this is approximately what the federal government is about, as it continues to process its gigantic tax bill while the world into which the legislation will eventually emerge changes drastically.

This illustrates what I mentioned earlier. We are living in a new world, in a new economic climate. Yet, this government is living in the 19th century. It is time it came out of the Alice in Wonderland dreamworld it is in and took some measures to cope with the changing economic conditions of the day. The editorial goes on to point out:

The opposition leaders have been complaining that the tax bill is irrelevant—

It just does not apply in today's industrial world. It is not productive. There is nothing in the tax measure which would increase the gross national product or the number of jobs for Canadians. The article states that there is also quite a bit of evidence that in the post-August 15 world, since the announcement of the Nixon economic measures, some of the proposed tax measures could be absolutely the wrong type.

What is there in this tax bill to cope with DISC? The tax bill will do nothing to strengthen the Canadian economy and meet the pressures created by Mr. Nixon. The editorial continues:

Mr. Benson should withdraw that tax bill and concentrate all his energies on our real problems.

I have just one further quotation. There are dozens of them and I have picked out a few at random. Mr. John Meyer, writing in the Montreal *Gazette* of October 14, referred to the fact that the tax bill is now undergoing clause by clause study in committee and points out that many of the provisions in the tax bill are not relevant to today's changing conditions. He concludes by saying:

Mr. Benson should make clear now that he'll settle for passage of the generally non-controversial sections of the bill while holding over, for continuing discussion and amendment, the controversial sections. That would be the first step. The second step would be to withdraw those portions of the bill which drag on business activity.

[Mr. Thomas (Moncton).]

As I say, those are a few criticisms I have selected at random. There are many others. I could go on for hours citing criticisms of this tax bill. Even though all these criticisms are mounting, they impress everyone except this government and the Minister of Finance. I have little hope now that we can make any impression on the government or on the minister, because after all how many mistakes can the minister admit without losing all credibility. So, I accept the fact that the tax bill will not be withdrawn. We in the opposition can only concentrate on the most repugnant clauses of the bill and hope, through our pleas and interventions, the minister may be persuaded to make some necessary amendments.

One proposal which will have the most serious effect on the greatest number of Canadians is that dealing with the change in the method of taxation of co-operatives and credit unions. I know this subject has been brought up many times in this debate. Many speakers on both sides of the House have stood in their place and have affirmed their strong support for the co-operative. Many government members have made these statements. However, I have yet to see any concrete evidence that this government intends to accept any of the suggestions or proposals put forward either from the government side of the House or from our side. I know there is an amendment which I shall not discuss now other than to say it does not satisfy the criticism that these tax changes will be very damaging to the co-operatives. After all, co-operatives are a special type of business. Certainly, they have been treated differently.

The criticism has been made often that co-operatives have received tax advantages at the expense of other businesses. I cannot agree with that statement because the co-operatives are subject to a type of taxation that is unique in this country to co-operatives and is unique in the world. I refer of course to the arbitrary method of taxing on the capital employed concept. This is a discriminatory method of collecting taxes and to the best of my knowledge it is not found in any other tax system in the world. Why should there be a difference? What is the logic of taxing on the capital employed in a business. I have been in business all my life and have never seen such a concept in private business. The amount of capital employed in a business has nothing to do with its income and should not be the basis for levying income tax.

Co-operatives are different from other enterprises primarily because of their objectives. They are self-help organizations. Incidentally, with all the criticism in respect of United States ownership I would point out that co-operatives are always Canadian and locally owned. These self-help organizations are generally found in primary production areas, namely, grain, dairying, farm products and fishing. The merchandising they carry on actually is a service to the people in the small centres which in many cases is not supplied by private enterprise because it is not profitable. The question I should like to ask is, should city people be denied the right to self-help organization recognition because their attempts to cut living costs cause some profit oriented corporations to lose some business? Co-operatives usually serve members

whose income level is below average. This should be sufficient reason to encourage their self-help efforts.

Despite the efforts to tax co-operatives as a business, they have grown, and largely in the poorer areas of the country where their services are so much in demand. All co-operatives are willing to accept taxation practices that are in every day use for thousands of Canadian taxpayers. Thousands of Canadian entrepreneurs, be they shopkeepers, farmers, fishermen, doctors, some lawyers, some accountants, are in business. They prepare income statements and are taxed at the graduated individual rates. There is no special business tax. There is no tax on capital employed. Thousands of these Canadian businessmen are in business in the areas which I have outlined, but they operate partnerships. Partners in accountancy enterprises sometimes number in the hundreds. Partnerships in law forms are very common and numbers of partners can be quite substantial. I suggest that these are not underprivileged citizens, yet partnerships may apportion their total income as they see fit and are taxed at the individual level. There is no special business tax, I repeat. Trusts are sometimes created and in addition, in cases of estates, income allocated is taxed at individual rates. There is no special business tax.

• (12:30 p.m.)

I also submit that co-operatives are partnerships in self-help efforts and the members are bound together by a common cause that is comparable to that of any of the partnerships I have named. Cannot farmers combine to form a partnership to sell their grain? Does it matter if there are 10 farmers or 10,000? Is not the principle the same? I submit that co-operatives compete with individual entrepreneurs, partnerships as well as corporations. Their objectives in forming a co-operative are practically the same as the partnership which I described, that is self-help. The patronage returns method of disposing of earnings, if unrestricted by capital employed capital tax, results in taxation at individual level of owners of partnership co-operatives. This was the method of taxation recommended in the Carter report. Therefore, I submit that it is equitable and reasonable that the income of co-operatives allocated to members be taxed at individual levels and reserves retained be taxed at appropriate corporate rates.

I admit that there is nothing new in these proposals, but I am trying to throw a little new light on the matter and to point out to the officials as well as to the minister that co-operatives are basically partnerships. Many types of partnerships exist in business. Why are the co-operatives singled out for special discriminatory tax on the capital employed basis? If the minister or his officials can satisfy me or can point out to me any similar cases of partnerships being taxed in this way, then possibly I would be able to accept their arguments. However, until such time as they can give us on this side of the House a satisfactory explanation why co-operatives are being singled out for discriminatory treatment, we will continue to fight these clauses when they come before the committee. We will continue to hope that somehow or other we can persuade this government that co-operatives in this country render too vital a service to be taxed out of existence.

Income Tax Act

Mr. Paproski: I rise to take part in this debate on Bill C-259, an act to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to the act. If this bill does nothing else, it will provide an opportunity to debate the government's economic failures, and for that we must be grateful. However, the country is not grateful for the mess in which the government has left the nation's finances. On all sides we see the total failure of anti-poverty programs which never got off the paper on which they were written, the increasing menace of unemployment, the fear and uncertainty of industry and the worsening climate of confidence. That is the government's record, a record of failure and fear.

Some hon. Members: Hear, hear!

Mr. Paproski: The bill before the House represents the obituary of the hopes with which this government came to power less than four years ago. The amendments which our party put forward, and which were defeated, highlighted the government's failure in the economic field, the unacceptable level of unemployment, inflation, the crisis condition of industry, the lack of confidence in the government, and the fact that the proposed bill does nothing to remedy these serious conditions. The bill is a shadow and a fraud. It contains 700 pages of imcomprehensible amendments to an act that has already been subjected to repeated amendments over the years. You call that reform, but it is only piling confusion on top of confusion and confounding even the lawyers of this country who frankly confess that the entire tax law, with the addition of the present bill, is not only meaningless but impossible to understand.

I refer in passing to the arrival in this country of a young Russian seaman who jumped from a ship, swam for two hours through the icy coastal waters of British Columbia, and climbed a high cliff just to be in Canada. If he had seen this legislation, he would have turned around and swum back. I hope that the government will allow this young man to stay in Canada. Anything else would be unthinkable. This is the kind of immigrant we need in this country.

Mr. Whelan: One that can swim.

Mr. Paproski: A week or two ago, the income figures were released and they showed which cities in Canada had the highest income level. It will be interesting for my Waffle friends in the NDP to note that Oakville, where there is a Ford automobile plant led all the rest, including Toronto and Edmonton. I wonder what the NDP solution would be once they got rid of all the U.S. industry? Would they put everyone on the federal government payroll? There would be total regimentation.

The present legislation is a fraud because in reality it does not represent tax reform. What it represents is an attempt by the government to carry out the principle of taxing Canadians to the fullest extent that the traffic will bear. The government has been spending money like a drunken sailor. They are running huge deficits and are now at the point, as we have seen recently, where they no longer pay the Wheat Board what belongs to the Wheat Board by statute. Maybe they cannot afford to keep up the payments to the Wheat Board. But apparently they are

able to find $15 million for an experiment to see whether people will lose the incentive to work if they are placed on welfare. Do we need any further experiments in that direction? I can assure the government that if they want to supply me with the necessary income to maintain a standard of living to which I would like to become accustomed, something on a par with the Prime Minister, for example, then I will guarantee to lose the incentive to work. There was $15 million for experiments in sociology, but nothing for the western farmer. There was $40 million for the Opportunities for Youth program, but nothing for the poor and aged.

The government can always find unlimited funds for the kookie ideas but no money to take care of the essential business. This is a government which goes out and buys a new hat when there is no food on the table. I hope the Prime Minister does better on his housekeeping accounts than he has been doing at balancing the nation's business. We have asked for tax cuts, industry has asked for tax cuts, the poor bloody taxpayers always ask for tax cuts. The only thing the government is cutting is the taxpayer's windpipe. Tax cuts would increase consumer demand, stimulate industry, increase employment and put Canada back in competition. The government will not listen because they are obsessed with the old Liberal philosophy of tax and tax, spend and spend, and waste and waste. They call that redistribution. The Minister of Finance regards himself as a kind of pipe-smoking Robin Hood, taking from the poor to give to the rich. The only problem is that he does not have Friar Tuck and Little John to guide him.

Mr. Bell: How about the man from Georgia?

Mr. Paproski: The present bill is a gigantic monument to the government's inability to come to terms with reality. It represents the final stage of a long process which began under the Diefenbaker government with the setting up of the Carter Royal Commission on taxation. That commission brought forward a number of new principles, most of which have been thrown by the wayside in this legislation. The Carter Commission inaugurated the policy of taxation based on equity. There is no shadow of equity anywhere in these amendments.

• (12:40 p.m.)

Then, we had the white paper on taxation. Perhaps the present bill could be called the black paper. The white paper made the House and the country aware of the theorizing and speculative conjectures of the minister and his officials. It was a kind of almanac of taxation possibilities, none of which were ever realized. Then came the present legislation, if I can use that term in relation to the hodge-podge before us, which betrayed and discarded both the white paper and the Carter Commission. In the bill before the House there is no trace of Carter and very little of the white paper. What we have here is a vise to squeeze the taxpayer, the farmer, the householder, business and industry.

This legislation will have an inflationary impact such as we have not yet seen in this country. It will push up prices, stifle industry, and reduce the standard of living of 30 per cent of the people of this country. The reason it is needed is that the government has wasted so much that it must now extract every last cent from the taxpayer. The bill is the government's attempt to prove that you can squeeze blood from a stone if you squeeze hard enough.

This bill should not be allowed to pass because it is a bad bill. It introduces a new principle in Canadian politics, the principle of legal confiscation. Everyone can understand taxing a dollar. But when the same dollar is taxed over and over, that is no longer taxation, that is confiscation. A dollar is taxed when an individual receives it as income. It is further taxed as a return on investment. It is taxed once again as profit. It is taxed when he dies, and passes it on to his heirs. We used to complain about double taxation. This bill brings in triple and quadruple taxation, and gives the government the right to go as far as it likes.

This legislation carries on a process which has been growing more and more destructive, taking capital out of productive purposes and diverting it to non-productive experimentation. When money is spent on social theorizing there is no return on the investment. It is removed from the economy. That means that people who are interested in producing and contributing have to work harder to find more money elsewhere in order to produce, to build, to create, to explore and develop. The government is not concerned about these things, but non-productive distribution has resulted in slowing down the wheels of industry, putting a stop to development, and giving us the highest unemployment in history.

So far, we have been able to get by on our resources. As the hon. member for Duvernay pointed out the other day—and he is one of the greatest philosophers in the Liberal hierarchy—living on our resources is like living on capital. We all know how far that goes. I want to commend his speech on the economic situation, and his grasp of the essentials of Canada's position when we are being asked by the government to surrender our heritage for a mess of American pottage.

The hon. member for Duvernay, who should have been the Minister of Finance, gave a realistic appraisal of the present situation, one the government could study with profit. The present illogical and theoretical approach cannot go on without destroying the economy entirely. What level of unemployment, what level of inflation is the government prepared to tolerate before it will act? How long is it going to try to deal with problems through seminars, task forces and position papers? Canadians are suffering all across this land, and the government is playing tiddleywinks with taxation reform that is not reform but simply a tightening of the screw on the taxpayer.

The hon. member for Duvernay said, "Cut taxes on lower income and middle income groups." Instead of that the government is raising them. Is it not curious indeed that some of the brighter minds in the Liberal hierarchy have had enough of this shilly-shallying and tinkering? The hon. member for Duvernay is one. The former minister of defence, the hon. member for Trinity, is one. The former member for York West has parted company with the little group at the top, presumably because there was no room at the top. They are all honourable and honest men who decided that the fate of Canada concerned them more than the fate of the government. That is what we are asking the government to do. Think about Canada, about the unemployed, about inflation, about the western

farmer, about the housewife who, as a result of this legislation if it passes, will have to pay even more than she now does to put food on the table and educate her children.

The government is taking more and more from the private sector and frittering it away in a series of socialist experiments. Money frittered away by the government does not produce economic activity, does not produce jobs, does not help production and development. It keeps a lot of people working in the high echelons of government think-tanks, but that does not help unemployment. This legislation should not be allowed to pass this House for the simple reason that it does not approach the problem of tax reform on a basis of equity or economic development. It is just another move in imposing on the Canadian people a new set of theories emanating from the government.

When you consistently avoid the problems and deal with those things which exist only in your own mind, then you are creating serious and long-lasting trouble in the economy. That is what the government is doing. It is simply tilting at strawmen while Canadians are suffering. The economy is running downhill because of indifference and neglect. There is no reason for this policy except ineptness and stupidity on the part of the government. A little incentive, and a little leadership in the form of widespread tax cuts might mean cutting back on some of the programs which the government's advisers love to dream up. At the same time, it would mean that many more Canadians would be working, many more Canadians would be eating better, dressing better, and paying less, and we would be in a position to take up the slack in the economy caused by the Nixon measures.

I just want to make one point on the Nixon measures. Personally, I have respect for President Nixon's integrity and his qualities as a human being. There is no doubt he is growing into his job. But I cannot accept the fact that Canada should be penalized for the Americans' failure to stay competitive. Nor can I, along with many other Canadians, accept the sheep-like attitude of the present government. The Minister of Finance went to Washington and, while he was blowing smoke in their eyes, they pulled the wool over his. Is it not time the government stood up and told Washington that we are their best customer? I am not advocating a trade war with the United States. That would be suicide. I am advocating that the government take a firm position for once—

Mr. Whelan: Would the hon. member permit a question?

Mr. Paproski: There are only a few minutes to go. If I have time at the end, I would be glad to allow the hon. senator to ask a question.

Mr. Bell: Explain!

Mr. Paproski: I am advocating that the government take a firm position for once, instead of the traditional posture of the Liberal party which has always been to roll over and play dead whenever Uncle Sam snapped his fingers. They did it when they brought nuclear weapons into this country. They did it when they let the Americans stake a claim to Canada's Arctic waters. They are doing it now on the Nixon measures which are a clear breach of the GATT agreement.

If it will not stand up to Washington, let the government at least ease the burden on producers in this country by a sizeable tax cut right along the line, so that Canada can once more get back into production with more jobs and lower prices. I suggest to the government that it scrap this pile of garbage and bring in some realistic tax policies for the benefit of Canadians. Now, Mr. Chairman, if the hon. gentleman would like to ask a question and it has anything to do with the bill I will accept it, but if it has anything to do with the Amchitka bomb blast I will not.

• (12:50 p.m.)

Mr. Whelan: It has a lot to do with what the hon. member said in his speech. I should like to ask if he is aware of a certain gentleman in Ontario who said that the federal government took the right position regarding the surcharge and the income tax cuts? Is the hon. member aware that the people of Ontario yesterday gave this gentleman the biggest majority any Conservative government has had in Ontario?

An hon. Member: That is because he supported the federal Liberals.

An hon. Member: Would you repeat that last part?

Mr. Paproski: I am sorry, Mr. Chairman, but I didn't get that. Would the hon. member repeat it please?

Mr. Whelan: I said that the Ontario Conservatives won by following federal policy.

Mr. Paproski: They did everything that the federal Conservatives asked them to do. You can see that we were very conservative yesterday. The next time there is a federal election you people will be on this side of the House.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

The Assistant Deputy Chairman: Order, order. The hon. member for Lethbridge.

Mr. Gundlock: Mr. Chairman, I welcome the remarks of the hon. member over there who called our attention to a new mandate in the province of Ontario, the greatest ever in that province. This resulted from the fact that they went along with this government in one aspect, they did not appear unfriendly to the United States. This is why we are in so much trouble at the moment. We blame everything on our association with the United States. I should like to repeat, Mr. Chairman, that the mandate the government of Ontario now has is an entirely different sort of mandate from that which the party opposite will have when they face up to what they have been doing in this House in the last few years.

Mr. Paproski: That's right. It is shameful, intolerable and shameful.

Some hon. Members: Oh, oh!

The Assistant Deputy Chairman: Order. Order. I cannot hear the hon. member, please.

Mr. Gundlock: I was not saying anything. I liked the by-play.

The Assistant Deputy Chairman: Order. If the hon. member was not saying anything, perhaps he should not have the floor.

Mr. Gundlock: Well, Mr. Chairman, I like to listen to what is said in this House and I will have more to say about that.

Mr. Bell: Call it one o'clock.

Mr. Gundlock: I hardly know where to begin when speaking on Bill C-259. Admittedly, I do not understand it and as you remarked just a moment ago, maybe I am speechless. However, I have learned to carry a scale along with me and I can weigh the damn thing. It weighs over four pounds!

Mr. Paproski: That is a lot of paper.

Mr. Bell: May I call it one o'clock, Mr. Chairman.

The Assistant Deputy Chairman: Is it the pleasure of the committee to call it one o'clock?

Some hon. Members: Agreed.

An hon. Member: No.

The Assistant Deputy Chairman: It is not agreed.

Mr. Gundlock: It was reported in the press the other day, Mr. Chairman, that the chartered banks have reduced their interest rates. About a week ago in this House the Minister of Finance, in a sense, reduced the interest rates to the Canadian public. But I think the banks were a little bit late. The government thought it was doing something when it turned the interest rates loose, just as it thought it was doing something in bringing forth the white paper and the present bill. People are not going to forget, however, what the banks did before they reduced the interest rate and they are not going to forget what the Liberal government did before and after producing this white paper.

This bill is just too much for the Canadian people to absorb. I would point out to the Minister of Finance and the Prime Minister that the Canadian people are not going to take it. When the government brings in a tax bill that no one can understand—I doubt if the minister himself understands it—the people are not going to accept it. We receive letters from all over the country, personal letters, letters from associations such as co-operatives, credit unions and others, rejecting this measure.

Mr. Bell: One o'clock.

Mr. Gundlock: Credit unions, co-operatives, senior citizen groups, even the young people, are disappointed in this bill because they cannot understand it. Mr. Chairman, I have much more respect for hon. members opposite than this bill would demonstrate. I wonder where it emanated? From a practical viewpoint, I cannot imagine the Minister of Finance, personally, or even the Prime Minister, allowing such a bill to reach this House. Eventually, it will have to make its way through the other place and I simply cannot imagine that.

I should like to ask the question of anyone who can give the answer, where did such a bill emanate?

Mr. Knowles (Winnipeg North Centre): One o'clock.

The Assistant Deputy Chairman: It being one o'clock, I do now leave the chair.

At one o'clock the committee took recess.

AFTER RECESS

The Committee resumed at 2 p.m.

Mr. Gundlock: Mr. Chairman, before I resume the debate, I should like to call your attention to something. I do not want, Mr. Chairman, to bring this point up as a question of privilege. However, before lunch, during the course of my remarks, the Chair had called, "Order, order." The occupant of the chair then went on to say, "I cannot hear the speaker, please." I rose after that and said, "I was not saying anything. I like the by-play." The occupant of the chair called order again and said, "If the hon. member was not saying anything perhaps he should not have the floor."

I feel strongly about this, Mr. Chairman. The Chairman of the Committee could not hear what was being said and an hon. member had to resume his seat for that purpose. The occupant of the chair called order, and the person who had the floor had to remind the Chair that he was not saying anything. Then, the hon. member was called to order a second time. I take exception to that. I have looked through some of the rules pertaining to procedures of committees of this House, and I find no rule saying that any member of the committee who has the floor has to continue speaking when not even the Chair can hear him. Certainly, when the person occupying the chair cannot hear what is being said the matter is very serious, because there may be difficulty in recording the hon. member's remarks. There are many things in the proceedings of the committee which I think should be heard as well as recorded. I hope, Mr. Chairman, I have put this in a proper form.

• (2:10 p.m.)

The Deputy Chairman: The Chair finds it difficult to understand exactly the point raised by the hon. member, and is wondering whether he is talking about a technical difficulty which occurred in translation or whether, the intolerance of other members prevented the Chair from hearing. I was not the occupant of the chair at that time. The hon. member should be advised, though, that he cannot, at any time, quote from the blues in the House. He can refer to *Hansard* once it is printed. Perhaps the best way to examine the situation to which he has referred would be to look at *Hansard* on Monday. This would, perhaps, give us a better idea of exactly what happened. If there is anything to be corrected, I am sure this can be done. In addition to looking after the application of the

rules, the Chair does its best to ensure the good operation of the House.

Mr. Gundlock: I thank you very much, Mr. Chairman. Perhaps I neglected to mention that I was quoting from memory. I appreciate your explanation.

As I was saying earlier, it is hard for me to understand that a bill such as the one before us could emanate from practical politicians. My memory does not serve me too well. I think I had reached a point at which I was wondering where such a bill as this, seven inches thick and four pounds in weight, could have come from. I have reached the conclusion that it must have originated among the advisers to the government. I am gratified to note that some of them are present here today. These advisers are obviously not listening to the people of Canada or to the submissions they have made through representatives of the co-operatives, the credit unions, the senior citizens, the young people and so on. Obviously, too, they are not listening to members of this House. This is why it is necessary to be somewhat repetitious, to put things on record time after time. Then, those who put the bill forward will at least have to face the fact that it is old and somewhat useless at the present time. I support hon. members who have made submissions, put quotations on record and, in some cases, been repetitious. It seems to me that the government only pays attention after points have been made over and over again.

I should like to quote from a speech by the hon. member for Notre Dame de Grâce, a very honourable member of this House, as reported in *Hansard* at page 8335. He had this to say:

> There are a great many departments of government which do produce economic effects. For example, there is the Department of Finance, the Department of Regional Economic Expansion, the Department of Industry, Trade and Commerce, the Department of Transport, the Department of Agriculture, the Department of the Environment, the Department of Manpower and Immigration—

I almost called it «Manpower and Irritation». And lastly, there is the Treasury Board. The hon. member went on to say:

> I suggest we should have a minister whose primary concern would be the co-ordination of the economic policies of all these departments and the development of general economic policies. I suggest we should have a minister of state for economic policy who would undertake this task. I understand that at the present time the job is being done by a committee of ministers the principal member of which is the Minister of Finance who is assisted by other ministers with responsibilities in the area of our economy. I believe these ministers have other administrative concerns to occupy their time to the extent that they cannot concentrate primarily on developing economic policies both for the long run and the short run.

Certainly, I am not being unkind to government members when I quote what one of their own members has been saying. This is what organizations across the country have been saying. Finally, perhaps as a result of more repetition, the Minister of Finance is beginning to listen. If it is a member of the opposition who has to be heard, I am very glad; if it is a member of a bureaucracy who is finally listening to what has been said and placed on record in this House and in the committee, I am happy about that, too. It is about time.

The old tax legislation is, indeed, old. It has lasted from 1917 to the present time. What the people of this country will make of the new measure which the government has proposed, plus the hundred or so amendments which the government has presented, is another matter. It leads one to ask: how will this country accept such a thing? The other place is shuddering, and wondering how to deal with it. The only way to comprehend the thing is to weigh it. The bill has yet to receive the approval of the other place. Possibly they will consider the legislation in the same manner as we are considering it, repetitiously perhaps, and putting quotations on the record.

My time is short, Mr. Chairman. I recall what the Alberta Wheat Pool had to say about co-operatives, the taxation of dividends and all the rest. They say very simply that there is no country in the western world which treats co-operatives and credit unions in the manner Canada does. I might add that there is no country in the western world where interest rates are so high. As a matter of fact, there is no country in the whole world where rates are so high, because these things do not apply in all parts of the world. This being the case, how can Canadians possibly compete with anyone in their financing? Again I emphasize that in no other country in the western world is the number of people out of work as high as it is in Canada.

• (2:20 p.m.)

Mr. Gillespie: A point of order, Mr. Chairman.

The Deputy Chairman: Order, please. The minister is rising on a point of order.

Mr. Gillespie: I would challenge the hon. member to give evidence for his statement. If he will look at the record he will find that short-term interest rates in Canada are in fact lower than interest rates in a number of important industrialized countries.

The Deputy Chairman: Order. I would remind the minister that that is not a point of order. The hon. member of Lethbridge.

Mr. Gundlock: If I may talk across the floor, through you, Mr. Chairman, some of the figures that I have are the most reliable we have in this country and come from the bureau of Martin statistics.

Mr. Gillespie: Page?

Mr. Gundlock: I have mentioned co-ops, credit unions and our senior citizens and, in the few moments left to me, I want to emphasize what this tax bill has not done for Canadian taxpayers. As a result of the provisions in its 750 pages, the government has gathered in a few more taxes, or will do so if and when the bill ever becomes law. I cannot see why this measure should take all the time of this House. If you follow its lineage, even just back to the white paper, you will find that this new tax bill has not done anything for us.

There has been some attempt lately to lower the corporate tax by 7 per cent and personal income tax by 3 per cent, but what is the minister trying to do? As I said earlier, our unemployment figures are the highest in the world. This has forced, and I emphasize that word, the Minister of Finance to revise his policies and bring in yet a third budget this session. I do not know Canadian history all that well, but I think that three budgets in one

session is a precedent. However, I commend the minister for trying to do his best.

I observe you are getting restless, Mr. Chairman, so I will finish on this note. I find it very hard to equate this 7 per cent and 3 per cent tax reduction with jobs, especially in view of the way the minister seeks to implement those cuts. How many jobs is a 7 per cent cut in corporate tax going to provide and how long will it take to provide them? Similarly, how many jobs is a 3 per cent cut in personal tax going to provide, and how long will it take to provide them?

Mr. Ritchie: Mr. Chairman, I should like to say a few words on the oil and gas industry as it relates to Bill C-259. The most important feature of oil and gas exploration is the cash flow of money in order to control land for exploration and development. After 25 years of extremely active exploration and development in western Canada, the hunt for oil is spreading to the far north, offshore areas and Hudson Bay. What concerns the oil and gas industry most is the attitude of governments to the extractive industries, particularly as exemplified in Bill C-259.

Mr. W. O. Twaits of Imperial Oil forecast a sum of $25 billion will be required for the Canadian petroleum industry over the next ten years. Others have suggested that this may be too high by $10 billion, but in any case the figure is enormous. What is the basic source of funds for this industry? In the statistics comparing the operations of a group of companies in the years 1960 to 1969 that control just under 50 per cent of all oil and gas production and 90 per cent of all refining and sales capacity, it was revealed that in 1960 usage of funds for capital stock was 31.5 per cent of the total; retained earnings amounted to 30.5 per cent for a total equity base of 62 per cent; short term debt was 22.1 per cent; and long term debt was 15.9 per cent. In 1969 capital stock had gone down to 22 per cent, retained earnings had risen to 36 per cent. In other words, capital stock declined by 25 per cent while retained earnings went up by 20 per cent.

This really means a greatly reduced injection of private capital into the equity base of the Canadian petroleum industry during the past ten years. Long term debt increased by one-third, which means that the large companies were able to procure more capital than smaller companies.

There are three basic sources of capital for this industry. First of all, there is the self-generated cash flow. Second, there is public participation, which can be had on an equity base for common or preferred shares and sold to the public, to pension funds, mutual funds, life insurance and trust funds within the limitation of govenment statutes. All the funds I have mentioned so far must come from the private investor, either from his savings or from his earnings on his savings. In recent years, the issuing of debentures has generally involved a substantially increased return to the lender. The third source of funds is money provided through government sources, such as by the Canada Development Corporation, though it seems doubtful that this source would be very profitable.

All of this adds up to a tremendous demand for capital in Canada by this industry over the next decade. However, all levels of government as well as industry are being asked to look for their investment money to the domestic market. In 1969 the oil industry generated 36 per cent of its needs internally, the other 63 per cent having to come from sources outside the industry. The Canadian public contributed less than 5 per cent of this capital need on an equity basis. The oil and gas industry in the eight years between 1962 and 1969 earned 8 per cent on invested capital, compared with other industries such as mining which earned 10 per cent. Not many industries were this low. Where is the oil and gas industry getting its funds today? More and more it is going to United States sources, tapping individuals and offering participatory units or drilling units for as little as $5,000. These investments can enter this country on a preferential after-tax basis in competition with Canadian money.

What does Bill C-259 provide to remedy this situation? A United States taxpayer can reduce his income by the amount of the loss if his oil well drilling turned out to be a "bust". As far as the Canadian taxpayer is concerned, for a long time no such relief was offered him. In this bill the government is providing for only a 20 per cent write-off per year. I am not sure whether this write-off is on a diminishing basis or on a straight-line basis, as suggested in the white paper, and I hope the Minister of Finance will enlighten me in this regard. If it is on a diminishing basis, it will take about 26 years before it is completely written off, and I therefore suggest this is no way to offer incentives to Canadians to buy into their own oil and gas industry. If we want our Canadian citizens to be involved in the oil and gas industry, we will have to do something with this. It will be much better to have Canadians buy into their own oil and gas industry rather than to have the government attempt to use vast sums of the taxpayers' money through the Canada Development Corporation to give Canadians control of this industry.

• (2:30 p.m.)

I now turn to the depletion allowance. The Independent Petroleum Association appeared before the other place yesterday. It feels that the abatement of the depletion concept, as it is generally understood in the world-wide oil industry, and its replacement with the concept of earned depletion will not generate the necessary capital for the Canadian petroleum industry. We believe that taxpayers with oil and gas income should be entitled to gross depletion. If the government does not accept our recommendation of the gross depletion concept, then we consider that the earned depletion as proposed in the legislation would be more meaningful.

Failing an acceptance of the gross depreciation concept, the Independent Petroleum Association suggests that all Canadian exploration and development expenses, as defined in clause 66 (15) (b), should be included in determining the earned depletion base, but to avoid any abuse in the sale of properties between companies, it is suggested that income from such sales should be credited to Canadian companies' development and exploration expenses and thus the total earned depletion base does not change. The new changes have caused considerable unease and lack of direction about how they will be effective. It is hoped they will not be as bad as some feel. Apparently the government is departing from the present concept of depletion into an unknown field, a field in which other countries have very little experience.

I now turn to the Canadian pulp and paper industry. I wish to say a few words about this industry because it is one of our large employers, but it seems to have deteriorated in the last decade. At this time there are numerous announcements of lay-offs which indicate that the pulp and paper industry is in some difficulty. A brief was prepared by the Canadian pulp and paper industry and submitted to the Minister of Finance in October, 1970. It contained a general set of proposals. The pulp and paper industry seems to have made a case for a study of a new basis of taxation for that industry. Since the pulp and paper industry is dealing with a renewable resource, it cannot advance the same argument as the mining, oil and gas industries which deal with a nonrenewable resource. Therefore, we have to make a decision as to whether or not we can accept their argument.

If the Canadian pulp and paper industry can maintain a growth rate of 6 per cent a year, which is approximately the world growth rate, it will mean about one million tons of pulp. This would provide an estimated 5,000 jobs in the mills and woodlands with considerable multiplier effects. Although Canadian production of pulp and paper has increased in recent years, the industry has lost its position in a number of its markets. Canada's share of the United States newsprint market dropped from 77 per cent in 1955 to 64 per cent in 1970. In 1955, Canada produced 54 per cent of the free world supply of newsprint. In 1970, the share was down to 41 per cent. There has been a corresponding decline in all the statistics relevant to world trade in pulp and paper. The main competitors of the Canadian pulp and paper industry are located in the United States and Scandinavia. Canada has vast forest resources with a skilled labour force, but this is offset by higher transportation costs, machinery costs, corporation taxes and other factors.

In a brief presented to the federal government in 1971, the pulp and paper industry stated that corporation taxes in Canada are considerably higher than those applying to their counterparts in the United States and Sweden. In the United States, the value of timber may be classed as a capital gain and taxed at a lower rate. A compilation of the corporate tax rate in Canada and the United States shows rates in the United States to be from 43 to 49 per cent of income while in Canada rates vary from 51 to 54 per cent. More important, the weighted average of taxes paid as a percentage of income, comparing United States companies with Canadian companies, shows the average rate of the United States company to be 34 per cent while that of the Canadian company is 49 per cent.

Corporations in Sweden have tax advantages resulting from liberal depreciation allowances, a lower over-all rate of taxation, the use of value-added taxes in place of sales taxes and the provision of tax-free investment reserves. It is estimated that the corporation tax rate in Sweden is 40 per cent as compared to 51 to 54 per cent in Canada. I wish to quote from The Tax System in Sweden published by Stockholm's Enskilda Bank, November, 1969:

> Swedish tax rules "have contributed to the efficiency of Swedish industry as a competitor in world markets . . . These Swedish tax devices constitute an arsenal of tax weapons, probably unmatched elsewhere in the world, which may serve as a fertile source of ideas for the business man, government official, tax practioneer, or economist seeking ways to use taxation to strengthen corporate liquidity and offset business cycle fluctuations."

In Finland, the 31 per cent devaluation of the Finmark in 1967, and the related fiscal policies, placed the industry in that country in a particularly advantageous position to improve its place as a world supplier of forest products. The sharp increase in capacity in the period 1970-71 has resulted from government policies fostering the export industries. The Canadian pulp and paper industry has made its case that it needs incentives and a revamping of the tax structure. It is well known that the pulp and paper industry is not as profitable as it has been in the past. An account in a Montreal newspaper approximately one month ago indicated that many plants in Quebec were approaching obsolescence and that very few new ones had been built.

Bill C-259 does not seem to provide any improvements in the tax structure, although dropping the corporation tax by 7 per cent as announced last Thursday will be helpful, but this provision will expire at the end of 1972. It seems unlikely that the industry will respond without future encouragement. The pulp and paper industry is dealing with a renewable resource. It provides jobs in many so-called underdeveloped areas that are receiving grants under the regional economic expansion program. In many cases the government would be well advised to consider the tax structure of industries indigent to the area rather than the elaborate subventions granted by members of the civil service. I feel that Bill C-259 has created uncertainty in the mining, oil and gas industry. It does not seem to have much to offer for the pulp and paper industry in the future, either.

Mr. Horner: Mr. Chairman, in rising to speak again on Bill C-259, I want to continue with the general theme that I find the government in error. I refer to the failure of the government to reinstate confidence in the business community. It will be very difficult for the 7 per cent reduction in corporates taxes announced by the minister in his budgetary statement of a week ago to really have the beneficial effect the government expected it to have and which I believe all Canadians wish it would have in creating more employment. Bill C-259 brings about changes in the corporate tax structure and many significant changes in what one might call foreign investment within Canada. I think now it has become pretty clear that a great deal of our economic policy will hinge upon our foreign policy. It once was said by a number of people that a country's defence policy should be in tune with its foreign policy. I think it is now true that the government is attempting to tie its corporate policy to its foreign policy. In order to instil confidence within the nation and within the business community we must take a look at our foreign policy. I do not intend to do that at this time, but I think one really has to draw that parallel. Surely, we are divorcing ourselves from the economic atmosphere and environment of the United States through a number of measures.

• (2:40 p.m.)

Bill C-259 deals with foreign investment in two or three subtle ways and perhaps, as the editorial in the Toronto *Star* of October 20 suggests, Canada should emphasize that 50 per cent or 51 per cent of a corporation should be owned by Canadians and, second, that all new foreign investment that is proposed should be screened by a government board or body. Actually, this will happen under

Bill C-256 when it passes, at least the competitive aspect. Then again, the question of foreign investment and the size of corporations that will be allowed to sell out to United States or foreign concerns is dealt with very fully in this particular piece of legislation. They will have to pay the difference between the 50 per cent rate of taxation and the 25 per cent rate of taxation.

This lack of confidence in the business community, of course, is compounded by the difficulty arising out of the United States surtax and the attitude of that country. It is now commonly believed by many Canadians that the United States government is not going to be overly anxious to please Canada by removing the surtax or to give Canada the special status we have enjoyed in the past because of our continental position with the United States. The United States is not prepared to do this now, at least partly because of our foreign policy, our policy of supporting the Albanian resolution at the United Nations. Let us accept the situation as it is. Perhaps we are now shifting toward the Russian economic sphere. One might wonder where that will lead us and whether or not we are encouraging Russian investment within our corporate structure and whether this will bring about renewed confidence within the Canadian economy. I might refer to *Time* magazine of March 29 which deals at length with the Russian economy and states:

> For the first time in history, the new Soviet five-year plan, which will be approved at the present Congress, assigns a fractionally higher growth rate to the consumer-oriented industries . . .

I think this is very important because it has been said often we do not want to appear to be solely drawers of water and hewers of wood in respect of the United States but want to become an industrial economy. In some parts of Canada we are well on the way to becoming an industrial country and want to continue this. If we are to shift our trade to Russia, then we want to become an industrial country and not merely be hewers of wood and carriers of water for Russia.

It is helpful to note that Russia is shifting its position to a higher growth rate in consumer oriented industries than in respect of the "metal eaters" of heavy industry. Even so, the metal eaters will continue to receive the great bulk of Soviet industrial investment, the article states. Then further the article suggests that under the present leadership the Russian economy has done fairly well but not well enough. In fact Soviet agriculture, which employs about 26 per cent of the work force versus less than 2 per cent in the United States, has picked up considerably and the Soviets have not had to buy wheat abroad for two years. However, there are still shortages of meat, fruit and fresh vegetables. Industry is lagging badly. Technological advance is falling even farther behind that of the west. The consumer remains ill cared for. So perhaps we have a role as an industrial country in trading with the U.S.S.R. if we would be permitted through some system to supply our industrial goods to that country. Perhaps this would bring about some renewed confidence in Canada.

But what would all this do in respect to our trading partner to the south, the United States. It is interesting to note that even if they should remove the surcharge and other retaliatory acts, we are to some extent quite vulnerable. I should like to quote from the Toronto *Telegram* of September 7, 1971:

> Total Canadian investment in the U.S.—direct and portfolio—is $11,773 million while American investment in Canada totals $34,323 million.
>
> Perhaps equally significant from the Canadian viewpoint is the fact that a much greater proportion of U.S. investment is direct—in 'productive facilities' including plants and factories and such fields as petroleum and natural gas and others . . .

As the hon. member for Dauphin pointed out in his speech a few minutes ago more of that investment is entering what is commonly referred to as the extractive industry, resources. The article continues:

> Many Canadian ventures are formidable. Carling Brewing Co., a subsidiary of Canadian Breweries, the world's largest beer producer, has seven plants in the U.S. with sales of more than $200 million, greater than those of the Canadian parent.
>
> Massey-Ferguson Ltd., world's largest producer of farm machinery, has eight plants employing 10,000 Americans. The American subsidiary of Distillers Corp.-Seagrams Ltd. controls more than one-fifth of the U.S. liquor market. Hiram Walker and Sons Inc., another Canadian-owned subsidiary, has vast plant and bottling facilities scattered throughout the U.S.

It goes on to suggest that Garfield Weston, the food, bakery and groceteria tycoon, has major outlets in the United States as has the Thomson chain of newspapers which owns 44 dailies and 12 weekly newspapers in the United States. It suggests that much of the present Canadian corporate structure of which Canadians hold majority Canadian ownership also has a dual role in the United States economy so we must be very careful that we do not bring about retaliatory action after the surtax is lifted in order to restore the confidence in the business community within Canada. The attitude that Canada is taking toward the United States at present, which is one of preference for a closer trade and economic alignment with the United States, may well turn out to be very costly to the industrial growth of Canada because much of the industrial investment in Canada is also invested in the U.S.

• (2:50 p.m.)

One interesting point which I think has not been made in this debate, and perhaps should be made, is that much of this loss of confidence stems from the feeling that the United States believed they were getting the short end of the stick in the auto pact and that some changes should be made in order to bring about a greater degree of fairness between the two countries.

Mr. Pepin: Explain.

Mr. Horner: Yes, I will explain. Canada said that the auto pact is not negotiable, that we are going to carry on and that we will pay no attention to the wishes of the United States in that regard. This did not bring about any degree of confidence in the business community in Canada. Does the minister wish to ask me a question?

Mr. Pepin: I was wondering who said that because I certainly did not.

Mr. Horner: I did not hear the minister's remark, Mr. Chairman.

The Acting Chairman (Mr. Boulanger): Does the minister wish to ask a question?

Mr. Pepin: This is a point of order, Mr. Chairman. I asked who had said that because it certainly cannot be attributed to me. As a matter of fact, our negotiations with the United States on the automobile agreement had been going on for quite a while before we suffered the interruption of the U.S. surcharge.

Mr. Horner: I appreciate the minister's interruption because I do not want to misinterpret his remarks. If the auto pact is negotiable, that is a very good thing for Canadian industry because it may instil confidence in the industry and it may prevent any retaliatory action by the U.S. Let us assume, however, that we have to adjust our automobile production. I think the auto pact has built up in Canada a tremendous capacity to produce trucks and automobiles. Let us take a look at the Toronto *Telegram* issue of April 25, 1967, which says the following about the automobile industry:

> The capacity of the auto industry has been substantially expanded in order to meet the growing demands of the Canadian market plus the new requirements for the U.S. market. At Ford of Canada, for example, we added a new $25 million truck plant which now operates on a two shift basis— We carried out a $14 million expansion of our Oakville passenger plant— A new passenger plant has been constructed at St. Thomas at a cost of $65 million.

The article goes on to speak about the number of people employed. The point I want to make here is that now that we have built up this capacity it would be shameful if, through some negotiations with the U.S., we failed to employ the capitalization that has been poured into that industrial complex.

I notice in today's *Gazette* an article which says that after Mr. Kosygin's visit to Canada the Soviets will want a super deal for wheat and prefabs. The Prime Minister said today during the question period that no new wheat sales would be forthcoming and the communiqué did not deal with wheat. The Soviets are going to take the three and a half million tons under the present contract, which would take up until April of next year, but they are interested in prefabs. If we are attempting to divorce ourselves from the U.S. economic sphere, perhaps we should look for some way in which to use the capitalization in the auto industry.

I have here a book called "Soviet Transport Experience" which describes the recent troubles in the U.S.S.R. in transportation. The book was published as late as 1969 and it suggests that the production of trucks in the U.S.S.R. is not keeping up with the demand in that country. At page 177 of the book we find the following statement:

> Recent scrappage rates in Soviet agriculture imply that a truck would be on hand for 30 years, not necessarily always in operable condition.

The book gives statistics regarding the number of trucks produced and it suggests that, with the growth in transportation and the increased number of roads built, hard surfaced and unsurfaced, what might be called a switch from railways to truck transportation is taking place in that country. The book goes on to suggest that the production of trucks in the U.S.S.R. is not keeping up with the demand. After studying that book, perhaps we should consider whether we in Canada, with our expanded truck industry, could make a major breakthrough in the sale of trucks to Russia. This is no particular secret. I remember some time ago when Ford went over to study a truck production plant in the U.S.S.R. but because of U.S. regulations he was prohibited from building a truck plant in that country. Perhaps negotiations could be carried out with the U.S., which wants us to bring about greater fairness toward their country with regard to automotive production, to find out whether they would permit part of Canada's production to be directed to the U.S.S.R.

The book which I mentioned which deals with the Russian transportation experience deals also with the growth and the potential growth in passenger cars. It seems to me that it is difficult to compare roads for passenger travel in Russia with those on the North American continent because, even taking into account their increased road construction, they are far behind this continent. There is a section in the book dealing with growth in passenger travel in the U.S.S.R. Here also agreements could be worked out between our two countries which would allow Canada to sell a limited number of cars which would be produced in our expanded auto production complex.

I throw out these thoughts in the hope that the minister will consider them and see what could be done because my aim is to restore confidence in the business community in Canada so that Canadians will no longer remain on the unemployment list in such large numbers and so that the business community will readily re-invest the 7 per cent which the Minister of Finance suggests in his budgetary statement he is giving back to them. Thus, confidence will be renewed within our industrial complex and Canadians can once again be gainfully employed.

All economic indicators point toward a very dismal winter, but if we are going to switch our production and our economy from the U.S. to Russia, I think we should perhaps explore this automotive concept very closely because automobiles is one of the commodities, in addition to wheat, which perhaps could be sold to the U.S.S.R. I do not want us ending up as hewers of wood and drawers of water for Russia, any more than I want us being that for the United States.

• (3:00 p.m.)

Mr. Downey: Mr. Chairman, in taking a general, over-all view of the tax bill we have to assess what it will do in terms of improving the position of Canadians. When we look at those portions of the bill dealing with personal taxation I think we must all agree that there are some good points. We can disagree on whether the government has gone far enough or has gone too far in increasing exemptions, but nevertheless the exemptions are welcome. Expenses for child care will now be taken into consideration, and there will be an exemption of up to $150 to workers, mechanics and the like who have to purchase their own tools. All this is a step in the right direction and we are happy that the government finally has acted upon the suggestions made by the Leader of the Opposition. Certainly his constructive suggestions have been most helpful to the Minister of Finance when deciding these matters.

The main problems in Canada today are unemployment, an uncertain business climate and lack of the faith in the economy by the manufacturing, agricultural and resource industries. The increased exemptions in the per-

sonal tax area may mean an extra $50 or $60 a year for a family, but in terms of creating real employment what will the tax bill do? Will it help the resource industries? Will it help the mining and petroleum industries? Will they be able to expand?

Mr. Paproski: The waste paper industry; that is all it helps.

Mr. Downey: It doesn't do much for the paper industry. Let us see what the Canadian Manufacturers Association has to say with regard to improving the tax bill as it applies to resource industries. Speaking about depreciation, the association says:

> The tax reform bill permits resource industries to deduct $1 of depletion for every $3 of defined expenditures up to a maximum of 33 1/3 per cent of production profits. The association is concerned that, apart from the possibility that the new incentive system may prove seriously ineffective, the definition of eligible expenditures is too narrow.

Then they cite a few items which in their opinion have been unreasonably excluded from the eligible expenditure base. The following is one:

> Cost of acquiring Crown mineral rights.

Both parliamentary committees thought that this should be included but the minister chose not to heed them.

> All capital costs directly associated with the development of oil or gas for market, including field equipment and gas plants.
>
> Exploration and development costs incurred in the "vicinity" of an existing mine.

These are not included and their exclusion will discourage expansion of our major industries.

What will the bill do for the agricultural industry? It certainly will not do much for farmers. If they have a small personal income it will provide them with an extra $50, $60, or $70 a year. On the other hand, it will bring their recaptured depreciation into income, which will mean that they will be taxed on an extra $3,000 or $4,000. We will give them a little on the one hand, and on the other take away three or four times as much.

The proposed capital gains tax will be difficult to live with, and certainly many people in agriculture will not be able to do much to protect themselves from extra tax in this area. This tax will be mainly applied against the small and middle-income earners, those who cannot protect themselves against it because of the great expense involved in hiring experts to advise them.

The United States has had a capital gains tax in effect for some time. It does not affect the most wealthy people. They have title-holding companies which theoretically, so far as the tax department is concerned, provide them with exemptions. There is nothing in this tax bill that will take care of such a situation. People who are wealthy enough will be able to discover the loopholes and escape the provisions of the legislation. Regarding the provisions with respect to international competitiveness, the Canadian Manufactures Association has this to say:

> The proposals with respect to international income are more onerous than those applied elsewhere and would inhibit Canadian companies' efforts to sell and expand abroad. In addition, we think the over-all impact of the bill would add somewhat to a corporation's costs. Recent developments in the United States increase our concern on these two points.

This is a reference to the U.S. surcharge and DISC proposal. In light of new developments with the United States we need to reassess the tax bill and the tax structure as it applies to the international situation.

• (3:10 p.m.)

Every few days in this House the Prime Minister tries to reassure us that business is picking up and that there will be a renewal of confidence. But what are the manufacturers doing, Mr. Chairman? We have one example of our only domestic manufacturer of tractors—the remainder being imported from the United States, Sweden, Russia and Roumania—who is now residing in Mexico and is reported to be contemplating taking out citizenship in that country. We can assume that he is also contemplating moving his headquarters to that country, so his confidence in what the future holds for Canada cannot be very great. If this happens, then of course we will have another foreign-owned company. This indicates what business thinks of the economic climate in Canada.

I suggest that these reassurances given in the House by the Prime Minister are futile and a waste of time, considering the reaction of business leaders and manufacturers. Of late the Prime Minister has been assuming the role of the great internationalist developing relations around the globe. In some ways this is commendable, but I do not think Canadians want to jeopardize their standard of living for the sake of the Prime Minister presenting himself as a great internationalist or mediator.

It must be remembered that about 80 per cent of our manufactured production goes to the United States, especially that of U.S.-controlled firms. We cannot overlook the realities of life. Even those who talk about economic nationalism in this House want a nice comfortable house to go home to; they want to know that the pay cheque is coming at the end of the month and that their standard of living at least remains stable or possibly improves a little. If our relationships with the United States are destroyed, we will suffer.

The hon. member for Crowfoot referred to the role of this country as hewers of wood and drawers of water. What are our chief exports to China and Russia at the present time? Do we export to them the same type of goods that we send to the United States in large quantities? Is it likely, considering their supply of cheap labour, that the Chinese will accept the same quantity of manufactured goods as the United States will? It would be unrealistic to expect this. The imposition of the 10 per cent surcharge on manufactured goods by the United States may give us an opportunity to develop our own manufacturing industry.

An hon. Member: I hear a child crying in our public gallery.

Mr. Downey: He is listening to what I am saying; he is responding.

Mr. Bell: It is quiet despair.

Mr. Downey: Even before he can read this 707-page document, he is crying.

Mr. Osler: That child will tell his grandchildren not to vote for you.

Mr. Gundlock: He will tell them he heard.

Mr. Downey: The majority of Canadians will understand the tax bill just about as well as the child that is crying in the gallery right now. This 707-page is as thick as four Eaton's catalogues. The child's understanding of that document is about as great as that of hon. members on the other side of the House.

Mr. Gundlock: And he is crying about it!

Mr. Downey: Mr. Chairman, we may very well be worse off being regarded as hewers of wood and drawers of water if we do not heed the cries of necessity from below the border and continue to imperil our relations with the United States. The Prime Minister is often asked what he is doing to improve this relationship, but he does not have very much to say about it. During the past six months he should have visited Washington in an effort to reach greater understanding. Instead, he goes skiing or takes trips to countries that are interested only in our great natural resources. It is this indifference to the realities of international diplomacy and the real needs of the Canadian people that has put us in the catastrophic position in which we find ourselves today.

Mr. Schumacher: Mr. Chairman, Bill C-259 which was introduced last June under very different circumstances from those we face today, has taken up some time of the House. I have not participated in the debate so far and I hope I will not intrude too long on the committee's time this afternoon.

• (3:20 p.m.)

I suggest, for the sake of argument, that even if this bill was a masterpiece at the time it was introduced—and I doubt that; I do not believe it a—it is not what we require for our country at this stage of its progress, particularly in view of the United States policy introduced on August 15. I would like to use the analogy of a wartime aircraft. We might develop an aircraft which would have been suitable for the last war but which will not be good enough for any war of the future. This bill is like that: the whole picture has changed.

I think the government's policy in preparing Bill C-259 was designed to some extent to discourage the flow of foreign capital to Canada and to increase the investment in Canadian industries by Canadians. Although that aim is laudable, I do not believe the legislation goes far enough in that regard. I do not believe that this income tax revision will in the end result in Canadians being on an even footing with foreigners so far as investing in the resources of this country is concerned. However, at least a small, faltering step has been taken. Under the present situation our capital requirements are substantially different. Actually, I suggest that we depend more than ever on foreign capital and that there is a greater need for it now than there was prior to August 15.

The new economic policies adopted by the United States have resulted in encouraging a retrenchment of their foreign operations. Whereas the United States might have encouraged its corporations and other enterprises to invest in businesses or other undertakings in Canada, West Germany and elsewhere, before the new policies were announced, the interest of the United States is now focused in centres such as Pittsburgh and Cleveland. There will be an increase in the rate of the withdrawal of capital from Canada, or at least there will be a marked slowdown at the rate in which capital comes into this country. Although it may not be so apparent to the people of Ontario, people living in the part of the country I have the honour to represent, or in the province of Quebec across the river, realize that capital is required to create opportunities for Canadians so that they may make the best of their lives as well as strengthen the country in the long run.

I believe it is a matter of record, Mr. Chairman, that Canadians make substantial capital investment. I believe the figures indicate that on a per capita basis Canadians invest more in the United States than the people of the United States invest in Canada. On a per capita basis we invest three times as much. In my view, proper tax legislation at this time ought to be aimed at encouraging the return of that Canadian capital for use in this country. Yet we find that the tax systems of other countries are such that Canadians prefer to invest in those countries rather than in the enterprises in this country.

I suggest that the new economic policies of the United States have been caused by the current economic crisis, the greatest since the depression of the 1930s. Here, again, I should like to use an analogy to illustrate my meaning. During the late 1930s the government of Canada established a royal commission to study dominion-provincial relations. It was known as the Rowell-Sirois commission. That commission did its work late in the 1930s and issued its report, I believe, in 1940. Of course, since the commission had done most of its work during peacetime, when its report came out did not reflect the situation then existing. It was realized, therefore, when the commission reported that the government could not adopt its recommendations because circumstances had changed so greatly. The country was then involved in the war effort, and common sense prevailed.

I do not know what name one could give to our present situation. I think we are witnessing a love affair with systems analyses, or something of that kind. This government seems to feel that everything must happen by a certain time, and that if something does not happen by a certain time it should not happen at all. There seems to be undue concern about January 1, 1972. The government's attitude leads me to conclude that by January 1, 1972, we shall be pretty close to "1984".

The government wanted to produce a grain stabilization program for this country. Because the bill did not proceed in the manner the government thought it ought to proceed, the bill was withdrawn. That is to say, because the government could not get it through in the time allotted, it decided not to go ahead with it at all. The same suggestions are being made with regard to this legislation. We are told that consideration must be finished before January 1, 1972. On the other hand, this tax legislation, in my view, is obsolete and should not be proceeded with.

Our taxation system is not that bad. I think if we look at it on an international basis we will find that Canada is considered as having a relatively good tax system. Yet we are not satisfied with it. We are to do away with the system we have and replace it with a system nobody understands. I suppose it is too much to hope that the

government will postpone the operation of this law for one year. If that cannot be done, there should be an undertaking by the government that it will not proclaim the great bulk of the bill until the taxpayers and provinces who will be greatly affected by it understand the legislation. We must understand it before it is fully implemented.

Mr. Pepin: If our taxation system is so good, why did the right hon. member for Prince Albert ask Carter to look into it?

Mr. Schumacher: That is something I have wondered about. I do not think he asked Mr. Carter to produce a brand new system. I think he asked Carter to simplify the existing system. Surely the name of Carter must conjure up nightmares for the right hon. member for Prince Albert, because Carter did not follow the instructions that were given to him. I do not think this country owes a debt of any nature to the late Kenneth Carter, because he did not do what he was supposed to do.

Mr. Reid: Is the hon. member talking about instructions Carter was given in private or in writing?

Mr. Schumacher: Who said anything about private instructions?

An hon. Member: Who is speaking from behind the curtains?

Mr. Schumacher: Mr. Chairman, if the hon. member for Kenora-Rainy River wishes to say something, perhaps he would say it from his seat.

Mr. Reid: Mr. Chairman, may I ask the hon. member a question?

The Chairman: Order, please. The hon. member for Kenora-Rainy River may ask the question only if the hon. member for Palliser agrees.

Mr. Schumacher: Agreed, Mr. Chairman.

Mr. Reid: Mr. Chairman, I should like to ask the hon. member if it is not true that the terms of reference relating to the Carter report asked Mr. Carter and his colleagues to look into all aspects of our tax system and did not preclude the possibility of bringing in a new system.

Mr. Woolliams: He was not asked to write a socialist bible.

Mr. Schumacher: As my hon. friend from Calgary North suggests, he was not asked to write a socialist bible. He was asked to look into all aspects of the existing tax system with a view to simplyfing it, not to making it more complicated.

• (3:30 p.m.)

Mr. Reid: Why bother, if it was such a perfect tax law?

Mr. Schumacher: I did not say it was a perfect tax law. I said it was generally recognized in the international community as being a good tax law. The effects of these proposals are unknown to the ordinary taxpayer. Moreover, they are unknown to the provinces. The Minister of Finance tells us there is to be a guarantee that provincial income will be maintained, but no one can understand the formula which he has proposed to make good this assurance. Gift tax and estate tax are to be dropped and replaced by a capital gains tax, but the federal government has given no undertaking to share the proceeds of that tax with the provinces in the way in which the gift tax and estate tax were formerly shared.

Mr. Clermont: We give them all.

Mr. Schumacher: I beg you pardon.

Mr. Woolliams: He does not know.

Mr. Clermont: It is not hard to know as much as the hon. member for Calgary North.

Mr. Schumacher: The government's attitude is that once it has received a mandate from the people it can do anything it pleases until the next election. If the people do not like it, then in the phrase of the Prime Minister they can lump it. In my view that is not a proper way in which to manage this country. The government is forcing the taxpayers to acquiesce in its aims and this places a very high responsibility upon the government for the damage which is likely to result from the legislation before us.

The government is forcing most provinces—all of them, I suppose, with the exception of Quebec which has its own tax machinery—to accept this system. The provinces have no choice, because they lack the facilities to collect taxes on their own behalf. The Minister of Finance says to the provinces, "If you do not like the deal we are offering, then raise your own taxes." But the facilities do not exist. The government is making use of this situation in order to coerce the provinces into agreeing to its proposals. I do not think it can be denied that this measure will have the effect of raising more money for the treasury. The tax base is substantially broadened. It is just a question of making collection by the federal government easier.

I should like to say a word about the mines and minerals provision in the bill. My hon. friend from Battle River has already referred to it and I believe my hon. friend from Dauphin has also done so. I should like to lend my support to their pleas for amendments to the legislation with respect to depletion allowances. I feel the provisions in the bill as it stands are not adequate. Reference has been made to the cost of acquiring land, to the restriction on depletion allowances in that connection. There is also the question of the further facilities which are required in order to carry on an efficient operation once the company has been established.

These mines are often situated in remote areas and developers are required to build houses, construct streets, put in power lines and all the other utilities which go to making up a viable community. I know that at the present time in Alberta the MacIntyre Porcupine Company is finding difficulty in meeting its commitment in connection with the export of coal to Japan under contracts already signed, because the circumstances in which its miners are required to live are not satisfactory to those miners.

Situations of this kind will certainly not be corrected by the prospect offered in Bill C-259. In addition, there are exploration and development expenses which are normally incurred in the vicinity of a mine after it comes into operation—expenses which are required in order to keep

a company operating efficiently. Items of this kind should be classified as qualifying for earned depletion allowance. I have been advised that land costs can sometimes amount to 40 per cent of the cost of an oil well. If such costs do not qualify for depletion it can easily be seen that the net tax which is to be paid by these companies will be substantially increased. Indeed, it may no longer be possible for companies to locate and develop these resources.

People in Ontario, particularly in southern Ontario, as well as in other metropolitan areas have a peculiar view about the development of this country. They seem to think we can build up a great number of labour-intensive undertakings overnight. They do not realize that many parts of this country possess only raw materials and that you cannot make labour-intensive employment out of resources of that kind. We must develop these resources because in many areas there is nothing else to develop. It will bear repetition to point out that over the next short period there will be a requirement of $25 billion for the development of the petroleum and natural gas industries to meet the demands presently foreseen, of which only $17 billion will be available from internal sources.

The Chairman: Order. I regret to interrupt the hon. member but I must remind him that his time has expired.

Some hon. Members: Continue.

The Chairman: The hon. member may continue if he has the unanimous consent of the committee. Is there such consent?

Some hon. Members: Agreed.

• (3:40 p.m.)

Mr. Schumacher: I thank the committee for its indulgence in allowing me to conclude my remarks.

In summary, may I say this legislation is not applicable to the problem we are facing today. It appears to me to be part of a grand design to narrow our association with the United States, which will only be to the detriment of both countries. This measure at this particular time will cause untold hardships to the people of Canada, and I urge the government to change its view. Instead of taking the time of the House with this legislation, I urge the government to deal with something that will give new confidence to the people of Canada and put them back to work. That is what is required today.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, my intervention at this point will be very brief.

Some hon. Members: Hear, hear!

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I learned the very first year I was here that that is the only way to get applause.

An hon. Member: It still works.

Mr. Knowles (Winnipeg North Centre): Yes, it still works. There has been no change in that respect in the last 100 years.

Mr. Cafik: The trouble is that you always go on to make a long speech, just to mislead us.

Mr. Knowles (Winnipeg North Centre): The hon. member is tempting me to do what is often done, namely, to say that one will be brief and then to go on for the full time allowed by the rules, but I refuse to be tempted. The reason we of this party have not been in this debate today is the fact that an agreement has been made under which, starting Monday, we shall deal with specific areas and subject matters of the bill. My understanding is that at four o'clock today it is to be agreed that the general discussion is over and that from here on we shall deal with specific matters.

Therefore, since the Minister of Finance gave notice today of the omnibus amendment that he is moving to clause 1, and since on Monday we shall be dealing with the proposed section 109 I should like to give notice that during the course of that discussion we should like to see a change made respecting the main phase of this new, proposed section.

What this section does in the main is to set the new exemption levels of $1,500 for a single taxpayer and $2,850 for a married taxpayer. We have pointed out time and time again that 22 years have elapsed since the present levels of $1,000 and $2,000 were set. We do not thing that the change that has been proposed is at all sufficient.

We also think that consideration should be given to a system of tax credits as perhaps an even better way to provide exemptions for those in the lower income brackets, and we shall be making proposals along this line on Monday. We hope that the government will give consideration to this matter over the weekend. The government knows the arguments that can be made in favour of this proposal and it knows how weak is the case for this $1,500 and $2,850 set-up. On Monday we hope we can make a real improvement to this section of the bill.

If we also get to the proposed new section 110, when we have finished our discussion on section 109, this section will deal with a number of matters that are allowed as deductions and we think amendments should be made to it too, particularly to the benefit of those in the lower tax brackets.

I hope those hon. members across the way will agree with me that my remarks have been brief. In fact, I have not made a speech; I have simply given notice that on Monday we want some real action by way of changing the proposed exemption levels in this bill.

Mr. Gundlock: Mr. Chairman, I enjoyed the remarks of the previous speaker. I took him literally and did not think he meant exactly what he said. For my part, I do not look forward to Monday because when we come to deal with this bill clause by clause, in view of the number of clauses I see no end to it. Quite frankly, I do not think there will be an end to this bill even if the government makes substantial amendments.

Having listened to the discussion so far on clause 1, it seems to me that as Canadians, not only as Members of Parliament, we are being confronted with something that we have not encountered at least within the memories of those of us who are debating this bill. Quite frankly, we are confronted with a new relationship between Canada and the United States and I do not think the Canadian people recognize this. We are hearing more about it every day in the papers of the nation, on radio and television,

and we are even hearing about it from the people we represent.

I hope hon. members opposite will take this question seriously. As Canadians we have been proud, as have the citizens of the United States, to have the longest undefended border in the world. Suddenly we are made aware of the fact that the United States is now defending that border, at least in economic terms. I am very glad to see that finally some of the minister's advisers are listening to what is said.

What has brought about this sudden confrontation between Canada and the United States? Are we to blame the Minister of Finance? I do not think so. Perhaps the blame lies with the minister's advisers who are advising him to bring forward this bill. In the first place, its provisions are now out of date and, secondly, it does not meet present-day needs. I could detail other deficiencies but time is short. It may be these deficiencies stem from the fact the leader of the government is confronting the United States, first in our relationship with NATO and second in our relationship with NORAD. I see that the Minister of National Defence is paying no attention. The United States has suddenly begun to defend its economic border. I urge the advisers of the Prime Minister and the Minister of Finance to realize that something is wrong.

• (3:50 p.m.)

If you look at the record of the past few weeks, and indeed of the past few years, you will see that there is every evidence that something has gone wrong with regard to Bill C-259. There is a great deal of evidence to show that the bill should be withdrawn. It is not only doing wrong to Canadian taxpayers and the country as a whole; it is creating a wrong impression for the best friend that Canada ever had. It takes two to have that sort of friendship. I am very disturbed at what is apparent today in Canada-U.S. relations and about the effects of Bill C-259. The cause of this trouble may lie with government advisers, the Prime Minister or the leadership of this country. I am not too sure.

When we attempt to deal with this bill clause by clause we will be lost in a real fog; therefore, I urge the leader of this country and his advisers to withdraw the bill and bring forward a new one without delay.

Mr. Bell: Mr. Chairman, I understand there is agreement to finish in an orderly way within a few minutes and demonstrate a slight degree of progress. I want to deal with a matter that was raised in this debate the other night by the hon. member for Skeena. As reported at page 8865 of *Hansard*, he referred to the Atlantic Sugar Refineries Company, Limited. I will paraphrase his words. He said they were bilking, or cheating the Canadian taxpayers out of $2,300,000 because of certain action that would be taken in a few days at a shareholders' meeting. I am not taking up the hon. member in too serious a way. I just want to take this opportunity to put forward the other side of the story.

I thought the hon. member was just using a newspaper clipping to make a point in the debate. In the question period today he pressed the matter further; therefore, I feel I have to go further. Today he asked if one of the ministers of the Crown was investigating this bilking, or cheating of Canadian taxpayers out of the sum of money I have stated. In a supplementary question I asked if the minister would report and give assurance that this action was nothing more than an ordinary corporate arrangement that would go forward with the full approval of the shareholders.

Mr. Knowles (Winnipeg North Centre): You mean they all do it?

Mr. Bell: The hon. member for Winnipeg North Centre, of course, is of the same socialist ilk. I do not mind standing here and defending a company that employs thousands of people in a very honourable and legitimate way.

Some hon. Members: Hear, hear!

Mr. Bell: I say to the hon. member and those in his party that if this company is not allowed to go forward in the proper way and amalgamate its losses, thousands of jobs will be lost. The members of that party will be the first to irresponsibly get up and holler and yell because something was not done about it. This company has been a very good citizen of New Brunswick, through its president, W. J. R. Paton. It has always taken part in community activities in Saint John and, in a larger sphere, in the province of New Brunswick. As everyone knows, it is in difficulty with Acadia Pulp and Paper Limited because of international actions and actions of this government with regard to the dollar. I will not even get into an argument about confidence in the pulp and paper industry. This company also had bad luck with its tuna company which it established anew. It did a very honourable job in this industry in New Brunswick until the difficulties with mercury.

I merely wish to state, on this Friday afternoon, that as far as I am concerned this company is going ahead in the proper way, a way in which it is entitled to go under the law. It has called shareholders' meetings. I suppose they will amalgamate the various companies and in this way consolidate their losses. I hope they will be able to continue their business in New Brunswick. It means thousands of jobs in that province.

An hon. Member: Four o'clock.

The Chairman: Before I call it four o'clock, having in mind the remarks of the hon. member for Winnipeg North Centre is it the understanding of the Chair that the general discussion is now concluded and that on Monday the committee will move to discussion of the details of clauses 109 and 110?

Some hon. Members: Agreed.

The Chairman: Does the committee so order?

Some hon. Members: Agreed.

The Chairman: It is so ordered.

Progress reported.

Mr. Deputy Speaker: It being 4 o'clock p.m., the House will now proceed to the consideration of private members' business.

Mr. Deachman: Mr. Speaker, I understand there is disposition among hon. members to forgo the private members' hour today.

Mr. Bell: We are agreeable, Mr. Speaker. I trust these bills will hold their normal place on the order paper.

Mr. Knowles (Winnipeg North Centre): Agreed.

Income Tax Act

Mr. Deputy Speaker: Is it agreed that private members' hour shall be dispensed with and the bills shall retain their normal place on the order paper?

Some hon. Members: Agreed.

At four o'clock the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Monday, October 25, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

CANADA BOAT SAFETY BILL

MEASURE TO ESTABLISH ADVISORY COUNCIL AND MINIMUM STANDARDS FOR CONSTRUCTION AND OPERATION

Mr. Barry Mather (Surrey-White Rock) moved for leave to introduce Bill C-271, respecting boating safety.

Mr. Speaker: Is it the pleasure of the House that the hon. member shall have leave to introduce the said bill?

Mr. Knowles (Winnipeg North Centre): Explain.

Mr. Mather: Mr. Speaker, the purpose of this bill is to promote recreational boating safety and reduce the growing number of casualties from recreational boating. It seeks to do this by the establishment of a boating safety council having on it a representative of the Public Service and others from boating safety organizations. It would enable the making of regulations respecting safety standards of boats and licensing and efficiency standards for pleasure boat operators.

Motion agreed to, bill read the first time and ordered to be printed.

* * *

BRITISH NORTH AMERICA ACT, 1949

PETITION FOR AMENDMENT BY UNITED KINGDOM PARLIAMENT OF TERM 17, EDUCATION, OF TERMS OF UNION OF NEWFOUNDLAND WITH CANADA

On the order: Government Notices of Motions.

October 22, 1971—The Minister of Transport: That a humble Address be presented to Her Majesty the Queen in the following words:

To the Queen's most Excellent Majesty:

Most Gracious Sovereign:

We Your Majesty's most dutiful and loyal subjects, the Commons of Canada in Parliament assembled, humbly approach Your Majesty praying that You may graciously be pleased to cause a measure to be laid before the Parliament of the United Kingdom to be expressed as follows:

An Act to amend the British North America Act, 1949

Whereas Canada has requested, and consented to, the enactment of the following provisions, and the Senate and House of Commons of Canada in Parliament assembled have submitted an Address to Her Majesty praying that Her Majesty may graciously be pleased to cause a measure to be laid before the Parliament of the United Kingdom for that purpose:

Be it therefore enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

Terms of Union of Newfoundland with Canada amended

1. Term 17 of the *Terms of Union of Newfoundland with Canada* set out in the Schedule to the *British North America Act*, 1949 is repealed and the following substituted therefor:

"17. (1) In lieu of section ninety-three of the British North America Act, 1867, the following Term shall apply in respect of the Province of Newfoundland:

In and for the Province of Newfoundland the Legislature shall have exclusive authority to make laws in relation to education, but the Legislature will not have authority to make laws prejudicially affecting any right or privilege with respect to denominational schools, common (amalgamated) schools, or denominational colleges, that any class or classes of persons had by law in Newfoundland at the date of Union, or any like right or privilege with respect to such schools or colleges that any other class or classes of persons have had by law in Newfoundland after the date of Union as members of a religious denomination or one of a group of religious denominations that, by or under the Schools Act of Newfoundland, is or at any time has been recognized as being organized for educational purposes, and out of public funds of the province of Newfoundland provided for education.

(*a*) all such schools shall receive their share of such funds in accordance with scales determined on a non-discriminatory basis from time to time by the Legislature for all schools then being conducted under authority of the Legislature; and

(*b*) all such colleges shall receive their share of any grant from time to time voted for all colleges then being conducted under authority of the Legislature, such grant being distributed on a non-discriminatory basis.

(2) In this Term, "Schools Act of Newfoundland" means The Schools Act, 1969, being the Act No. 68 of 1969 (Statutes of Newfoundland), as amended from time to time, or any Act substituted therefor as amended from time to time."

Coming into force of amendment

2. For greater certainty, the provision of Term of the *Terms of Union of Newfoundland with Canada* set out in the Schedule to the *British North America Act, 1949*, in so far as those provisions relate to the aproval and coming into force of the said Terms, do not apply to or in respect of the amendment set out in section 1 of this Act.

Questions

Short title and citation

3. This Act may be cited as the *British North America Act, 1972*; and the *British North America Acts, 1867 to 1965*, and this Act may be cited together as the *British North America Acts, 1867 to 1972*.

Mr. Speaker: Pursuant to section 2 of Standing Order 21 this notice of motion is transferred to and ordered for consideration under government orders at the next sitting of the House.

QUESTIONS ON THE ORDER PAPER

(*Questions answered orally are indicated by an asterisk.*)

BELLECHASSE CONSTITUENCY—FEDERAL ASSISTANCE TO HOUSE FOR AGED AT SAINT-FABIEN

Question No. 1,711—**Mr. Lambert (Bellechasse):**

Did the government contribute financially to the construction of the home for the aged in Saint-Fabien in the constituency of Bellechasse and, if so (a) was the contribution made through the Central Mortgage and Housing Corporation (b) what was the amount contributed (c) if the form of a loan (i) what was the rate of interest (ii) what will be the duration of the loan (iii) what are the reimbursement terms?

Hon. Robert K. Andras (Minister of State for Urban Affairs): (a) (b) (c) Central Mortgage and Housing Corporation approved a loan in August, 1969, through the Quebec Housing Corporation, to assist in the financing of a home for the aged in Saint-Fabien-de-Panet, in the Constituency of Bellechasse, in the amount of $350,000. The loan was made at an interest rate of 6-7/8 percent repayable over a term of 50 years.

JOB VACANCY SURVEY

Question No. 1,719—**Mr. Blackburn:—Supplementary**

1. What was the total expenditure associated with the development and the operation of the Job Vacancy Survey in each of the fiscal years since 1966-67?

2. How many full-time employees associated with the Job Vacancy Survey were on the payroll of Statistics Canada and the Department of Manpower and Immigration at the end of the fiscal years 1966-67, 1967-68, 1968-69, 1969-70, 1970-71?

3. What is the operational definition of a vacancy in the survey?

4. What is the first month in which results from the Survey were prepared?

5. How many vacancies were found in Canada and in the five regions in this first month and in subsequent months to date?

Hon. Otto E. Lang (Minister of Manpower and Immigration): In so far as the Department of Manpower and Immigration is concerned, the following applies:

1.

Fiscal Years	Department of Manpower and Immigration Payments to Statistics Canada (Under Contract)	Department of Manpower and Immigration Operations and Administrative Costs	Total Expenditures
		Dollars	
1966-67	—	—	—
1967-68	289,254	—	289,254
1968-69	661,894	22,702	684,596
1969-70	1,010,501	54,036	1,064,537
1970-71	1,043,733	77,669	1,121,402

2.

Fiscal Years	Personnel Employed by Statistics Canada	Department of Manpower and Immigration Employees	Total Full Time Employees
1966-67	1	—	1
1967-68	66	—	66
1968-69	88	2	90
1969-70	100	5	105
1970-71	99	7	106

3. The difinition of job vacancies used in the present Canadian Job Vacancy Survey is a job: (1) That was vacant for the full reference day. (2) For which some specific recruiting action was undertaken during a specified time period. (3) That was open to workers from outside the establishment and (4) Was either immediately available or available at a specified future starting date.

4. June, 1970.

5. The data from the Job Vacancy Survey was being evaluated and prepared for publication. In the initial publication, monthly data for the period commencing June 1970 forward will be reported. Thereafter, the data will be reported monthly. Publication is scheduled to begin before the end of 1971.

NEWFOUNDLAND—FEDERAL GRANTS IN 1971

Question No. 1,722—**Mr. Marshall:**

How many loans have been granted in Newfoundland in 1971 under the following headings (a) Small Business Loans (b) Farm Improvement Loans (c) Fisheries Improvement Loans (d) Industrial Development Bank Loans?

Hon. E. J. Benson (Minister of Finance): For the period January 1 to June 30, 1971: (a) two; (b) four; (c) ten. For the period October 1, 1970 to 31 August, 1971: (d) 79.

MONTMAGNY, QUEBEC—FEDERAL ASSISTANCE TO HOTEL-DIEU HOSPITAL

Question No, 1,735—**Mr. Lambert (Bellechasse):**

Did the government contribute financially to the enlargement of the Hôtel-Dieu Hospital in Montmagny, during the years 1969-70 and 1970-71 and, if so, what was the amount of the contribution?

Hon. John C. Munro (Minister of National Health and Welfare): Under the Hospital Construction Grant Program, based on projects submitted by the province of Quebec, federal contributions of $258,419.37 were made to the province of Quebec for the Hôtel-Dieu Hospital of Montmagny towards major renovations and addition of 18

new active treatment beds and additional floor areas for community health centre facilities. No grants by the federal government were provided during fiscal year 1970-71 since the Hospital Construction Grant Program was terminated on March 31st, 1970. However, a terminal Federal Hospital Construction Grant payment of $17,071,925.00 was paid to the Province of Quebec. The Province has not yet reported on the breakdown of the construction grants it has made to individual hospitals with this allocation.

CNR—REGISTRATION OF SHIPS

Question No. 1,741—**Mr. Skoberg:**

Are there any ships belonging to the CNR registered outside of Canada and, if so, in what countries are these ships registered?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): The Management of Canadian National Railways advises as follows: No.

EVALUATION OF DRIVER EDUCATION PROGRAMS

Question No. 1,743—**Mr. Mather:**

Is consideration being given to evaluating, in conjunction with the provinces, the standards and values of driver-education programs, with particular reference to studying the need for an increased period of supervision or monitoring of the behaviour of newly licensed young drivers?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): The Road and Motor Vehicle Traffic Safety Branch of the Department of Transport is planning an evaluation of Canadian driver education programs to determine their effectiveness in reducing motor vehicle accidents. This study will be carried out in cooperation with the provinces and will include an examination of the contents of driver education courses as well as an assessment of their effectiveness. As responsibility for the licensing of drivers is that of the provinces, a detailed study of the performance of newly-licensed young drivers, or of any other group of drivers, will have to be developed in cooperation with one or more of the provincial government departments having authority for such matters.

TRAFFIC ACCIDENTS AS A RESULT OF DRUG USAGE

Question No. 1,744—**Mr. Mather:**

Is a record kept of traffic accidents resulting from the consumption of hypnotic and psychotropic substances by drivers and, if so, does the record indicate (a) that such accidents are on the increase (b) the age groups that are most involved?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): While it is understood that some provinces are attempting to identify and record traffic collisions in which drug usage may have been a contributing factor, reliable statistics are not available nor are any such data reported to Statistics Canada at present.

USE OF PHOSPHATE DETERGENTS

Question No. 1,749—**Mr. Aiken:**

1. Has the recent announcement by the Surgeon General of the United States concerning the use of phosphate detergents come to the attention of the government and, if so, does the government intend to confirm its determination to reduce and eliminate the use of phosphate detergents in Canada?

2. Does the government intend to proceed as planned with regulations for the cutting back of the phosphate content in detergents in 1972?

Mr. Eymard Corbin (Parliamentary Secretary to Minister of the Environment): 1. Yes, the Government intends to follow the previously announced program to reduce the phosphate content of laundry detergents to not more than 5 pour cent (calculated as P2 O5) by the end of 1972.

2. Yes.

LOSS AS A RESULT OF FIRES

Question No. 1,756—**Mr. Mather:**

1. How many Canadians died in fires during 1970?

2. How many of these were children?

3. What was the estimated property loss from such fires?

4. What was the estimated loss to the economy including lost production and employment?

5. What were the chief causes of fires?

Hon. Arthur Laing (Minister of Public Works): According to reports received from the Provincial Fire Marshals and Fire Commissioners: 1. Six hundred and thirty-six.

2. Two hundred and twenty-four.

3. Throughout Canada, 68,435 fires reported for a total loss of $202,007,561. No information available on loss from fires in which fatalities were involved.

4. It is estimated that the indirect losses of fire—stoppage of production and consequent unemployment—are five times the direct loss.

5. The three leading causes were: Smokers carelessness, 30 per cent; electrical causes, 14 per cent; heating equipment, 10 per cent.

NATIONAL PARKS AND HISTORIC SITES SERVICE—EMPLOYMENT OF JEAN BERGER

Question No. 1,787—**Mr. Lambert (Bellechasse):**

Is the former Member for Montmagny, Mr. Jean Berger, with the National Parks and Historic Sites Service of the Department of Indian Affairs and Northern Development and, if so (a) since what date (b) what are his duties (c) what is his annual salary?

Mr. Judd Buchanan (Parliamentary on Secretary to Minister of Indian Affairs and Northern Development): No. (a) Not applicable; (b) not applicable; (c) not applicable.

THIRD REPORT OF THE SPECIAL COMMITTEE ON ENVIRONMENTAL POLLUTION

Question No. 1,788—**Mr. Macquarrie:**

1. On what date was the Third Report of the Special Committee on Environmental Pollution transmitted to the Secretary of State of the United States?

2. On what date was receipt of the document acknowledged by the Secretary of State?

3. Was a copy of the report sent to the Secretary General of the United Nations and, if so, on what date?

4. What was the date and nature of the reply of the Secretary General?

Questions

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. A copy of the Report was handed personally by a senior officer of the Department of External Affairs to the Director, Office of Canadian Affairs of the Department of State in the course of meetings between Canadian and United States officials in Washington at the end of June, 1971.

2. Receipt of the Report was acknowledged orally by the Director, Office of Canadian Affairs in the Department of State.

3. No.

4. See reply to foregoing question.

INDUSTRIAL DEVELOPMENT BANK—APPROVAL OF APPLICATIONS FOR FUNDS

Question No. 1,794—**Mr. Schumacher:**

1. What basis is used for determining approval of application for funds from the Industrial Development Bank?

2. What form of investigation is used to determine the location of parent companies of successful applicants?

3. What form of investigation is used to determine the controlling administration of successful applicants?

4. What are the residency requirements of successful applicants?

5. What are the citizenship requirements of successful applicants?

6. What priorities are given to strictly Canadian applicants?

7. What investigation is made to determine whether projects and applicants are strictly Canadian?

8. What applications have been approved to date, where ultimate control lies outside Canada?

9. In each case who are the controlling authorities and where are they located?

10. In each case, how much money was loaned by the Industrial Development Bank?

Hon. E. J. Benson (Minister of Finance): The Industrial Development Bank is empowered to make loans to any person engaged or about to engage in an industrial enterprise in Canada (defined as an enterprise in which is carried on any industrial, trade or other business of any kind) provided that it can satisfy itself that credit or other financial resources would not otherwise be available on reasonable terms and conditions, that the amount invested or to be invested in the enterprise by persons other than the Bank and the character of that investment, are such as to afford the IDB reasonable protection and that the enterprise may reasonably be expected to prove successful and able to repay its loan. The statute does not distinguish between enterprises in Canada which are domestically-owned or foreign-owned. The IDB does not maintain records in a form which would provide information concerning either the number or amount of loans to foreign-owned or foreign-controlled businesses in Canada. Notwithstanding the absence of statistical date, the proportion of loans to foreign-owned or foreign-controlled businesses is very small. The IDB's customer's are, primarily, small business enterprises, many of which are proprietorships or partnerships and the average size of loan in fiscal 1971 was about $41,000.

[Mr. Macquarrie.]

NATIONAL RESEARCH COUNCIL

Question No. 1,802—**Mr. Thomson (Battleford-Kindersley):**

1. Has the National Research Council been put under the authority of the Minister of State for Science and Technology and, if not, for what reason?

2. Will the Minister give direction to projects or research carried on under the National Research Council?

Hon. Alastair Gillespie (Minister of State for Science and Technology): 1. No. The National Research Council continues to report to Mr. Drury, who is the Minister designated for that purpose under the Act.

2. No.

TECHNOLOGICAL AND SCIENTIFIC RESEARCH

Question No. 1,807—**Mr. Thomson (Battleford-Kindersley):**

1. In regard to foreign owned subsidiaries in Canada, will the Minister of State for Science and Technology insist on more technological and scientific research by these companies in Canada?

2. Does the Minister intend to approve government grants for scientific and technological research to foreign owned subsidiaries in Canada?

3. In which specific scientific or technological areas would the Minister recommend this country rent or hire technology?

4. What method does the Minister intend to use to avoid the duplication of the efforts made by other countries in scientific or technological research?

Hon. Alastair Gillespie (Minister of State for Science and Technology): 1. The Ministry will be assisting in the development of policy in regard to research carried out in Canada by foreign owned companies.

2. That is not a function of the Ministry.

3. The Ministry will be examining such questions in depth.

4. The Ministry already has a close working relationship with many other countries engaged in Scientific and Technological research and will foster and develop those relationships.

UNITED NATIONS—U.S. AND ALBANIAN RESOLUTION FOR SEATING OF CHINA

Question No. 1,841—**Mr. Macquarrie:**

1. What member states are co-sponsors of the United States' resolution urging the seating of both China and Taiwan in the United Nations?

2. What member states are co-sponsors of the Albanian resolution number 93 which calls for the expulsion of the Taipei Government from the UN and all its related organizations?

3. What is the attitude of the Canadian delegation to these resolutions?

[*Translation*]

Mr. Gaston Isabelle (Parliamentary Secretary to Secretary of State for External Affairs): 1. Australia, Bolivia, Chad, Costa Rica, Dominican Republic, Fiji, Gambia, Haiti, Hondurus, Japan, Lesotho, Liberia, Mauritius, New Zealand, Philippines, Swaziland, Thailand and Uruguay.

2. Algeria, Burma, Ceylon, Cuba, Equatorial Guinea, Guinea, Iraq, Mali, Mauritania, Nepal, Pakistan, People's Democratic Republic of Yemen, People's Republic of the Congo, Romania, Somalia, Syrian Arab Republic, Sudan,

United Republic of Tanzania, Yemen, Yugoslavia and Zambia.

3. The Canadian delegation will vote for the draft resolution sponsored by Albania and other countries; last year it voted in favour of a similar resolution.

The Canadian delegation will vote against the draft resolution sponsored by the United States and other countries if it is put to a vote.

[*English*]

COST OF PEACE-KEEPING FORCES

Question No. 1,855—**Mr. MacQuarrie:**

1. Since its establishment what has been the annual cost to Canada of the UN peace-keeping forces in Cyprus?

2. To what other peace-keeping forces is Canada contributing and what is the cost in each case?

3. How many Canadian personnel are currently involved in UN peace-keeping forces or missions?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): 1. From inception to June 15, 1971, Canada has absorbdd the following out-of-pocket costs in respect of the Contingent to the United Nations Force in Cyprus (UNFICYP):

1964	$ 3,486,000
1965	3,516,000
1966	2,948,000
1967	2,907,000
1968	1,836,000
1969	1,476,000
1970	1,768,000
1st half 1971	985,000
Total	$18,922,000

United Nations Truce Supervisory Organization, Palestine (UNTSO)—Nil over normal pay and allowances. United Nations Military Observer Group, India-Pakistan (UNMOGIP)—$71,500 recoverable from UN. United Nations Command, Military Armistice Commission, Korea (UNCMAC)—$4,700 non recoverable. (These figures represent annual estimated costs.)

3. 619.

NATIONAL DEFENCE—COST OF SCHOOL SUPPLIES TO DEPENDANTS OF PERSONNEL

Question No. 1,900—**Mr. Coates:**

1. Does the government provide school supplies for children of military personnel and, if so, how long has this policy been in effect and is it in effect for personnel within Canada and those serving outside Canada?

2. What is the total annual cost for school supplies to children of military personnel?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): 1. It has been policy for many years to provide school supplies at public expense to children of Canadian Forces' personnel attending DND dependants' schools in Canada or overseas. The term "school supplies" refers only to the provision of consumable items such as scribblers, notebooks, pencils, paper, etc. and does not include text books. The provision of text books at DND dependants' schools is governed by the applicable provincial regulation.

The departmental accounting system does not make provision for isolating the annual cost of school supplies. To attempt to do so would entail a large amount of work for which the necessary staff is not available.

NATIONAL DEFENCE—DEFENCE PROPERTIES

Question No. 1,917—**Mr. Noble:**

1. Has the Department of National Defence any definite plans to make any vacated defence properties available to Crown Assets Disposal Corporation or the Department of Indian Affairs and Northern Development?

2. Has the Minister of National Defence made a date available to meet with the planning and development committee of the Grey County Council for the purpose of making a decision in respect to the future of the Meaford Tank Range?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): 1. It is presumed this refers to defence properties at Meaford. If such is the case, the answer is 'No'.

2. A meeting has been arranged for the purpose of discussing the future of the Meaford Tank Range.

• (2:10 p.m.)

ORAL QUESTION PERIOD

FINANCE

POSSIBLE GROUP OF TEN AGREEMENT ON PROPOSED DEVALUATION OF UNITED STATES DOLLAR—GOVERNMENT POSITION RESPECTING CANADIAN DOLLAR

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, since the Minister of Finance, I assume, has now been filled in by Canada's representatives at the meeting of the Group of Ten in Paris I should like to ask him if there was general agreement reached at that meeting of the Group of Ten in respect of a proposed average devaluation of something like 10 per cent for the United States dollar in relation to other currencies and, if so, was any specific percentage change or revaluation suggested for the Canadian dollar.

Hon. E. J. Benson (Minister of Finance): No, Mr. Speaker. What the deputies were doing was trying to arrive at the quantum of the United States balance of payments problem which the United States has indicated is in the area of $13 billion, which other people thought was about $8 billion and which some thought was less than that. The IMF indicated that if there was a balance of payments problem of $8 billion it would require a change in valuation moving back a long period of time in the area of 10 per cent on average. Nothing like that was agreed upon. It was simply a matter of looking at the problem, considering what it was and referring it to the ministers for future consideration.

Inquiries of the Ministry

Mr. Stanfield: Have the representatives of Canada taken any position with regard to the value of the Canadian dollar vis-à-vis the United States dollar, or is it the position of the government of Canada that the Canadian dollar is floating freely?

Mr. Benson: Mr. Speaker, generally it is the position of the Canadian government that the Canadian dollar has been floating freely for a period of some 18 months and that it reflects the market demand for the dollar vis-à-vis other currencies.

Mr. Stanfield: Mr. Speaker, does the reply of the minister that the Canadian dollar has been floating freely during the past 18 months mean that the reported massive intervention of the Bank of Canada toward the end of last week constitutes a change in Canada's position with regard to the free floating of the Canadian dollar or does it mean that the Bank of Canada is pursuing an independent policy to protect us in spite of what happens in respect of government policies?

Mr. Benson: First of all, the intervention through the exchange fund was a decision of the Minister of Finance and not of the Bank of Canada which acts as our agent in this matter. Our policy has not changed.

Mr. Stanfield: Am I to understand that the Minister of Finance is refuting the report that there was a massive intervention on the part of Canadian authorities toward the end of last week?

Mr. Benson: I am merely following the well established policy of not commenting on activities in the exchange market except at the end of the month when the reserve figures are issued.

Mr. Baldwin: You are floating back there.

Mr. Speaker: The hon. member for York South. Order, please. Because of the noise the Chair might indicate to the hon. member for York South that the hon. member for Témiscamingue has a supplementary question.

[*Translation*]

LOWERING OF INTEREST RATES BY CHARTERED BANKS

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a supplementary for the hon. Minister of Finance.

The reason give by the Bank of Canada to justify lowering of its interest rates from 5¼ to 4 3/4 per cent is that this makes it easier for borrowers to obtain loans. Is the minister in a position to tell us whether chartered banks in Canada have also reduced their rates by ½ per cent as the Bank of Canada is now doing?

[*English*]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I think that the chartered banks in Canada reduced their rates before the Bank of Canada did in this instance, and our move was simply to indicate that we support low interest rates in Canada.

Mr. Stanfield: You are directing the Bank of Canada now. It is the first time you have admitted it.

[Mr. Benson.]

THE CANADIAN ECONOMY

GOVERNMENT EMPLOYMENT PROGRAM—AGREEMENT WITH PROVINCES ON WORKS TO BE UNDERTAKEN—NUMBER OF JOBS TO BE CREATED

Mr. David Lewis (York South): I want to ask the Minister of Finance a question on another subject. I should like to ask him whether the meeting of federal and provincial officials in Montreal at the end of last week arrived at any program for creating jobs this winter on the basis of the program which the minister announced some days ago, whether that program refers to specific works to be undertaken by the provinces and municipalities and, if so, would he undertake to make a statement to the House outlining what that program may be?

Hon. E. J. Benson (Minister of Finance): The meeting last week was a preparatory meeting with the officials of the various provinces. The federal-provincial conference, I believe, is going to go forward on November 1 and 2. At the conclusion of that meeting I will, of course, have a statement to make.

Mr. Lewis: In view of the estimate released by the Minister of Agriculture that the $10 million assigned for the building of exhibition buildings would probably provide 1,000 jobs for construction workers on site this winter, were any estimates discussed at the meeting of officials or has any other department of government made estimates as to what number of jobs is involved in the government's program?

Mr. Benson: First of all, I understand the Minister of Agriculture said "at least 1,000 jobs" and, as my hon. friend knows, this program which has been approved by the government of Canada is a long-range program and I think it will be very important to the agricultural community in Canada in the future.

EARLIER DATES FOR FEDERAL-PROVINCIAL CONFERENCE

Mr. David Lewis (York South): May I ask the Prime Minister whether, in view of the information he gave earlier about seeking an earlier meeting of the heads of governments to discuss the Canadian economy, dates earlier than December have now been agreed on and, if so, what those dates are for the meeting of first ministers?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker. After all the consultations, of which the House is aware, dates were agreed upon by all the provinces and those dates are November 15, 16 and 17.

LOCAL INITIATIVES PROGRAM—INVOLVEMENT OF CITIES IN PLANNING WORKS—CRITERIA FOR FUND DISTRIBUTION—INCLUSION OF INDIAN RESERVES

Mr. Mark Rose (Fraser Valley West): May I ask the right hon. Prime Minister whether or not it is the intention of the government to respond to the request of the Canadian Federation of Mayors and Municipalities and involve the cities in the planning, co-ordination and selection processes with regard to local initiative programs?

• (2:20 p.m.)

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, discussions have begun with the provinces in connection with this program. The exact role of the municipalities very often depends on the wishes of the provinces in this regard.

Mr. Rose: Mr. Speaker, I wish to direct a supplementary question to the Minister of Manpower and Immigration. When does the government intend to indicate precisely the criteria for the distribution among the provinces of the $100 million under the LIP program and whether or not Indian reserves qualify in much the same way as municipalities?

Mr. Lang: Mr. Speaker, certainly Indian reserves are eligible to apply under the local initiatives program. I expect to be able to make a statement on Wednesday about the criteria in regard to the program and the exact application form.

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TRADE

UNITED STATES DISC PROGRAM—GOVERNMENT REPRESENTATIONS FOR WITHDRAWAL AS PART OF MULTILATERAL AGREEMENT

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I wish to direct a question to the Minister of Finance. As there is no evidence that the DISC program has been discussed by the Group of Ten as part of a package agreement on trade and currency reform, has the government brought any pressure to bear to have the withdrawal of this program included as part of a multilateral agreement?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, first of all I should like to indicate that objections to the DISC program were raised at the meeting of deputies of the Group of Ten and, furthermore, we have made submissions to the United States with respect to our disagreeing with the principles of the DISC program.

Mr. Hees: Is it the opinion of the minister from the talks he has had and the information he has that there is a good chance the DISC program may be withdrawn as part of a multilateral agreement?

Mr. Speaker: Order, please. I have some doubt whether the question is in order in those terms. The hon. member is inviting the minister to express an opinion. Perhaps the question might be rephrased.

Mr. Hees: Has there been any indication from the discussions that have taken place in the Group of Ten that the DISC program may be withdrawn as part of a multilateral agreement?

Mr. Benson: There has not even been an indication that the DISC program will be approved by the U.S. Senate.

Inquiries of the Ministry

THE CANADIAN ECONOMY

DEVELOPMENT OF INCOMES POLICY—INQUIRY AS TO DISCUSSIONS WITH BUSINESS AND LABOUR LEADERS—PROVINCIAL PARTICIPATION

Mr. G. W. Baldwin (Peace River): Mr. Speaker, in the absence of the Minister of Consumer and Corporate Affairs or any reasonable facsimile I will ask the Prime Minister whether the government is holding talks with business and labour leaders with regard to the development of an incomes policy and, if so, will any such proposals involve, include, or require provincial participation?

Right Hon. P. E. Trudeau (Prime Minister): Not at this time, Mr. Speaker.

Mr. Baldwin: Can the Prime Minister indicate whether the Prices and Incomes Commission will shortly be making a statement with regard to the development of an incomes policy in Canada in light of the United States experience and, if so, at that time will the commission be publishing its research into the causes of inflation in Canada?

Mr. Trudeau: No, Mr. Speaker.

Mr. Speaker: Order, please. We will now go from Peace River to Battle River.

GOVERNMENT EMPLOYMENT PROGRAM—PARTICIPATION OF MUNICIPALITIES IN DISCUSSION OF SPECIFIC WINTER WORKS PROJECTS

Mr. Cliff Downey (Battle River): Mr. Speaker, my question to the Minister of Manpower and Immigration is supplementary to the other questions concerning winter works. Will the municipalities be invited to participate in any meetings to discuss specific winter works projects and, if so, has this been made clear to the Canadian Federation of Mayors and Municipalities?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I think my earlier answer covered this. The nature of the eventual participation may vary from province to province depending upon our discussions with the provinces.

Mr. Downey: Mr. Speaker, my question was more direct than that. Has correspondence been sent to the federation to give them any direction in this regard?

Mr. Lang: I believe that to this point our main contacts have been with the provinces, but I will be glad to check whether there has been anything in addition.

LOCAL INITIATIVES PROGRAM—NUMBER OF JOBS TO BE CREATED

Mr. S. Perry Ryan (Spadina): Mr. Speaker, my supplementary is directed to the Minister of Manpower and Immigration. How many jobs are intended to be created this winter by the local initiatives program known as LIP?

Mr. Speaker: Order, please. I am not sure whether this question is in order. Perhaps the minister might reply to the extent that the rules allow him to do so. As the hon.

member knows, he is asking for what I consider to be statistical information, and asked in those terms the question should not be allowed. Perhaps the hon. member might like to phrase it in some other way.

• (2:20 p.m.)

Mr. Ryan: Would the minister advise the House whether the provinces will be participating in the administration of LIP and can he state the number of anticipated jobs that the government has in mind?

Hon. Otto E. Lang (Minister of Manpower and Immigration): The objective, Mr. Speaker, is to create as many jobs as possible and the criteria will be so directed. In the case of those parts of the program relating to municipalities, of course the provinces have a role to play.

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[*Translation*]

INQUIRY OF THE MINISTRY

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I direct my question to the right hon. Prime Minister.

Since the Opportunity for Youth program was a fiasco and considering the numerous complaints coming from all parts of Canada—

Mr. Speaker: Order. The question cannot be put in those terms. It is based on premises that might not be acceptable. In any event, it should be asked in a direct manner and not in the form of an argument.

Mr. Rondeau: Thank you, Mr. Speaker. Would it be the Prime Minister's intention to appoint another Secretary of State soon?

* * *

[*English*]

EXTERNAL AFFAIRS

PROPOSED AMCHITKA NUCLEAR TEST—DISTRIBUTION OF HOUSE OF COMMONS RESOLUTION AT UNITED NATIONS

Mr. Barry Mather (Surrey-White Rock): I have a question for the Secretary of State for External Affairs, Mr. Speaker. Can the minister tell the House whether Canada's ambassador at the United Nations had distributed copies of the resolution which was endorsed recently by all parties in this House urging a cessation of underground nuclear testing and particularly the cancellation of the Amchitka blast?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, we have seen that the United States administration is being made aware of the action of this House. We also know that the representatives of the various countries accredited to Canada have access to this document and will be transmitting it to their governments. I do not think it would be appropriate at this time for the representative of Canada at the United Nations to take the action suggested by the hon. member. It may be, however, that we will have an opportunity during the debate on this matter to draw attention to what was a very welcome action on the part of the House of Commons.

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UNEMPLOYMENT INSURANCE

REQUEST FOR REFERENCE OF ANNUAL REPORT OF COMMISSION TO STANDING COMMITTEE ON LABOUR, MANPOWER AND IMMIGRATION

Mr. W. B. Nesbitt (Oxford): I have a question for the Minister of Labour, Mr. Speaker. In view of the complaints regarding the processing of unemployment insurance claims, would the minister refer the annual report of the Unemployment Insurance Commission to the Standing Committee on Labour, Manpower and Immigration so that members of all parties in the House may question members of the commission regarding its administrative practices? Perhaps the commission might also get some information from members of the House in this regard.

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, there will be ample opportunity to question the officers of the Unemployment Insurance Commission when my estimates come before the House. In the meantime, if the hon. gentleman has any specific complaint we will be glad to look at it in the usual prompt fashion.

Mr. Nesbitt: Mr. Speaker, in view of the fact that there seems to be some doubt as to when the next session of Parliament will commence, would the minister not reconsider the question I put before him? Otherwise we will be into the estimates next spring when it is all over.

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TRADE

UNITED STATES IMPORT SURTAX—REMOVAL THROUGH BARGAINING BY CANADA

Hon. Robert L. Stanfield (Leader of the Opposition): I have a question for the Secretary of State for External Affairs arising out of his remarks on an NBC program in which he is reported to have said:

—what we have been asked to do—bargain our way out of this surcharge—is an inadmissible situation.

Does this mean that the Secretary of State for External Affairs or the Prime Minister or some member of the government has received direct word from the United States administration that Canada must bargain its way out of the surcharge?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the answer to the direct question is no, we have not received any such request—

An hon. Member: You are not even communicating.

Mr. Sharp: —from the United States. The question was put to me in the course of the interview as to whether we would be prepared to bargain our way out and I think I gave an answer that the hon. gentleman would agree with.

ADMINISTRATION OF JUSTICE

AUTHORIZATION FOR MARIJUANA EXPERIMENT—MORATORIUM ON PROSECUTIONS

Mr. Eldon M. Woolliams (Calgary North): I have a question for the Minister of Justice, Mr. Speaker. Was an Order in Council passed authorizing payment to students for experimentation in the non-medical use of drugs and, if so, would the minister give the date of that Order in Council and be prepared to file it?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, this question was brought up last week by the hon. member and by the hon. member for the Yukon. With respect to both the growing of marijuana at the experimental farm in Ottawa and the experiments being conducted at the University of Calgary, it is my information that both of these matters are being carried out under the authority of regulations made pursuant to section 12 of the Narcotic Control Act and licences issued by the Department of National Health and Welfare.

• (2:30 p.m.)

An hon. Member: Eldon wants to take a trip.

Mr. Woolliams: Mr. Speaker, I am interested in finding out when that Order in Council was passed and whether or not it was passed as a second thought. Since we are now paying young people to experiment in the non-medical use of drugs, is the Minister of Justice now anticipating, so that there will not be discrimination between one class of young people and another, introducing a moratorium on prosecutions for the possession or use of marijuana?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, there will be no moratorium. These licences were issued for purposes of research and are valid within the terms of the regulations. The licence to the University of Calgary was issued on September 21 and the licence to the Central Experimental Farm was issued on May 19.

Mr. Woolliams: Would the Attorney General of Canada advise the House and the people whether he does not consider it rather discriminatory to permit those who are covered by an Order in Council freedom to break the law whereas those who are not covered will be prosecuted?

Mr. Speaker: Order, please. The hon. member is asking the Minister of Justice to express an opinion. In those terms the question is hardly in order.

Mr. Baldwin: The minister is an expert in selective lawbreaking.

Mr. Stanfield: In licensed lawbreaking.

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LABOUR RELATIONS

BELL CANADA DISPUTE—PERSONAL INTERVENTION BY MINISTER—PRESENT SITUATION

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of

Inquiries of the Ministry

Labour. Is the minister prepared to give his personal attention to the labour dispute between Bell Canada and its employees or is he in a position to make a hopeful statement to the House at this time?

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, the dispute in question is at the conciliation board stage and therefore the walkout of the members of the Traffic Employees Association is completely illegal. It would be in their best interests and in the best interests of industrial relations in general if they were to return to work. I would imagine that unless something unexpected happens over the next few hours, the efforts to arrive at a settlement which are presently going on will be fruitless. I am anticipating that the conciliation board will report some time this week, after which seven days must elapse for a strike to be legal.

Mr. Knowles (Winnipeg North Centre): A supplementary question, Mr. Speaker. May I ask the minister if he is prepared to take steps to speed up the work of the conciliation board?

Mr. Mackasey: I think, Mr. Speaker, that the conciliation board at the present moment is composed of very experienced people. It is headed by Mr. O'Connor. I anticipate, without actually knowing, that if they have not resolved the dispute by this evening they will be making a report within the next day or two.

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HEALTH

MEDICARE—REFORMING OF FEDERAL PLAN TO FACILITATE DEVELOPMENT OF COMMUNITY HEALTH SERVICES—IMPROVEMENT OF PREVENTIVE TREATMENT

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is for the Minister of National Health and Welfare. The Dean of Medicine of the University of British Columbia has stated that the fee for service payment of doctors developed under medicare is the greatest single obstacle to the development of community health centres. Is the government considering reforming the federal medicare plan in order to facilitate rather than discourage the development of community health services?

Mr. Speaker: Order, please. If the minister can reply to that question briefly he might be given the floor, but it seems to me that the question is in part debate. I doubt whether the question in those terms is in order and I suggest to the hon. member that it is not.

Mr. Lambert (Edmonton West): Mr. Speaker—

Mr. Paproski: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. The hon. member cannot ask a question about which procedural reservations have been expressed. However, he may put another question or a different question on the same subject.

Mr. Paproski: In light of the fact that Canada spends more than any other country on acute hospital care as opposed to preventive medical treatment, is the government prepared to review with the provinces present pro-

grams and spending priorities with a view to correcting this neglect in preventive medical treatment?

Hon. John C. Munro (Minister of National Health and Welfare): Yes, Mr. Speaker—pardon my voice.

Some hon. Members: Oh, oh!

Mr. Baldwin: Cut out that smoking, John.

Mr. Knowles (Winnipeg North Centre): You had better cut it out, John.

Mr. Munro: That type of review is under way at the present time.

Some hon. Members: Oh, oh!

An hon. Member: We can hardly hear the minister.

Mr. Crouse: A pack a day takes the voice away.

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FINANCE

ESTABLISHMENT OF NEW CURRENCY EXCHANGE SYSTEM—REQUEST FOR INFORMATION ON MEETING OF GROUP OF TEN OFFICIALS

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, can the Minister of Finance advise the House whether Canada's observers or representatives at the meeting of the Big Ten in Europe last week with regard to the establishment of new currency systems have been able to report? If so, is there anything the minister can tell the House, because all this silence seems to me to indicate a situation that is far from satisfactory?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I am afraid my hon. friend was not here earlier when I replied to a similar question put by the Leader of the Opposition.

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[*Translation*]

AGRICULTURE

FEED GRAINS—MEASURES TO ASSURE ADEQUATE SUPPLY FOR QUEBEC FARMERS

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I wish to direct a question to the Minister of Agriculture.

Could he tell the House whether his department has taken any action to ensure an adequate supply of feed grains to Quebec farmers this winter in order to avoid not only a scarcity of this commodity but also a possible rise in the cost of feed grains in the east?

[*English*]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, there are supplies of feed grain available that could be shipped or at least booked for shipment prior to the freezing of the seaway. Those supplies are at Thunder Bay and there are some supplies of corn in Ontario. I am not sure that we are taking any special measures at this time to make sure that there are large supplies in store.

[Mr. Paproski.]

One of the reasons is that we now have an alternative way of shipping, by rail, the cost of which is very close to the competitive water rate.

[*Translation*]

FEED GRAINS—PRICES PAID BY EASTERN FARMERS

Mr. Lambert (Bellechasse): I should like to put a supplementary Mr. Speaker.

Could the minister tell this House whether the prices now paid by eastern producers for feed grains are approximately the same as those currently levied at the Lakehead for feed grains of equivalent quality for export, if export there is?

[*English*]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I do not have the statistics with me, but grain is available at the Great Lakes, of course, to anyone who wants to put it in the storage system for distribution later during the winter season.

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THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—INQUIRY AS TO POLICY STATEMENT—REQUEST FOR PUBLICATION OF OFFICIAL STATISTICS

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, I have a question for the Prime Minister. How soon is it expected that cabinet consideration of the Gray report will be completed, and when will the right hon. gentleman or someone else in the ministry be making a statement on foreign ownership and investment policy?

Right Hon. P. E. Trudeau (Prime Minister): As soon as we can, Mr. Speaker.

Mr. Fairweather: In light of somewhat dramatic indications regarding foreign ownership of Canadian industry, will the government publish at least the official statistics about foreign ownership to assist policy consideration by bodies other than the government?

Mr. Trudeau: We will consider that, Mr. Speaker. If there is anything that can be usefully published we will take it under consideration.

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AGRICULTURE

FARM MACHINERY—FEDERAL ASSISTANCE TO PRAIRIE PROVINCES IN TESTING PROGRAM

Mr. Rod Thomson (Battleford-Kindersley): Mr. Speaker, my question is for the Minister of Agriculture. In view of the fact that the three prairie governments are co-operating on a farm machinery testing program, as recommended by Professor Barber, have those three provinces approached the Minister of Agriculture for assistance in this regard? If not, what will his answer be if they do approach him?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, we have had a number of discussions about this.

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HURRICANES

NOVA SCOTIA—REQUEST BY PROVINCE FOR FINANCIAL AID

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, on Thursday I directed a question to the Prime Minister respecting the receipt of formal advice from Nova Scotia—I see that the Prime Minister is up to his ears in something else. I am sorry, Mr. Speaker. Last Thursday I asked the Prime Minister if he had received any formal request for aid from the province of Nova Scotia to help defray the cost of repairing hurricane damage caused in that province last August. The Prime Minister said he would take the question as notice. I wonder if he has a reply?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker. I asked for information on this problem and I understand that a group of federal and provincial officials worked together to assess the damage. My information, after getting the hon. member's question, was that at that time there had been no formal request by Nova Scotia for any payment of damage. Whether there has been any request in the last day I cannot say.

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, has any request been received from Mr. Robert Nixon of Ontario for assistance to repair the damage that was done to his party on Thursday last?

Mr. Speaker: Order, please.

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• (2:40 p.m.)

MANPOWER

LOCAL INITIATIVES PROGRAM—CONSULTATION WITH MEMBERS ABOUT PROJECTS IN THEIR RIDINGS

Mr. B. Keith Penner (Thunder Bay): Mr. Speaker, I wish to return to the Minister of Manpower and Immigration. My question is whether under the Local Initiatives Program members will be actively consulted about projects in their ridings? I ask this, Mr. Speaker, because I understand that some of the same people who ran the Opportunities for Youth program are also going to run this program.

Mr. Speaker: Order, please. I suggest that the hon. member's question is argumentative.

[*Later:*]

Mr. Penner: Mr. Speaker, I wish to try again with the Minister of Manpower and Immigration and be a little less provocative this time. I ask the minister whether he expects Members of Parliament to be active in finding projects under the Local Initiatives Program and presenting them to him—where there is an evident need in our constituencies?

Inquiries of the Ministry

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, we will be seeking the advice and assistance of all responsible citizens and leaders in the community, including such people as Members of Parliament, to see that good applications are brought forward. Of course we will be seeking sensible advice from any quarter about the quality of the projects on which we have applications.

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AGRICULTURE

FIRST EVIDENCE OF NEWCASTLE DISEASE IN POULTRY

Mr. Mac T. McCutcheon (Lambton-Kent): Some days ago I directed a question to the Minister of Agriculture relative to the outbreak of Newcastle disease in poultry flocks in southern Ontario. Is the investigation that he promised at that time now complete and, if so, can he make a report to the House?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I am very happy that the hon. member asked this question because I understand there is some confusion. If Your Honour will allow me just slightly longer than usual to clear up this confusion, I will try to do so. In June, 1971, Newcastle disease was diagnosed in a flock of chickens in quarantine in Lambton county. This was not reported in the answer that was given the hon. member to question No. 1700, I believe, on the order paper. The reason for that is that it is not the practice to consider animals that are in quarantine to be in the Canadian flock.

Mr. Woolliams: Where the hell are they then?

Mr. Olson: They are not regarded as having entered the Canadian livestock herd or poultry flock until after they are released from quarantine. The flock in question was never released from quarantine and was, in fact, destroyed. This is a common practice not only in Canada but in many other countries. When such birds or animals are destroyed during quarantine, no compensation is paid. The health of animals branch have assured me they are confident there was no spread of this disease from these birds that were in quarantine.

Mr. McCutcheon: Can the minister tell us who in the world would set up a quarantine station right in the heart of the poultry industry in southern Ontario?

Mr. Speaker: Order, please.

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MANPOWER

LOCAL INITIATIVES PROGRAM—PRIORITY FOR HEADS OF FAMILIES AND HARD-CORE UNEMPLOYED

Mr. S. Perry Ryan (Spadina): I have a further question for the Minister of Manpower and Immigration. In light of the admission by the government that too much of the Opportunities for Youth program funds went to upper income young people, will heads of families and hard-core unemployed be given highest priority in LIP?

Inquiries of the Ministry

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, in the development of the criteria for applications we are hoping to ensure that projects which are approved are particularly those which are designed to employ persons presently seeking employment in Canada.

REASONS FOR EXCLUSION OF RESERVE INDIANS FROM LABOUR FORCE SURVEY—INCLUSION IN LOCAL INITIATIVES PROGRAM

Mr. A. P. Gleave (Saskatoon-Biggar): In view of the fact that the labour force survey, for which the Minister of Manpower and Immigration is responsible jointly with the Minister of Industry, Trade and Commerce, excludes Indians living on reserves, will the Minister of Manpower and Immigration explain the reasons for this exclusion?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the tradition of this exclusion from the statistics of Statistics Canada is of very long standing and would take a more detailed explanation than I could give at this time. In our current programs we are attempting to take into consideration the fact of this exclusion in determining the manner in which applications for the local initiatives program are considered.

Mr. Gleave: If the minister is considering this, Mr. Speaker, will he also consider whether the Yukon and Northwest Territories should also be included?

Mr. Lang: Mr. Speaker, that this will be as was made clear to the House last week.

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[*Translation*]

INQUIRY OF THE MINISTRY

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, may I put a question to the Prime Minister?

Did "Dodo", "Denyse" and «Les Jérolas» get his consent to air last night on the public network their excellent show on the future family life of the Prime Minister—

[*English*]

Mr. Speaker: Order, please.

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AGRICULTURE

ESTABLISHMENT OF POLICY TO STABILIZE COMMERCIAL CORN PRICES

Mr. H. W. Danforth (Kent-Essex): I wish to direct a question to the Minister of Agriculture. I know the minister is aware of the problem and is concerned. Can the minister state if any progress is being made by the government in establishing a policy to stabilize Canadian commercial corn prices and what such a policy might include?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, we are prepared, and have been not only for months but for several years, to provide the facilities of the Co-operative Marketing Act to the corn producers. It is essential, of course, that a significant number of those producers representing or having a significant amount of the corn make application.

Mr. Danforth: Has the eastern feed grain agency been advised or instructed or has there been discussion with them to place Ontario corn on the same basis as western grains in regard to movement into the eastern provinces during the winter months?

Mr. Olson: Mr. Speaker, there is, I think, a comparable level in relation to the actual cost of transport from Ontario to the Maritime provinces as there is from western Canada to the areas where that feed grain is used.

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ADMINISTRATION OF JUSTICE

ACHIEVEMENT OF GREATER UNIFORMITY IN SENTENCES FOR IMPAIRED DRIVING

Mr. Elmer M. MacKay (Central Nova): My question is for the Minister of Justice. In view of the fact that penalties for impaired driving vary greatly across the nation, does the minister have any immediate intention to consult with the provincial Attorneys General to see whether more uniformity in sentencing can be achieved?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, we are reviewing the question of sentencing as to whether amendments ought to be introduced in the Criminal Code, but entire uniformity will never be achieved as sentencing reflects community attitudes toward various crimes.

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CANADA LABOUR CODE

AMENDMENT OF PROVISIONS IN BILL RESPECTING TECHNOLOGICAL CHANGE IN LIGHT OF CONCERN OF BUSINESS AND INDUSTRY

Mr. Lincoln M. Alexander (Hamilton West): I have a question for the Prime Minister. Both the Prime Minister and the Minister of Labour have indicated that changes will be accepted in the labour bill which has now received first reading. However, the Minister of Labour indicated there will be no changes in the technological aspect of the bill and the Prime Minister stated there will be changes in the bill. Is the Prime Minister now prepared to accept changes to the technological aspect in order to give some confidence to the economy as a result of the American surtax and economic policies which have perhaps placed business in jeopardy?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I believe the Minister of Labour made it clear when we introduced the bill for first reading that it was the intention to give all sections of the community an occasion to discuss the pros and cons of the various clauses. The most we can say at this time is that we will study these representations seriously. If some of them call for change, we will consider those clauses and, if they are serious, we will make changes. Otherwise we will not.

Mr. Alexander: In light of the fact that business, industry and manufacturing institutions across the country have certainly shown great fear with regard to the clauses involving technological change, have these pleas been studied by the Prime Minister and the front bench in order to arrive at a definite answer now on whether in fact amendments to these particular clauses will be accepted?

Mr. Speaker: Order, please. It seems to the Chair that the hon. member is essentially reiterating the question asked in the first instance. The hon. member for Fraser Valley West.

Mr. Alexander: I rise on a point of order. With all due respect, the question is in light of the same type of situation but I am now attempting to find out from the Prime Minister whether as a result of the several hundred submissions the government have had an opportunity to study the impact of these submissions and whether in fact they have now made up their minds in order that the country can be advised as to the government's decision.

• (2:50 p.m.)

Mr. Speaker: Order, please. The Chair has made a ruling on the point made by the the hon. member. If he thinks that there is urgency in his supplementary, he knows an appeal is provided under the rules. He can raise the matter at the time of adjournment.

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PUBLIC SERVICE

REQUEST FOR PUBLICATION OF REPORT OF STAFF RELATIONS COMMITTEE—IMPLEMENTATION OF RECOMMENDATIONS

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, I should like to address a question to the Minister of Manpower and Immigration. Since problems of morale in the Public Service are of long standing, many of them associated with the Public Service Staff Relations Act, and since the minister has had on his desk the report of the Public Service staff relations committee of three since June 15, when does the minister intend to make this report public?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the report referred to by the hon. member is part of work done in connection with cabinet planning of possible proposals in regard to this whole area. Any decisions about the changes that will follow in consequence thereof will be announced when the decisions are known.

Mr. Rose: Since the report is reported to contain recommendations that include the extension of the bargaining process along lines somewhat equivalent to that in the private sector, and also the right to strike under certain circumstances, when does the minister feel that these recommendations, if accepted by the government, are going to be translated into legislation?

Mr. Lang: Mr. Speaker, I do not intend to comment on what may or may not be in recommendations, nor try to predict the date upon which a decision will be made.

Income Tax Act

GRAIN

STABILIZATION BILL—DISCUSSION WITH PROVINCES ON REPLACEMENT

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to ask the minister who answers for the Wheat Board whether the government is considering introducing into the House or is having discussions with the prairie agricultural ministers leading to the introduction into the House of a more suitable farm income stabilization program to replace Bill C-244?

Mr. Speaker: Orders of the day. Order, please. I believe the Secretary of State for External Affairs is rising on a point of order.

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

TABLING OF COMMUNIQUÉ ISSUED FOLLOWING CANADA-MEXICO MINISTERIAL MEETING

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, would the House give consent to revert to motions so I may table a document?

Mr. Speaker: Is there unanimous consent?

Some hon. Members: Agreed.

Mr. Sharp: Mr. Speaker, I should like to table copies of the communiqué issued at the conclusion of the first Canada-Mexico ministerial meeting which was held here on October 21 and 22.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Friday, October 22, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: Order. House again in committee of the whole on Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act. During Friday's sitting, as the Chair understands it, the committee agreed to consider section 109 at this sitting. Shall section 109 carry?

On clause 1—section 109: *Deductions permitted by Individuals.*

Mr. McCleave: Mr. Chairman, I suppose one could be pardoned for being a little nervous at this stage, but this is now a brand new part of the ball game. When the ball is

actually handed to you and you start up field with it, you do the best you can. I hope that those words are on the record and that they might get back to the people in the riding of Halifax-East Hants in a newsletter or something.

May I first raise for the consideration of the minister at some time early in our discussion two matters. First of all, may I ask him what we will do if he has kindly second thoughts and decides to bring in further amendments. Second, since our scope is limited when it comes to making proposals to the ministry—we can lead them to water but not necessarily make them drink therefrom—would the minister on occasion be good enough to entertain the thought of adjourning the debate on a particular section so that he can have some discussion with his advisers and perhaps listen to some of the good points that are being made from, no doubt, both sides of the House.

Now I have the preliminaries out of the way, I should like to deal with two specific aspects of what, to most Canadians, is the most important part of the new Income Tax Act. I refer to those magic exemptions that taxpayers claim when they sit down quivering and quaking to make their peace with the Minister of National Revenue, usually as close to April 30 as they can possibly get. If there is anything that the Prime Minister and his party will be able to point to, and for which to thump themselves on the back and stick out their chests, I suspect it will be one of two measures. One is increased exemptions and the other, long delayed, will be the changes brought about in the family allowance structure.

I am sure the government will wax as lyrical as one of its members who described this as just about the ultimate in the way that taxation can wage a successful war against poverty. One then is entitled to ask, as I ask now, whether this does represent a major victory in the war on poverty and whether there is any ammunition being fired, or is the government simply making loud noises with blank cartridges? It is true that compared to the present exemptions the ones proposed by this section are higher, and from that standpoint one can say that the burden on those on lower incomes is reduced. But it is also true—and I think we have to ask ourselves what is a more appropriate figure—that the proposed figures do not even restore those with lower incomes to the position in which they were in 1949. Reflect on that, Mr. Chairman. We can regard 1949 as perhaps the last vintage Liberal year in Canada. There was a high rate of employment. Mr. King had gone off to seek solace in the shadows at Kingsmere and Mr. St. Laurent was in charge. All was well in the best of all possible Canadian worlds.

If one were to translate the happy tranquility of 1949, following the Liberal's return to power with a good number of supporters and the economy in good shape, in terms of today, one would find that the personal exemptions should be at least $1,700 for a single person and $3,400 for a married couple, slightly above the levels we are considering here. There is a further aspect to this. I hope one does not look upon tax reform simply as a matter of trying to adjust from one year to the next in order to take care of any cost of living increase, inflation or suchlike. We have a number of reports which indicate that the poor pay up to 50 per cent of their income in taxes, directly or indirectly, whereas people higher up the scale earning over $10,000 per year pay roughly a third or about 37 per cent to 38 per cent. In other words, more than half of the dollar a poor man receives goes to some government in some form of taxation. At the more affluent level, only 37 cents of the dollar is paid in taxes.

We have missed the boat in respect of exemptions. We have made some effort to take into account the increased cost of living and inflation, but we have not reached a point of equity. We can consider the rich and the poor and say they are paying 20 per cent, 30 per cent or 40 per cent, whatever it is, and therefore carry their share of the weight, but they do not pay one tittle more. I hope when we attempt to reform our tax system the next time, it will be done by a Conservative administration and, therefore, with some heart. That is one of the things we are after.

A report was received today from the National Pensioners and Senior Citizens Federation at Fort Macleod, Alberta, and I think I should put on the record one of its resolutions. It is:

> Resolved, that we petition the federal government to increase the amount of income tax exemption for senior citizens to $3,000 for single people and $4,500 for married couples.

The amount we are to give a single person as a basic exemption, with the additional $650, is $2,150.

When looking at tax reform we should consider exemptions from the point of view of fairness. The rich should pay the same percentage as the poor instead of the poor having to pay a disproportionate amount. The exemptions should also be tied to the cost of living and, perhaps some day, to the poverty level. The figures presented to us do not represent an official poverty level of the Department of National Health and Welfare, or an official level as indicated two or three years ago by the Economic Council of Canada.

A tax credit system might have been a much more equitable way of solving this problem. It would have been more flexible and could take into account those factors to which I have referred. We are faced with a number of anomalies. The Minister of National Health and Welfare indicated in announcing his family income security plan that he feels it costs as much to raise a child of 12 years of age, but the Minister of Finance has indicated that he feels the exemption should be related to age 16. There is a lack of consistency on the part of government in this matter of exemptions, just as there is in respect of the poverty level in Canada. There are many advantages to a tax credit system but in my opening 20 minute statement I cannot go into all the details.

A committee of the House of Commons dealing with this matter noted that while the tax credit approach has a great deal to commend it in terms of being adjustable from time to time without a restructuring of the rate schedule, the exemption procedure does have the advantage of retaining a method to which individual taxpayers are now accustomed. I suppose the best that can be said for that argument is that one is better off with the punches of Cassius Clay, knowing how hard they are, than with the punches of someone else about which you know nothing.

My second point relates to another class of people scattered throughout Canada. This group is not represented and has not presented any petition regarding their tax

position. I think their position is worse under the so-called reform bill than it was under the old law. I refer to those involved in common-law marriages. The law does nothing for these people. Let me quote from the Canadian Master Tax Guide, 1970, as prepared by the C C H Canadian Limited, at page 219:

A common-law wife is not considered a spouse and no marital exemption may be claimed on her account. However, if the taxpayer supports a child in a self-contained domestic establishment and the common-law wife acts as a housekeeper, he could claim a $2,000 exemption on account of the child—

An additional deduction can be claimed by reason of the fact that the common-law wife is a full-time servant. Apparently that is her classification. If you think that is puritanical you should consider the plight of the poor lady under this new legislation. For a time I thought she would be covered by clause 109(1)(b) which deals with individuals not entitled to deductions because of an unmarried status, or being married but not supporting or living with a spouse. However, as I read the clause I found that it really did not refer to a common-law spouse but rather is an encouragement to people to live in communes. Apparently you can live in this way and have the advantage of the higher exemption as well as the value of a lady's company. After reading it again I became totally confused, until I finally looked at the three magic words in the marginal note which are "Wholly dependant persons". I knew then we were attempting to do something for the people whose parents are living with them.

I suggest we should have made a step in the direction of helping these people who live in common-law relationships. I see the minister has left and we are to be blessed with his parliamentary secretary and the Liberal whip. I hope they will give some thought to an amendment giving a common-law spouse some protection. I suppose I have just about used my time at this stage, but I felt I should say something in respect of these people who are not represented by any organization. It may sound strange for a Conservative to stand up and argue in favour of those who have not favoured the sanctity of marriage, but we do have an obligation to present their cause when no one else does it for them.

The only hope I see can be found in clause 63 in respect of child care deductions. Perhaps this can be construed in such a way that a woman with a child in a common-law union could in some way charge a baby sitting fee. If a figure could be set, perhaps an exemption would be allowed; but I am not sure the law is that generous. Perhaps a woman in this situation should set up a day nursery in the back yard to look after her own children and other children in the neighbourhood. She might be better off doing this than she is now under the present tax laws. Apart from a very technical approach such as I have taken, I do not think any help is offered these people.

• (3:10 p.m.)

So I do strike a note for these people. I do not know how many there are. I do not know whether there are thousands in society, but sometimes the common law relationship is the easy way out for many people who may not look upon the sanctity of marriage as you, Mr. Chairman, I and others in this Chamber do. I hope something can be done for these people, and that the parliamentary secretary will be attentive to the point I make so that another look may be given at this particular matter.

As you probably have gathered, Mr. Chairman, one can range over the gamut in speaking of the particularities of the income tax system and whether the formula we use is correct,—I say it is incorrect—whether all the classes are covered in a comprehensive manner or whether other people should be covered. I know that, as a result of the strictures upon us concerning what we can or cannot do, one is somewhat tied down, but at least one can speak up where there are injustices. I hope the parliamentary secretary will take those I have mentioned into account.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, this proposed new section 109 we are now discussing is the one which provides a new level of personal exemptions with regard to income tax. It is the section that would raise the level for single taxpayers from $1,000 to $1,500 and for married taxpayers from $2,000 to $2,850. The section also deals with the matter of exemptions for children, nieces, nephews, aunts, uncles and other dependents. In addition it increases the exemption that is allowed to persons 65 years of age and over from $500 to $650. In that respect it not only provides the increase I have just indicated but provides that this will apply to all persons 65 years and over, whereas this has not been the case since old age security got down to the point where it was paid at age 65. Therefore, this is a pretty important section with which we are dealing. I think it is all the more important when one realizes there have been no changes in the exemption levels since 1949, 22 years ago. As we said repeatedly during the debate on second reading and during the general debate on clause 1, we do not think it is good enough to raise the exemption levels by such small amounts after 22 years in view of what has happened to the cost of living during that period of time.

We feel that at the very least these exemption levels should be $2,000 single and $4,000 married. There are a number of instances in which the exemption levels might even be higher. However, before I get into a plea to raise the exemption levels, I wish we could engage either the minister or the parliamentary secretary in a discussion about tax credits rather than exemption levels, as a way of dealing with this matter. The hon. member for Halifax-East Hants made reference to this in the remarks he just made. The other day the hon. member for Cardigan proposed a rather ingenious device, which if I may say so struck me as comparable to the concept of tax credits. I do not think I am being unfair to the hon. member for Cardigan when I say he feels these fixed exemption levels, arbitrary as they are, do not take into account the cost of living needs of the people in the lower bracket, people with large families, older people and so on. As I say, rather than our having a long list of set speeches, in view of the fact that we are in committee of the whole where we can speak as often as we want and have back and forth discussions, I wish the parliamentary secretary, since he is here on behalf of the minister at this time, would get into this discussion.

I know this matter has been discussed at length before the standing Committee on Finance, Trade and Economic Affairs. I know that the committee considered all the arguments and that the majority report of that committee

came down for exemption levels rather than a system of tax credits. Surely, however, it is clear that any system of tax exemptions tends to give the greater benefit to those in the upper and higher brackets. Any system of tax exemptions makes it impossible to meet the kind of special need the hon. member for Cardigan spoke about the other day. One can see this in the effect of the figures that are before us at the present time. I have before me a table that has been worked out showing what the adjusted rates do to people of various income levels. A single person whose gross income was $2,000 when the exemption level was $1,000 had to pay a tax of $109. When the exemption level becomes $1,500 he will pay only $75. This is fine. It is a reduction, but it is a reduction of only $34. On the other hand, a single person with an income of $25,000 under the $1,000 exemption paid $8,945 whereas with the $1,500 exemption level he will pay only $8,468 which is a saving of $297.

I submit that is a very good example of what the exemption level method of dealing with this matter does. It provides a few dollars to those in the lower brackets and provides ever so much more for those in the upper brackets. The table I have in front of me gives the figures for various other income levels, but I need not put them all on the record. The higher the income the more one saves under the exemption method level. On the other hand, by a tax credit system it is possible, as Carter shows, to treat all income from the first dollar as taxable, and to then set a figure such that persons below that figure get a credit that offsets the tax charged against them and therefore pay no tax at all. If in order to bring this thing to a head later on we have to move an amendment to raise the exemption levels to $2,000 and $4,000, I am prepared to do so. I can see procedural troubles, but we will worry about them when they arise. But I would rather not move that kind of amendment because it would only exaggerate the very thing about which I am complaining.

• (3:20 p.m.)

Therefore, I wish that instead we could persuade the government to accept a system of tax credits. The government argued before the Standing Committee on Finance, Trade and Economic Affairs, and that committee contended in its report that you can achieve the same thing if at the time you raise your exemption levels you adjust the rates. It does not work out that way. The figures that I have given show that it is just about impossible to adjust the rates in a manner that will not be of tremendous benefit to those at the top. But if we can get started with a tax credit system, we could then provide that single persons below a $2,000 income and married persons below a $4,000 income pay no tax regardless of what the calculations might charge against them.

In the same way, this could be applied with respect to children, especially children who make up a large family. You cannot really be fair under this exemption system because the wealthy get more exemptions when they have more children, although I have been told that the wealthy do not have more children. At any rate, they do get quite a bit more in this way and the poorer families that may have more children get precious little out of the exemption system. The same thing applies to the extra exemption for person 65 years of age and over. I welcome the fact that the level has been raised to $650. As a matter of fact, I still think the government should make it retroactive to January 1, 1971, and I welcome the fact that it will now apply to all persons 65 years of age or over whether or not they are drawing old age security. But here again, you introduce the same element of unfairness because the very wealthy person who gets old age security at the age of 65 will receive an additional $960 a year, $650 of that being non taxable, which is quite a bonanza to that person but it is not much of a bonanza to older people on lower incomes.

Again, this could be taken care of quite easily by having a system of tax credits as I suggested, one system of tax credits for single persons and families who are of working age, a system of tax credits for children, and a special system of tax credits for older people. I agree with the plea that has been made by the pensioners organization as reported a moment ago by the hon. member for Halifax-East Hants. I put on the record myself that $3,000 for a single person and $4,500 for a married couple is a reasonable figure for senior citizens, but you do not need that for the very wealthy person. What you need is to guarantee that no older person who has an income of $3,000 a year will have any of that taken away in tax. Go ahead and tax the wealthy, whether they are 65, 70 or 75. There are not many up there but there are some. But with respect to those who really need some consideration, the best way to give it is by a system of tax credits.

I have already said, but perhaps I might repeat it, that we would have to have different sets of credits for different categories—one credit for single and married working people, another credit for children, and a special credit for people of a certain age. I suggest that this is a way that would be much more fair than the exemption level system. I know that one of the replies from the government side of the House is that people do not understand the tax credit system, that people like the idea of knowing that there is $1,000 or $2,000 or whatever you have that is tax free, but they would very soon understand it once the system came into effect.

So, Mr. Chairman, I welcome the contribution made in this area the other day by the hon. member for Cardigan and I welcome the contribution made just now by the hon. member for Halifax-East Hants. Now, I should like to hear from the government side on this issue. Later on if we get nowhere, I am prepared to move that the exemption levels be raised to $2,000 and $4,000, but if we do that without adjusting the rates we will provide more for those in the upper income brackets. I hope that fairly soon we will hear from the government side with respect to the whole question of tax credits which I think is a better way of establishing equity in a tax system than the exemption level system that is being perpetuated in this bill.

Mr. Baldwin: I rise on a question of privilege. I think it is a matter which I have to bring to the attention of this House as soon as I can. I will raise it again tomorrow probably when Mr. Speaker is in the Chair. There is a Canadian Press story in today's *Citizen* which is headed "Tax Bill Delays Close of Session". Included in the story is this sentence:

Informants said the government has offered the opposition a week or two extra Christmas holidays if there is a fast completion of the tax legislation.

Some hon. Members: Shame.

Mr. Lambert (Edmonton West): The reporter must have been smoking government marijuana.

Mr. Baldwin: Government members appear to be on a perpetual holiday. However, I will not deal with that. But I want to say that this is an unmitigated lie if it is, in fact, a statement made by an informant in the government. I am sure my friend, the hon. member for Winnipeg North Centre will bear me out when I say that at the various House leaders' meetings which we have had with regard to this matter, the House leaders were interested in working out an orderly way of dealing with this bill. As usual, the government got itself in a mess in its legislative program, and we came up with a series of proposals which would permit us to contest the repugnant parts of the bill and deal with the others in due course. It was a suggestion for the orderly treatment of the bill which formed the basis of discussion. This is the kind of thing which makes it exceedingly difficult to work out programs. We offer our help to get the government out of the mess and then we are faced with a situation of this kind. I am raising the matter now because it is the first opportunity. I may have an opportunity to raise it again with Mr. Speaker in the chair tomorrow.

The Chairman: I take it the hon. member for Peace River, as he indicated, was giving advance notice of a question of privilege he may or may not wish to raise when His Honour is in the chair. Of course, that is recorded.

Mr. Whicher: Mr. Chairman, I listened very attentively to the hon. member for Winnipeg North Centre, whose diligence and sincerity everyone in this Parliament appreciates, but one wonders whether, in his keen desire to help, he does not get mixed up and is unable to tell us from what source that help will come. From the remarks to which I listened I gathered that, first, he was criticising the government for not bringing in a system of tax credits, particularly for those Canadians in the lower income brackets. Through you, Mr. Chairman, may I respectfully point out to the hon. member for Winnipeg North Centre that the reason for the omission of the tax credit system is obvious. A large number of the members of this House sat for many months, not just two or three months, studying the white paper and the tax bill presented by the government, then brought in a recommendation that tax credits were not appropriate to our Canadian tax system. The Committee recommended that, instead of using tax credits, we should use tax exemptions, which is what the government has done in this bill.

• (3:30 p.m.)

Really, Mr. Chairman, I think that the hon. member for Winnipeg North Centre should be a bit more fair. He should tell the people of Canada that the reason the government is not bringing in tax credits is that specialists in the field, who have examined this question very closely, have recommended that tax credits not be used but that tax exemptions be used instead.

Mr. McCutcheon: Do you only do what your specialists tell you to do?

Mr. Whicher: In fact, in this particular instance, the government has done what the specialists of the Conservative party recommended, because every one of them recommended that there be tax exemptions and not tax credits. So I say to the hon. member, next time don't put your foot in your mouth quite so far.

The hon. member for Winnipeg North Centre said he would introduce some sort of amendment to raise the tax exemptions to $2,000 for single people and $4,000 for married couples. As you know, Mr. Chairman, the existing exemption for a single person is $1,000. I do not always agree with the government, but in this instance I believe that the government quite rightly proposes that the exemption be raised from $1,000 to $1,500. If the hon. member were fair, he would tell the people of Canada that this change is going to cost the Minister of National Revenue exactly $500 million in tax revenues, because every $100 of exemption costs the government $100 million. This exemption, within a matter of a few dollars, will cost half a billion dollars.

The hon. member for Winnipeg North Centre could quite rightly ask the government, "Where are you going to get this half billion dollars"? A responsible government has a duty to reply, and I assume the Minister of Finance or his parliamentary secretary would say, "We are going to get the money by initiating a capital gains tax in Canada." I point out that a capital gains tax has been recommended by the hon. member for Winnipeg North Centre, and by many other people, including the Standing Committee on Finance, Trade and Economic Affairs which considered this matter for many months. But what the hon. member for Winnipeg North Centre does not tell us is where the money would be obtained to make up the loss in revenue if his recommendation were implemented to increase the exemption for single people from $1,500 to $2,000. Mr. Chairman, you do not have to take my word for this. You do not have to take the word of any member of this House. Just look up the facts and figures that can be obtained from any library in Canada and you will find that raising the exemption from $1,500 to $2,000 will cost a further half billion dollars.

Mr. McCutcheon: That isn't correct.

Mr. Whicher: That is absolutely true. Are you doubting my word?

Mr. McCutcheon: I think your figure is too high.

Mr. Whicher: Are you doubting my word? I understand that in this House you either put up or shut up.

Mr. Hees: Oh, come off it.

Mr. Whicher: Don't you open that mouth of yours, George. I shut it one night, you may remember.

The Deputy Chairman: Order, please.

Mr. Whicher: I don't mind professionals, Mr. Chairman, but these amateurs!

The Deputy Chairman: I think the discussion is very interesting, but I make a plea to all hon. members to direct their contributions to the Chair.

Mr. Whicher: In any event, from the figures I have read, increasing the exemption from $1,500 to $2,000 for single people, and from $2,000 to $4,000 for married couples, will cost in the general area of half a billion dollars, and I believe that that figure is too low, if anything. We all know how sincere is the hon. member for Winnipeg North Centre. As I told him the other day, if he had happened to live at the same time as our Lord was on earth there would have been 13 disciples instead of 12, because he wants to give things away. If he is absolutely sincere, then he will tell this House where he would get the extra half billion dollars.

Some hon. Members: Hear, hear!

Mr. Whicher: Of course, he does say, "We will tax the rich." If he carries his sincerity as far as I hope he does, then he will tell us how many rich people there are in Canada. I tell you, Mr. Chairman, there are very few rich persons in Canada. Every year several hundred of them are leaving Canada because they are being taxed too much now. If you don't believe me ask some of our honourable friends from Alberta, and they will explain the situation to those who do not understand. When the hon. member for Winnipeg North Centre suggests that a single person making $25,000 a year will get more through a tax exemption than he will through a tax credit, again if he is fair he will tell us how many single people there are in Canada making $25,000 a year. I would say there are very few indeed. So, so far as the exemption situation is concerned, I think the government has brought forward a very fair bill.

I suggest that the government, in proposing an exemption of $650 for those who are 65, can be very proud because we know that no country in the world has given such exemptions to people of that age. We are giving higher exemptions to, and taking less taxes from, people at age 65 who are getting the old age pension, than any other country in the world.

Some hon. Members: Hear, hear!

Mr. Whicher: Of course, we would like to be able to establish higher exemptions, perhaps up to $10,000. Why stop at $2,000 for single people and $4,000 for married people? The fact is that somebody has to pay taxes to provide the benefits that we enjoy. Therefore, without prolonging my remarks further, I simply say that while all of us wish the exemption could be more than $1,500, we must consider the facts in this day and age when more benefits are coming from governments, whether federal or provincial, when governments are producing more costly programs, such as medicare, hospital services, higher old age pensions and higher children's allowances. Taking all this into account, I would say an exemption of $1,500 is a good start and will benefit many people in Canada.

• (3:40 p.m.)

Mr. Downey: Mr. Chairman, the hon. member for Bruce who just spoke made some very interesting comments on the tax bill and the amount of revenue that the exemptions are going to cost the federal treasury. However, I think it is difficult to enter into this type of calculation without reference to the fiscal dividends which accrue to governments as a result of inflation. A number of hon. members were members of the Standing Committee on Finance, Trade and Economic Affairs which studied the bill. It became evident at these hearings that it was possible to reduce the tax rate and still increase the total revenue of the government as a result of inflation. I say that is possibly what is happening at the present time.

[The Deputy Chairman.]

If there are any attractive features in this 707-page bill, they lie in the fields of personal income tax and personal exemptions. I think we can safely say that the increase in personal exemptions and the increased limits on contributions to pension plans do little more than reflect the erosion in the value of the dollar over the years. The last time the tax exemptions were raised was in 1949, so this change is long overdue. The reduction in the top combined rates to 61.1 per cent affects few people. Perhaps it is unrealistic to accept the stated rates when several provinces already levy taxes at rates above the standard 30 per cent used in arriving at the combined level of provincial and federal rates referred to in the tax summary.

To return to the matter of the fiscal dividends, we know that in past years Canada's rate of inflation has been as high as 6 per cent and rarely lower than 3 per cent.

Mr. Mahoney: On a point of order, Mr. Chairman.

The Chairman: The hon. parliamentary secretary rises on a point of order.

Mr. Mahoney: Mr. Chairman, it was my understanding that the arrangements made between party leaders, and announced in the House by the President of the Privy Council on Friday, were to the effect that remarks would be strictly relevant to the proposed sections of the act under consideration, sections 109 and 110. The general economy, trends in inflation, and rates schedules are not mentioned, so I was wondering when the hon. member was going to relate his remarks to the particular section under consideration.

Mr. Lambert (Edmonton West): They are all tied in.

Mr. Downey: Mr. Chairman, that is a very interesting comment made by the parliamentary secretary. Was he not sitting here a few minutes ago when the hon. member for Bruce made his remarks? Why was he not on his feet then? He was too busy applauding, but the relevance of those remarks was very difficult to understand indeed.

Mr. Lambert (Edmonton West): It will take that much longer, Pat. Just be quiet.

Mr. Downey: If I may refer to the matter of fiscal dividends that accrue to governments by allowing the inflation rate to continue—

The Chairman: Order, please. With all respect to the hon. member for Battle River, I did wonder if he was not going a bit beyond section 109 which is presently before the committee. If I am in error I know he will point out where I err, but I think we are essentially dealing, as the heading indicates, with the computation of taxable income. The section sets out the various exemptions of people who qualify and so on. I would invite the hon. member to confine his remarks within the four corners of section 109.

Mr. Lambert (Edmonton West): With the greatest respect, Mr. Chairman, may I point out that when we are discussing personal income, certain exemptions are set out and the balance of income is subject to tax on the basis of rates. If the hon. member wishes to comment on the adequacy or inadequacy of the exemption, surely he is within his rights to refer perhaps to the attitude of the government in wanting to continue, as it does, the system of a general flat rate. The flat exemption results in an inflationary bonus for the government; it is as simple as that and surely reference can be made to it. I agree that we are somewhat more limited but not as strictly as suggested by the parliamentary secretary. If we are to proceed in this way, it will be a long haul to complete the discussion of these sections.

Mr. Mahoney: Mr. Chairman, perhaps there is a disposition on the part of members of the opposition, since they cannot deal with exemptions without dealing with rates, to extend the purview of the current debate to include section 117 which does cover rates. Perhaps we cannot deal with one without the other. Is that the disposition?

The Chairman: I want to be as helpful as possible, and certainly do not want to restrict hon. members. I agree in essence with the hon. member for Edmonton West, although it is a matter of degree. I think the hon. member will recognize that, although his remarks may be relative, they might be considered to be a bit outside the four corners of the section; they must be relevant. The hon. member for Battle River.

Mr. Downey: Thank you, Mr. Chairman. I am happy that you bore with me through the preamble. As the hon. member for Edmonton West pointed out, there is a very close association between the rates and the personal income tax section of the bill.

I wanted to comment on the surtax which has been repealed. I do not think anyone can quarrel with that, but when we look at it we see that the surtax was really not a tax on income but a tax on a tax. This affects income retention for only a very few people who were, in practical terms, paying a maximum of 1½ per cent. Very few Canadian Taxpayers will find their income increased as a result of this change because the tax amounted to only about one-third of one per cent or about $3 for every $1,000 of earned income. Bearing in mind the present rate of inflation, if individuals do not have an increase in earnings in the next three weeks, they will be back where they started before the surtax was removed. This is quite an accurate calculation of what this means to the economy in terms of real dollars.

Elasticity is a word which becomes familiar when we speak of the tax structure and personal income tax rates. I suggest that the new tax rates have been geared to an even greater extent to the concept of progressive income tax rates. This results in an increase and not a decrease in the tax payable.

Let me take an example from the lower income brackets. A single person earning $1,700 a year would, under the present tax system, claim exemptions of $1,100 and pay $70 tax on his taxable income of $600. If his income rises to $1,800, his taxable income is $700 and he pays $81 in tax. Thus, although his income has risen by 6 per cent, his tax has increased by 17 per cent. It will be seen that under the new tax legislation, every 10 per cent increase in income in similar circumstances is accompanied by an 18 per cent increase in taxes. The tax increase under the new bill represents a higher ratio with respect to the proportion of take-home pay than was the case under the old legislation.

• (3:50 p.m.)

I do not wish to go much further at this point than merely point out these anomalies in connection with tax rates. The hon. member for Lambton-Kent, in directing a question during the question period to the Minister of Agriculture, referred to the fact that a poultry quarantine station had been set up in the middle of the poultry district of southern Ontario. It seems to me that the type of mentality that was responsible for that has manifested itself in the ministry that is responsible for taxation.

Mr. Rose: Mr. Chairman, my intervention will be brief and, I hope, specific in form. I agree with the hon. member for Winnipeg North Centre who argues, and has argued for years, that exemptions are too low and that we are taxing people at the poverty level. He says that by so doing we compound the problem of poverty, something that Economic Council reports have pointed out over and over again. As I say, we compound the problem of poverty by adding an additional burden of tax on those who are poor. We realize that the government has difficulty in raising money. Nevertheless, we on this side of the House have suggested how the government might accomplish its aim of greater revenues for the treasury which are necessary in order to provide those benefits which we feel must be provided for an enlightened and progressive country.

The hon. member for Bruce is an interesting and able speaker and likes to keep an argument going. He asked pointedly from what source the hon. member for Winnipeg North Centre thinks all this extra money will come. Instead of answering, may I ask this: From what source did the $1 billion that the Minister of Finance is to make available in connection with winter works, and so on, come? His program calls for $1 billion in benefits. Without going into any great preamble, may I say that we know the source of this money which is to be used for winter works relief. It will come from the people who are paying taxes now; that is where the money will come from, even though the government may borrow the money in the beginning. You see, with taxes being paid on incomes of $5,000 a year and even less, there is little difference between the working poor who are taxed and welfare recipients who receive those taxes. So, by depriving one group of society we are encouraging those who receive low incomes and those who receive welfare to argue about their respective situations, because both groups are in deprived circumstances. I had not intended speaking on this point and have raised it only by way of preamble.

I had intended referring to an anomaly in the former tax law which encouraged the administrators of the act, so to speak, to take a moral position. My remarks will be in a similar vein to those that were made a few moments ago by the hon. member for Halifax East-Hants. Perhaps I could most efficiently deal with my concern by reading a series of letters exchanged between the Minister of Finance and myself. They concern the fact that a person

who has been ordered by the court to support an illegitimate child not domiciled with him received no recognition under the previous act of the amount spent. This matter may or may not have been corrected in the new legislation. I am referring to subsection (5) of section 109, the "partial dependency" subsection.

May I be permitted to quote from a series of three letters, the first one being dated December 3, 1968. I should say, before I begin, that I am not speaking in favour of illegitimacy. I feel that the law itself should take a neutral position on this matter. At the moment it does not. May I quote from my letter to the Minister of Finance of December 3, 1968? It reads in part:

This concerns the payment of support and maintenance of a child not domiciled under the same roof as the person who is required to supply this support and maintenance. My constituent has written me stating that these payments have been disallowed as a deduction for income tax purposes.

I would appreciate it if you would tell me if the Income Tax Act has been fairly imposed in this case. If the Income Tax Act makes no provision for such a deduction it appears to me that some amendment should be considered so that anomalies such as this might be overcome. Certainly the man who is required to pay this type of support and is doing so is fulfilling the obligations the Court placed upon him and does not have the use of this money for his own living expenses. It seems unfair to me that anyone should be additionally punished by the failure of the Income Tax Act to recognize the partial dependency of the child in question.

I asked the minister to write and provide me with some information. Actually, my letter was preceded by a letter dated September 8 which the minister wrote to my constituent. The second paragraph reads:

Under the present laws, a taxpayer may deduct from his income for the year only those amounts expended for a child who, during that year, was wholly dependent upon him for support. A request such as yours would require an amendment to the Income Tax Act—

I might add that the preceding paragraph related to deductions for tax purposes with respect to payments made by the putative father of an illegitimate child.

Following the letter I wrote and the information I received, I again wrote to the Minister of Finance. My letter said in part that the minister had directed me to look at a certain section of the act, and I suggested that we ought to delete the phrase "of the marriage" where it appears twice in the section, since this wording seems to work against the particular individual concerned. I went on to say in the letter I wrote to the Minister of Finance, dated January 20, 1969, as follows:

This, then, would place my constituent in a position equivalent to married couples not living together who are making payments for child maintenance, or payments required by the court under conditions of separation and divorce.

My constituent . . . has been ordered by the court to pay out for the maintenance of an illegitimate child the sum of $3,840 over a period of 16 years. Because of present tax regulations and rates, he is additionally assessed $1,099.20 for his indiscretion. This seems markedly punitive to me and I would be pleased if you would consider this regulation during the current tax review.

We are now considering the tax review legislation in committee of the whole. I think the argument is quite clear. In this instance, the drafters of the law are taking a moral stand. The person who is required to pay for the support is really, except in the legal and spiritual obligations of marriage, in the same position as any other parent supporting or partially supporting a child. He is entitled to deduct this amount. I do not see any reason, in the light of the situation of the constituent I have just described, why this deduction privilege should not also apply in the case of an illegitimate child or a court order payment for support of an illegitimate child. There may be thousands of cases like this across Canada.

• (4:00 p.m.)

I am not suggesting that the court has no right to make an order for support. If the support is given, the money is not for the use of the father or mother, depending on which way it works. I would appreciate it if the experts of the tax department and the parliamentary secretary would consider this matter carefully. It may not be a great thing, but the fact that the tax law should be blind as far as this moral or ethical question is concerned, is a valid point. Because they are reasonable men, I hope they will look into this.

Mr. Mahoney: Mr. Chairman, I am delighted to have the opportunity to accept the invitation extended earlier from across the way to comment at least on some of the points raised. Perhaps I should deal first with the point raised by the hon. member for Fraser Valley West.

The proposed section 109(5) of the new act is very much the same as section 26(6) of the present act. It is quite possible that the parent of an illegitimate child who does not have direct care or custody of that child could qualify for all or part of the exemption that is attributable to that child, depending on establishing the relative degree of support which he affords it. I think on reflection the hon. member will agree that the amount of money which a parent pays for the care and support of his own child in his own household, one who is acknowledged and legitimate, is not available to spend for other purposes. That parent is in precisely the same position as the parent of an illegitimate child.

As I understand the hon. member's argument, he thinks that moneys paid under a court order in this situation should be a form of deduction in taxable income. I suppose if one afforded that privilege to the parent of an illegitimate child, one could not discriminate or make a moral judgment by denying it to the parent of a legitimate child. It would be a very worth-while tax avoidance ploy for parents to get maintenance orders from judges so that they could deduct the amounts paid under those maintenance orders rather than accept the exemption granted under the act. The parent of an illegitimate child in the present circumstances is entitled to claim an exemption or partial exemption, depending on the extent to which he is supporting the child. I refer the hon. member to section 109(5).

I now wish to deal with the main thrust of the arguments raised by the hon. member for Halifax-East Hants and the hon. member for Winnipeg North Centre regarding the adequacy in the increase in exemptions. We must acknowledge that if the $1,000 exemption was adequate in 1949, then certainly it is not adequate in 1971 and will not be adequate in 1972. However, the arithmetic application of the cost of living index to those exemptions is an oversimplification. It fails to take into account many social programs such as medicare, hospitalization and family allowances which have been established and/or

improved over the years. They have relieved all Canadians, including low income Canadians, of some of the demands on their personal resources that existed in 1949.

Frankly, I do not think the simple application of the cost of living index is a persuasive argument to support any specific exemption that you may decide upon. We have higher exemptions. This will remove about one million Canadians from the tax rolls and reduce taxes for five million others. While I am sure nothing would make the government happier than to be able to offer the tax paying public even more generous exemptions than those contained in Bill C-259, these were settled upon after a great deal of thought had been given to all the implications, both from the point of view of revenue as well as the taxpayers. They are certainly not inadequate exemptions.

The tax credit system is certainly something that has some merit. However, if there is a country in the world that has tried it and has made it work, I am not aware of it. Certainly, the exemption and graduated rate system that the government has opted for in Bill C-259 is not nearly as inflexible as the more outspoken advocates of the tax credit system indicate. The hon. member for Winnipeg North Centre was most honest when he indicated, at the close of his remarks, that a tax credit system would probably have to involve a different tax credit depending on whether you were married, had children and how many children you had. If the tax credit system were to be fair, it would not be nearly as simple and straight forward as many of its advocates would have us believe.

Mr. Lambert (Edmonton West): It is the same thing as a flat rate.

Mr. Mahoney: The fundamental fact is that there is no magic in it. Revenue conceded to low income Canadians by increasing tax credits would have to be made up some place else. This is a very simple fact. You do not avoid it by accepting a system of tax credits.

Mr. Rose: Take it from the oil industry.

Mr. Mahoney: The progressive tax system we have in Canada does, of course, levy a much heavier tax on higher income Canadians than lower. Higher income Canadians have come to expect to pay taxes to take care of this fact. However, the increase in exemptions, combined with the progressive rate of tax, does, in the view of the government, achieve the objects that we desire.

I refer hon. members to the schedule for single status taxpayers in Canada as compared to other countries of the world. Under the new bill, single status taxpayers, assuming that they are employed in business, will pay taxes when their income reaches $1,650. That compares to $1,773 in the United States, $1,011 in the United Kingdom and $470 in Australia. The married situation in Canada is such that married taxpayers will pay taxes after their income has reached $3,041. This compares to $2,533 in the United States, $1,445 in the United Kingdom and $470 in Australia. I do not think we have to apologize to anyone for the net effect and benefits that the increased exemption schedule proposed in Bill C-259 affords to our lower income tax payers.

Mr. McCleave: Mr. Chairman, may I ask the parliamentary secretary to give me the courtesy of a reply to my question about common-law spouses?

• (4:10 p.m.)

The Deputy Chairman: Order, please. Perhaps the parliamentary secretary is having difficulty replying to the question. I would invite hon. members who want to ask questions to co-operate as much as possible with the Chair so the Chair can recognize them and the questions can be properly answered. Does the hon. member for Halifax-East Hants wish to pose his question again?

Mr. McCleave: Mr. Chairman, I think there are others who wish to take part in the debate, but I guess I have given notice and I will be raising it again if I do not get an answer.

Mr. Orlikow: Mr. Chairman, I was interested in the comments made by the hon. member for Bruce and in the so-called reply by the parliamentary secretary who said, in part, when there was an interjection about taxing the oil industry, that the progressive taxation system we have in Canada takes care of the oil industry. I would refer the parliamentary secretary to a speech made by the former minister of communications, the hon. member for Duvernay, to the Canadian Economics Association in which he put on the record figures that the parliamentary secretary should study—if he can read, which I sometimes doubt. These figures show very conclusively that the oil industry is not taxed in any kind of equitable or progressive fashion.

The table used by the hon. member for Duvernay was one prepared for the Calura report in 1968. If one compares the book profit of various business enterprises in Canada during the years 1965-68, one sees that the retail trade paid taxes on 90 per cent of its taxable income; that the wholesale trade paid taxes on 87 per cent of its taxable income; that the manufacturing industry paid taxes on 63 per cent of its taxable income; that—

The Deputy Chairman: Order, please. I hesitate to interrupt the hon. member but the matter of relevancy has been discussed before. I would ask him how he relates his present remarks to section 109, which is directly related to the computation of taxable income for individuals.

Mr. Orlikow: Mr. Chairman, I would be delighted to do so. I can relate my remarks to this section very simply. Obviously, if the taxation system does not collect sufficient taxes from sources other than the present ones, then the rates at which basic exemptions are set must be much lower than would otherwise be the case. In his remarks, the hon. member for Bruce said that to do what my colleague the hon. member for Winnipeg North Centre had suggested, namely raise the basic exemption to $2,000 for a single person and to $4,000 for a married couple, would cost $500 million, and he asked where we would get that sort of money. The parliamentary secretary said that the government was already taxing the oil industry quite equitably. I see he shakes his head.

Mr. Mahoney: I did not mention the oil industry. Did you get permission from Schreyer to say that?

Mr. Orlikow: I will come to what the government of Manitoba says about the taxation system, but what I am trying to point out at the moment is that there are large, untapped sources of income in Canada that could be

taxed, which would mean that the government could easily raise basic exemptions or institute the system of tax credits that we have been proposing.

I know the parliamentary secretary comes from Calgary, which is the headquarters of the oil industry in the province, and that he has a special interest in protecting the oil industry. However, let me put on the record a few more figures. For example, the mining industry was taxed on only 32 per cent of its taxable income; the metal mining industry paid taxes on only 13 per cent of its taxable income. Then, in the minerals field, which I presume includes oil, tax was paid on only 5.7 per cent of taxable income. In other words, we are talking about hundreds of millions of dollars.

The parliamentary secretary, in one of his usual, stupid interjections, asked me whether I had the permission of the Premier of Manitoba to say the things I was saying. Let me summarize for the edification of the parliamentary secretary—if that is possible—a statement made by the Minister of Finance of the province of Manitoba on July 16, 1971.

Mr. Mahoney: The gospel according to St. Paul.

Mr. Orlikow: I would sooner take the gospel according to St. Paul than the gospel according to St. Pat. The Minister of Finance of the province of Manitoba, commenting on these proposals that we are discussing today, suggested that we replace the tax exemptions that this government is putting forward with a system of tax credits. He suggested that all income, regardless how it is earned, be included as income for purposes of taxation. That cannot be a very radical proposal since it is precisely the proposal that was made by the Carter commission, which was headed by a man appointed by a Conservative government. He suggested that the natural resources industry be taxed on the same basis as other industry.

He then went on to spell out in detail what these changes would mean in terms of dollars. Even using the then tax structure, raising personal exemption to $1,500 from $1,000, as proposed by the government, would mean nothing to people who have no income. This is precisely why we are proposing tax credits, because it is these people who need assistance but who will not get one red cent from the proposal made by this government.

The Minister of Finance of the province of Manitoba also pointed out that for those people whose income matches the exemption level, the new increase to $1,500 will mean a saving of $250, or $463 for those with an income of $10,000, or $1,236 for those people with an income in excess of $400,000 a year. So that those who have will get, as is usual with this government. The proposed exemption of $2,850 for a married couple will result in no saving to those with an income of less than $2,850. It will mean a saving of $551 for those with an income of $250 and who are now receiving an exemption of $2,000. It will mean a saving of $845 for people with an income of $10,000, or $2,348 for people with an income in excess of $400,000. As I said before, those who have will get more.

From the revenue point of view, the Minister of Finance of Manitoba pointed out that, if a system of tax credits were adopted rather than the system of exemptions, an additional $1,140 million would be brought in because the government would begin to tax people on everything they have and be able to give relief to those people who need it the most. Using tax credits in place of exemptions would bring in $250 million. Full inclusion of capital gains in income rather than the proposed system of half rates on capital gains would bring in another $100 million. The elimination of dividend tax credits would bring in another $139 million, and the elimination of depletion allowances for natural resource industries and the three-year exemption with no offsetting provision, which the government is continuing, would together account for another $224 million. If you limited the capital cost allowances to actual wear and tear, as the hon. member for Duvernay proposed in his speech to the Canadian Economics Association, you would bring in another $360 million. We must add to that the $65 million which would be brought in as a result of the retention of the estate and gift tax legislation which this government is so easily giving up. All in all, the proposals which the Minister of Finance of Manitoba made would bring in not the $500 million odd, which the hon. member for Bruce is worrying about, but $3,282 million. It is obvious that the money is available if you want to find it. If you want to tax those who have money instead of those who have not, as we have done so frequently in the past, this amount of money can be raised.

• (4:20 p.m.)

Let me say a few words about the question of a tax credit system as compared to the tax exemption system. The hon. member for Bruce said the committee which dealt with the question listened to all the experts who all came out for a system of tax exemption rather than a tax credit system. If that is true the committee must have looked carefully for the experts they wanted, those who would give them the kind of answers that suited the government. These people must be doing very well as a result of our inadequate and inequitable tax system. The most thorough and fair study of our tax system was carried out by the Carter Commission. It recommended that we institute a system of tax credits. We also propose that the present tax exemption system should be eliminated and replaced by a system of tax credits.

A tax credit and exemption system are both intended to recognize that a certain amount of an individual's income must be free of tax. We are appalled by the fact that a large number of people who, according to the Economic Council of Canada, are living in a state of poverty will be paying income tax, even after we increase the basic exemptions as proposed by this government to $1,500 for a single person and $2,850 for a married couple. The members of the Economic Council of Canada, appointed by the present government, are not noted as being wild-eyed radicals. According to their calculations in respect of the status of poverty, a large number of people will still be paying income tax.

The present legislation specifically states that the exemption will be $1,500 for a single person. The tax credit system does not state the amount of income which should be exempt, but does state the amount of tax that should not be paid in the form of a deduction. The tax credit comes off in the form of a tax credit equivalent to the monthly tax payment. The tax exemption system provides a greater amount of tax benefit to the upper income

tax payers than the lower income tax payers. I have already indicated examples of that, and how the tax exemptions proposed by the government will give a greater advantage to the higher income group than to the group at the bottom of the taxable income level. It is for that reason we have proposed a system of tax credits rather than a tax exemption system.

The parliament secretary suggests that the matter is not as simple as we have suggested. No tax system is simple. He suggested a tax credit system would have to be varied for different groups, depending on whether the people are single or married. Certainly the parliamentary secretary knows, if he knows anything at all, that the tax exemptions system does precisely that. It says a person who is single will not pay, according to the present proposal, on his first $1,500 of income, and that a married couple will not pay on the first $2,850 of income. A family of three or more will have a further exemption. In that respect, the tax credit system we propose is in no different from the tax exemption system.

What we have said, and will continue to say, is that the present system of taxation and the present exemption levels as proposed by the government are not equitable. They place an undue burden on those with lower incomes. For the benefit of the hon. member for Bruce who said, among other very interesting things, there are fewer millionaires and wealthy people than there used to be because we are taxing them so heavily, let me refer to an article which appeared in the Toronto *Daily Star* of April 21, 1969. It is written by Mr. D. H. Fullerton who is well-known to members of this House. He has held a number of positions with the federal government and is an economist and an expert on taxation. After pointing out that a survey in the United States indicated there were 21 people there with incomes of over $1 million per year who paid no taxes at all, Mr. Fullerton went on to state:

> Precisely similar data for Canada is not available, but experts in the field agree that the Canadian rich have been just as successful as their American counterparts in finding ways to cut their tax bill. One of the wealthiest men in Canada, in fact, is known to pay no income tax at all. The Canadian tax avoidance methods, however, tend to differ a bit from the American.

The fact that they differ will not be of much comfort to those taxpayers at the bottom end of the taxable scale who know that these people are avoiding taxes. Mr. Fullerton went on to state:

> Wealthy Canadians do not have the same benefits on oil depletion but are adept at using others. The favourite Canadian devices appear to be cost chargeable to real estate operations, and various methods for converting current income into tax-free or almost tax-free capital gains, such as setting up a holding company in West Indian tax havens.

Put this on the record because I want my friends on the other side not to feel so sorry for those who have done very well in this country. Mr. Fullerton, in this article, makes a very clear distinction between tax evasion, which is illegal, and tax avoidance, which is quite proper and legal as long as we are stupid enough not to plug the holes.

Mr. Gilbert: But very immoral.

Mr. Orlikow: My colleague says it is immoral, but one cannot blame these people for trying to live within the limits of the law. One cannot blame them for hiring qualified tax lawyers who specialize in tax matters in order to get the advice they need. One might wish that the ordinary citizen could afford the same kind of highly technical advice which is available to the wealthy of this country.

• (4:30 p.m.)

As Mr. Fullerton said so clearly, the fact is that the wealthy in this country have done well up until now and they will continue to do well when we give effect to the tax bill the government proposes. Those in the lower income brackets in this country who do not earn enough to pay any income tax, as is the case in respect of so many farmers and so many people in the maritime provinces, will receive no benefit from these proposed changes. Those in the lower income brackets who have a taxable income will continue, as they have for so many years with the approval of the parliamentary secretary obviously, to pay a much higher percentage of their income in the form of taxes—income taxes, sales taxes and real estate taxes—than those in the upper brackets who will continue to get off very lightly as they have for so many years.

Mr. Lambert (Edmonton West): Mr. Chairman, I am sorry if I sound a little like a Canada goose this afternoon, but the cold I picked up last week has not gone away. The minister of health and I must have the same physician because what has been prescribed for us has not been very successful. In any event, I shall do my best to get through this. At the outset may I say the way in which we are dealing with these sections is somewhat of an experiment as a result of consultations between the government House leader, myself and others, concerning how this bill should be handled. It is purely an experiment in some ways and I would hope, in dealing with the general sections on personal income, and having considered shall we say these two sections which group themselves very nicely, that perhaps when the time comes—I do not know when it will be because it depends entirely on the House—we would go to those sections, for instance sections 3 to 8, which involve the computation of income. We are now looking at certain deductions. There are further deductions more minor in nature which lead us further astray in section 111.

Having outlined the plan, I may say that sections 117 and 118 involve the rates, but this is an incidental reference. If we look at this bill we will note that some of the sections and subsections on pages 277 and 289 are merely carrying forward the provisions of the old act. There is some modification in certain areas, changes of a few words, which we hope will be an improvement. There is no guarantee about this and, as a matter of fact, there are some commentaries which suggest these changes are merely more confusing. Then, there are new principles of taxation. Therefore, I believe we must look at what is new. Some portions of the bill which merely carry forward provisions that have been in existence for many years may prove to be wrong. I believe the hon. member for Fraser Valley had something to say about that and I believe we will have something to say about other sections. Certainly, mention must be made of the relationship between husband and wife and the income the wife may earn from a firm in which her husband may be a partner.

The basic thrust I want to make is that which I made back at the time of the committee hearings on the white

paper in respect of personal exemptions. Notwithstanding what was said by the hon. member for Bruce, I was not one whit impressed by the arguments of those who insisted that this is a better system than the tax credit system. For one thing, the amount of exemption applies to every category of taxpayer. Be he low income, middle income or the highest income individual in the country, he will still come under this provision of $1,500 per taxpayer. This is a tax system which is predicated upon the principle of ability to pay. The total tax system of this country provides no recognition of the fact that the low income taxpayer pays an equal shot with the high income tax payer under customs, sales tax and the many other types of tax in this country. So, it seems to me that for this reason it would be easier to differentiate between the categories of taxpayers in the broad sense by using a tax credit system, were it desired in the future to make these changes.

Certain cabinet ministers talk about guaranteed annual income and all sorts of similar programs. With a fixed basic exemption, it becomes all the more difficult to introduce that type of system. For that reason, it would seem to me it would have been preferable to move toward something that is more flexible, and that is a tax credit system. Second, the change of exemption has proven to be an exceedingly difficult proposition. Ever since I have been in this House I have heard propositions about change in the level of personal exemption for taxpayers under the Income Tax Act. It has taken 22 years—as a matter of fact 23 years because we are dealing with the Income Tax Act of 1948—to make those changes. I suppose, going on the premise of past experience, it may take another 20 years before a further change is introduced. We are introducing a further degree of inflexibility in the income tax system which I think we could well eliminate. Therefore, I feel that the tax credit system again would be of advantage. Third, there is no doubt that the basic exemption is of greater value at marginal rates to the higher revenue earner than it is to the lower income earner. That is all there is to it.

To me there would seem to be a lack of logic in insisting upon this level of $1,500 and $1,350 per annum. I think the parliamentary secretary was frankly trying to engage in a useless comparison in talking about Great Britain, France, the United States and others in respect of the basic rate. It is the same as making a comparison of assessments or taxes in various Canadian cities because you can have high assessments and low tax rates or you can have low assessemnts and very high mill rates. The same thing applies here. We could have a very low exemption allowance but much higher rates initiating tax, yielding roughly the same thing and, so far as the taxpayer is concerned, with about the same effect. So, what the parliamentary secretary had to say does not in any way contribute to a comparison of the two systems.

• (4:40 p.m.)

One thing that I noted also was that the parliamentary secretary had perhaps slipped into the pitfall of trying to compare the position of the single status taxpayer at his best possible position in Canada. I admit that the exemption is the same, but the tax rates are certainly not and if, inadvertently, he was trying to give the impression that the single status taxpayer in Canada was better off than he was in other countries, then I think he is wrong because one has to remember that in Canada the provinces have the right to levy income tax, and many of them do. The same is true of several states in the United States which levy income taxes, and to compare individuals you must put them in the same relevant position. Unfortunately, the white paper engaged in some real flim-flam when it was comparing high rate individuals in the U.S. with low rate individuals in Canada.

With regard to the amounts, I would say that $1,500 is an arbitrary figure; $1,800 can be an arbitrary figure, just as $1,400 was an arbitrary figure. They bear no relationship at all to the cost of living. But then, when we consider the $2,850 and take a couple who are receiving their old age security, the taxpayer of the two gets an additional allowance of $650, which puts him in at $3,500, and with $100 general deduction, it means about $3,600 of income which would be completely tax exempt. To relate that to various poverty levels is also a very relevant question because $3,600 in Toronto or in Ottawa is certainly not $3,600 in some small centre in rural Ontario, rural Quebec or elsewhere in the country. These are all relative levels, and it does mean that a person with $3,600 in certain areas could be much better off than one living, say, in the centre of Toronto where I think his position would be absolutely impossible.

I think the parliamentary secretary might want to answer this question. In the light of the fact that three of the provinces, and there may be a fourth one, have lowered the age of majority to 18—and we know that this is going to be the trend in the next three or four years—why does the Income Tax Act make that break at the age of 21, as it does for children at page 278? At page 278, section 109 (1)(d) we find the following:

> For each child or grandchild of the individual who, during the year, was wholly dependent upon him for support and was
>
> (i) under 21 years of age,
>
> (ii) 21 years of age or over and dependent by reason of mental or physical infirmity,

Why should the division not be now at the age of 18 in the case of mental or physical infirmity? This is more in conformity with the status of an adult. I assume the status of an adult is at the age of 21 in this statute because that was the dividing line between minority and majority. It seems to me that we will have to look into this in order to conform because provincial statutes relating to income tax, and other statutes under provincial jurisdiction will have some effect upon the status of a person as a taxpayer. Yet there remains this question of 21. The act makes another break at the age of 16. This is presumably the age of entry into high school, and yet so many children go to high school at a younger age than 16. I do not know why the age of 16 is used, but it seems to me that we could make the situation so much simpler by having one break at the age of 18. There are very few people who go into post secondary education who are younger than 18. The great majority of them do so after they have reached that age, and yet the break is at 16.

Perhaps there is an explanation that escapes me outside that of pure inertia and of not thinking about this particular point. However, it seems to me that there should be a straight break now at the age of 18, and that a person over the age of 18 should be considered as an adult because

almost half of the population of the country are considered as adults at that age.

Now, I should like to move to some comments with regard to section 110 dealing with some of the deductions that are permitted. First of all, let us take the case of medical expenses. One change that has been made which has not been noticed too much is that, whereas under the present act if an individual has a private health plan, any medical expenses paid by that health plan as a result of illness of the taxpayer or of the taxpayer's dependents in excess of 3 per cent of the taxpayer's income qualify him for the benefit of the medical expense allowance, the present act under section 110 does not do that. It restricts very severely the amount that may now be claimed. One cannot now claim that expenses that are paid under a private medical insurance plan. You can only claim the amount of the premium under the 3 per cent provision for medical expenses which might allow the taxpayer to qualify for the allowance. Frankly, this change provides no real relief whatsoever; in fact quite the contrary.

• (4:50 p.m.)

Of course, it is also known that in those provinces where the employer makes a contribution to an annual premium, say, in British Columbia, Alberta and Ontario, the contribution of the employer is added to the income of the individual, but because that is for medicare the individual cannot claim any of the medical expenses paid at so-called public cost to arrive at the 3 per cent allowance. I am not arguing whether there should or should not be a deduction for medical expenses that are paid by a public plan. But what I am saying is that I think it is highly inequitable if the employer makes any contribution whatsoever to all or part of the cost of a medical plan, that should not also, on the basis of the provisions relating to contributions to a private plan, be deemed to be an expense. Why add it if you are going to charge it to him as income? It should also be allowed as an expense in arriving at the 3 per cent allowance. As usual, the Crown is taking it both ways and I fail to see the justification for it. It is completely unfair.

The individual's own contributions do not entitle him to anything. If he pays half of the fee for medicare he gets nothing for that, no allowance. If his employer pays part of his medicare fee it is added to his income, and if he participates, as many people do, in supplementary medical care schemes, the only thing he can draw benefit from here is the premium, not the medical expenses, and that is a complete repudiation of the principle of medical expense allowances. Of course, it is bitterly criticized by a number of the organizations that have made representations to the government.

The Chairman: Order. I regret to interrupt the hon. member but I do so to advise him that his time has expired.

Mr. Lambert (Edmonton West): Then, I will come back to this later.

Some hon. Members: Continue.

The Chairman: Is there unanimous consent for the hon. member to continue?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): Thank you, Mr. Chairman, but I am prepared to let someone else intervene, and I shall return later. The hon. member for Grenville-Carleton has been anxiously waiting to speak. So, I will yield to him.

The Chairman: Order. This might be an appropriate time to read to the committee the questions for the adjournment motion tonight. They are: the hon. member for Winnipeg North (Mr. Orlikow)—The Canadian Economy; the hon. member for Bellechasse (Mr. Lambert)—Atomic Energy; the hon. member for Selkirk (Mr. Rowland)—Regional Economic Expansion.

Mr. Blair: Mr. Chairman, I would like to address myself to the question of medical expenses. There are people in this country who now find themselves discriminated against. These are people who live in Ontario, or Alberta, or other provinces where the provincial governments have determined that they will make none or only a minimal contribution to the medical premium which is payable by the citizens in those provinces. The result is that people in those provinces are now faced with what appears to them to be a condition of hardship and injustice. If they are fortunate enough to be employed by someone who, under a collective agreement or voluntarily, pays a part of their medical care premium, then that contribution made by their employer is added to their income. On the other hand, any payment they make themselves in respect of all or part of the premium is in no way deductible at any stage in the computation of income tax.

It is not deductible in the basic computation of income, nor is it included as an element of medical expenses, as is the case with premiums that are paid for private coverage. I would hope that the spokesmen for the government can comment on the difficult and somewhat unfair position in which residents of this province are placed as compared with residents of other provinces in regard to the operation of medical plans in Canada, bearing in mind that all these plans are supported by all people as taxpayers, and that the differential positions which Canadians experience under the plans are not the result of anything they have done, but rather a result of decisions by provincial governments over which they apparently have no control.

The second point I would like to raise about medical expenses has been put to me very forcefully by a family in my constituency. These people have the experience of having children who suffer from what are called, broadly speaking, learning disabilities. The word dyslexia applies as a description of this particular ailment, which is a very serious one. At the present time in this province whatever public institutions there may be for the treatment of this type of disability, they are not really adequate to cope with the demands on this family, nor I am informed with the demands on other families in my constituency that have the same type of problem.

These children are under doctors' care. Whatever is done with them is done as a result of medical advice and medical direction. But, because of some odd quirk in the interpretation of our laws, both provincial and federal, this particular family finds itself in a position which I think is as absurd as it is unjust. The parents are compelled to pay what to them is an enormous amount of

money each month, something like $400 to $500, to maintain their children in a special institution so that they can receive the kind of treatment, plus training, which will enable them to become useful citizens. The health authorities of the province of Ontario have determined that this is not an expense which is covered under health insurance, and the tax authorities of the federal government have stated that this is not an expense which is deductible as a medical expense.

I am not going to attempt to go through the jurisprudence on this matter except to say that the citations contained in CCH and other tax texts are somewhat contradictory. I do not think we can leave a matter of this kind in any position where there is doubt as to the taxpayer's rights, or any doubt as to the taxpayer's capacity to do all that he may to improve the health of his family and to overcome what any reasonable person would consider to be a severe medical disability. I notice that there is some textual change, and I will not go into detail at this time, between the existing law and the law as proposed. I think it would be a wise thing for the government to give an assurance to this House and to people, whose children suffer from these special types of disabilities, that there will be recognition of these special circumstances and the treatment will be properly recognized as a medical expense.

• (5:00 p.m.)

The third point I wish to make about medical expenses is in regard to the restrictive wording of the present section 27 (1) (c) which as far as I can see is substantially carried forward in the proposed section 110 (1) (c). Again I have in mind a specific case which seems to indicate absurdity in the administration of the law.

Shortly after the last election, one of my constituents brought to my attention a difficulty which he encountered in his family. His wife had experienced a nervous breakdown, had been confined for some time to a mental institution and had finally been released. The conditions of release were that she should continue to receive outpatient psychiatric care and have proper provision for the maintenance of herself and her home by a competent person. The arrangements were made by her husband under the direction of her doctor. A great deal of expense was incurred in providing for what used to be called a practical nurse to look after this lady. When the time came to account for income tax—

The Chairman: Order, please. I do not want to interfere with the work of the committee, but I think there may be some responsibility on the Chair to draw the committee's attention to the fact that it seems the hon. member is dealing with section 110, whereas the committee now has before it section 109.

An hon. Member: Oh, no; they are together.

The Chairman: If there was an order or understanding that they were to be dealt with together that was not clear to the Chair. If that is the understanding the Chair is very happy to have that advice. The hon. member for Grenville-Carleton.

Mr. Blair: Thank you, Mr. Chairman. I shall conclude in a minute.

[Mr. Blair.]

This man found, in the end, that his expenses were disallowed because he had not employed a registered nurse or a certified nurse's aid. As I said, this seems to me to be an absurd administration of our laws. By following the doctor's advice he had been able to return his wife to reasonably good health, and a great deal of public money had been saved because she was not forced to remain in a hospital yet because of the technical wording of the statute, which would be the same if this act were passed as it is now, this type of beneficial medical expense was not allowed.

Mr. Chairman, I have raised these rather technical questions without notice to the parliamentary secretary because I thought if they were raised now some consideration could be given to a response. I am happy to yield now to my friend, the hon. member for Edmonton West.

The Deputy Chairman: The hon. member for Bellechasse.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, the House now has before it one of the most interesting clauses concerning personal income tax and exemptions prescribed by the act to allow people to keep as much as possible of their income to support their family decently.

The bill, particularly geared to personal income tax, has been attentively considered by labour organizations whose responsibility it is to defend the interests of their members. They have made their recommendations known to us and I believe it is our duty, at the present stage of consideration of the bill, to speak on behalf of those organizations and request, suggest that the government amend some clauses of the bill in order to take more specially into account the rights of individuals, primarily of those workers who do not receive high salaries and who therefore have to do some extra belt-tightening to keep within their budgets.

For example, I am thinking of a labourer who is single and who up to the passage of the new legislation was entitled to a basic exemption of $1,100, while this bill provides that it will be raised to $1,600. Now I consider the basic exemption of $1,600 as clearly insufficient due to the cost of living which keeps going up. In my opinion, a single person, whatever his age, should be granted a much higher basic exemption. I am also thinking of a 21 or 22-year old man who must earn his living and is also considering the possibility of establishing himself. If he is not given the opportunity of saving enough to fulfil his ambitions, he will be discouraged.

• (5:10 p.m.)

The same thing applies to married couples. The new provisions of clause 109 provide for a tax exemption of $2,850. This is obviously not enough if one takes into account the increase in the cost of living.

To come back to the basic exemption, either for married couples or for single people, representations are often made to us by mechanics, for example, who are working in garages and must necessarily buy tools and maintain them. The company which employs them can usually deduct the purchase of these tools as expenses and depreciate them according to a scale recognized by the

department. This is not the case for workers. However, the act provides for deductions of employment expenses up to $150 a year. Mechanics are not rare who work in garages and own up to $2,000, $3,000 or $4,000 worth of tools that must be renewed periodically in order for them to accomplish their work in a suitable way.

It would be absolutely normal that those classes of workers be granted a basic exemption much greater in order to put them on a par with companies.

Thus it happens that many lumbermen have to replace frequently their equipment for their work and can deduct only the operating cost at the present time. Indeed it would be absolutely logical to allow them a greater basic exemption because it is with those tools that they earn their living.

In view of that situation, I would urge the Minister of Finance (Mr. Benson) and the government to consider particularly the two cases I have just mentioned, and I hope that Parliament will accept to amend some parts of clause 109, especially sub-clause (1) (*a*)(i).

Further to the representations I have just made, I shall move an amendment—if the Chair authorizes me to do so—which reads as follows:

That Bill C-259 be amended by deleting from subparagraph (i) of paragraph (*a*) of subclause (2) of clause 109 the figures "$1,500" and substituting therefor the figures "$2,500".

The Deputy Chairman: The Chair must point out to the hon. member for Bellechasse that it finds it difficult to accept the amendment as moved. When a member moves an amendment he must naturally respect certain rules of which the main one is that of pertinence. The second one forbids an hon. member to move an amendment intended to increase a tax.

In fact, the amendment that must now be decided upon does not infringe either of those rules, on the contrary. Still, the Chair feels uneasy in that the amendment of the hon. member goes beyond the scope of the motion now before the House.

There is an important principle whereby only a minister of the Crown can introduce tax measures. In this case, it seems the hon. member is seeking to do indirectly by means of an amendment what he cannot do by means of the motion or a bill. Unless the hon. member has more specific arguments to submit in order to connvince the Chair or unless other hon. members would be interested in submitting opinions respecting the proposed amendment it will be difficult to accept it.

Nevertheless, for the guidance of this House I could read over the hon. member's amendment and invite comments from colleagues of the hon. member for Bellechasse as to the receivability of the amendment. So wihthout submitting it to this House I will simply read the motion:

That Bill C-259 be amended by deleting from subparagraph (i) of paragraph (*a*) of subclause (2) of clause 109 the figures "$1,500" and substituting therefore the figures "$2,500".

Hon. members who wish to make whatever comments they deem releyant are invited to do so before I reach a decision on this amendment.

Mr. Lambert (Bellechasse): With due respect, Mr. Chairman, I realize that the amendment before us alters the nature of the bill in terms of the allowable basic deductions. I did not then and I still do not understand now how the proposed amendment would increase government expenses. Actually, I wish to abide by the Standing Orders. I realize that only a minister of the Crown is entitled, according to the Standing Orders, to submit legislation entailing public expenditures, but in this instance the amendment only aims at avoiding too many expenses to taxpayers, which would of course deprive the government of some revenue. This is exactly the wording of the amendment I have submitted, that is to protect the taxpayer against exaggerated taxation. If the Standing Orders do not provide us with an opportunity of submitting amendments at this stage, I wonder how we will be able to consider the present bill.

We are going to scrutinize it, make comments, suggestions and so on, without however going any farther. The process which has been going on since the inception of the debate on this bill is somewhat unusual, but after consultations with authoritative agencies, we have concluded that it was in order to submit amendments without running counter to the Standing Orders.

This is why I still submit that the proposed amendment is not contrary to the Standing Orders.

The Deputy Chairman: Order. Before I rule on the amendment now before the House, I might read Citation 265 from Beauchesne's Parliamentary Rules and Forms, page 221. Subsection 1 reads as follows:

No member other than a minister of the Crown may introduce a Bill for the reduction of duties. The government must take full responsibility for the taxation levied to provide the revenue. But the House enjoys complete freedom to make every representation possible to the Government with regard to the manner in which the ministers discharge this responsibility.

The important sentence is the following:

This duty the members may perform by moving amendments to reduce the taxes proposed by the Administration.

• (5:20 p.m.)

The Chair is led to believe that the hon. member, on the basis of this last sentence, may conclude that his amendment tends to reduce taxes. But if he considers his proposal carefully, he will see that there lies the difficulty, since his amendment does not reduce taxes for some taxpayers but proposes over and above to eliminate of a given number of taxpayers from the rolls. It is precisely this aspect of the amendment that the Chair cannot accept and that cannot be accepted in its present form according to our rules.

The hon. member may wonder how to amend this clause but the Chair must stick to the rules and, in my mind, there is no misunderstanding.

As for the extension of this amendment which, in my opinion, is tantamount to a substantive proposal which, besides possibly reducing the taxes, and certainly reducing them for a number of taxpayers by eliminating a great many of them from the tax rolls only the government can do that.

Therefore, in my opinion, the amendment before us is out of order.

Does the hon. member for Champlain rise to take part in the debate or to discuss the ruling?

Mr. René Matte: I simply wish to discuss your comments, Mr. Chairman.

The Deputy Chairman: I should like to point out to the hon. member, if he wishes to comment the Chair's ruling, that he cannot do so at this stage. The only alternative for him would be to challenge the ruling.

Mr. Matte: Mr. Chairman, I believe the committee could get an explanation as to this assertion, namely that the removal from the tax rolls of a class of workers who would pay less tax goes against the standing order you just read. That is not very clear to me, and I wonder whether the amendment put forward by the hon. member for Bellechasse is not totally consistent with the standing order you read out to us.

[*English*]

Mr. McCleave: Mr. Chairman, in my contribution earlier today, I raised a point concerning the matter of tax reform for those individuals who live together but are not in the category of married persons as defined by the present legislation, as contemplated by the new legislation or dealt with in the taxation courts. I did not receive a response, either reasoned or otherwise, from the parliamentary secretary. Somebody has to speak for them and somebody has to get an answer. I am going back to the subject again.

There are two such categories of people involved. These may be people who are quite free to marry, both having single status, but who have decided they are not going to marry and simply live together. That is called a common-law marriage. The other category is comprised of men and women who decide to live together because either one or both are not free to marry. In the eyes of the law they are really a concubine and paramour, but the parlance of the times that applies to them is the phrase living together common-law. I think we should recognize the status of these people. I do not think our Income Tax Act is a statute of morality. If anyone thinks it is, he should examine the actions of the income tax collector. When he finds that someone is plying the trade or profession of prostitution, that woman's earnings are quickly taxed, despite the fact she earns them in an immoral way.

We are not enacting a statute of morality. What we are trying to do is bring tax reform, tax justice and tax equity to all Canadians. A man and woman who have not entered into the bonds of matrimony may be living together in a community. Perhaps they have come from some other part of the country where, either or both have had an unhappy marriage. It is unjust unless we accord to them the same tax exemptions as we do to those who have gone through orthodox marriage ceremonies. I do not see where there would be any great harm in adopting a position such as that. I do not think it would cause the income tax people any great difficulties. Heaven knows, they find out about these things. I have had people come to me after the income tax people established that they were not in fact married, and all hell broke loose on their heads and shoulders. It always burned me up when something like that happened.

I ask the parliamentary secretary to now give me an answer. Perhaps he is taking it up with his advisers. If I do not get an answer now, I shall be asking the parliamentary secretary the same question a good number of times. The question is simply this. Why is it not possible, and I cannot do it, for some draftsman to take section A and enlarge the definition of a married person because we are dealing with the equivalence of married people in the two categories I mentioned. I refer to those people who are free to marry but who, for some reason choose not to do so, but live together as man and wife. The relationship is that of concubine and paramour and, although not properly, is usually called common-law, marriage. The other situation is that in which one or the other cannot marry, but they live together as man and wife. Why cannot the exemption be extended to both these categories?

[The Deputy Chairman.]

Mr. Mahoney: Mr. Chairman, I apologize to the hon. member. I did not intentionally omit responding to his question the last time. I covered a number of points. I ommitted reference to it accidentally.

The problem is one of administration, not in any strict sense of the word, but rather in the establishment of the common-law relationship to which the hon. member referred. I am sure the government agrees the taxing statute is not a place where moral sanctions are applied or moral rewards are handed out. In his comments, the hon. member at least intruded an element of morality to bring out the point. He referred to paramour and concubine. This presupposes that the couple are at least of the same sex, yet today that is not necessarily the situation that prevails. What are we to do about these things? How do you prove what is a common-law relationship? What is a common-law relationship that the tax assessor should take into account in deciding whether the marriage exemption should be granted? Is it a transitional relationship of a day or two or a week or two? What precisely is a common-law relationship to which the hon. member referred?

The hon. member distinguished two categories in this particular unchurched or unendorsed situation. One is where the couple are not, because of some other legal impediment, able to get married. In the other case he cited, the couple is free to marry, but do not do so. My reaction to that is very much like the reaction which we encountered in attempting to extend the small business incentive to unincorporated businesses. I am sorry we did not find a way to do it. On the other hand, the option of incorporation is open to most small businesses. Similarly, in this case, the option of matrimony is open to most taxpayers.

Mr. Gilbert: What an option.

Mr. Lambert (Edmonton West): Mr. Chairman, I want to resume my earlier remarks with regard to sections 109 and 110. There is one point I missed in section 109 that I would like to cover. If we look at the section dealing with dependents under personal exemptions, we find that some people are going to have an awful shock. For example, the old age supplement is no longer included for purposes of taxation. May I refer to the deductions that are permitted under section 110 at the top of page 286 of the bill:

• (5:30 p.m.)

(*f*) the amount of any supplement under the *Old Age Security Act* or of any similar payment under a law of a province, in

respect of which any amount has been included in computing the taxpayer's income for the year by virtue of clause 56(1)(a)(i)(A).

I may say that the Institute of Chartered Accountants of Canada have made the point that instead of using this alpha-numeric system it would have been far better to adopt the metric or decimal system of numbering paragraphs. I think that point is a good one and would have left the bill in far better shape. I am sure many people who have been trained as chartered accountants would adopt that suggestion of their professional society.

In any event, all of the income limitations of dependants operate to eliminate the allowance entirely when income reaches $1,600. Because the old age pension supplement is now included in a dependant's income, even though it is not taxable, a recipient on maximum supplement will not qualify as a dependant. Even though this money is not taxable but is deemed to be put in a special category, a dependant within the category prescribed by section 109—who is not a wife, that is—will not qualify as a dependant because the old age supplement will take him beyond the allowable amount. I think the parliamentary secretary should furnish an answer as to why this provision was made.

Reverting to section 110, under charitable donations we see a change in that the amount that has been allowed has gone from 10 per cent to 20 per cent of income. I think this is a very good move and will be generally applauded throughout the country. The organizations to which deductible donations may be made have been broadened in scope to include registered Canadian amateur athletic associations, though these must be of a national character. I think this will also bring us up against difficulties in interpretation; or, shall I say, some people will be terribly disappointed.

Although there has been an extension of charitable donations and individuals can benefit to the extent that the allowance has been increased from 10 per cent to 20 per cent of income, and although the gift tax is being eliminated, there is still one gate that has to be passed through that does not let off the gift scot free. I refer to the proposed capital gains tax. Even though a gift to a charitable organization may come within the 20 per cent level of income, if it falls within a category on which would be levied a capital gains tax then either the donor or even the recipient charitable organization would be liable for capital gains tax.

I think we should see to it that there is a general awareness of this provision. It has been represented directly to the government on behalf of charitable organizations that the provision will work to their detriment because under the capital gains tax provision a gift is deemed to be a sale and if there is an accretion in value it may be caught under that provision. I just want to make sure that that is understood.

There is one advantage of which I would have hoped the draftsmen of Bill C-259 would have availed themselves, and that is the elimination of subparagraphs (iii) to (xv) of section 110(1)(c). This was the old paragraph 27(1)(c) and some of its provisions. These provisions have become very awkward in that they are difficult to define and cause a great deal of difficulty in interpretation. It would have been preferable had the draftsmen followed the recommendation of the Canadian Institute of Chartered Accountants and simply substituted for subparagraphs (iii) to (xv) inclusive the following provision: "(iii) For such expenses as may be prescribed by regulation". For example, subparagraph (xii) of section 110(1)(c) provides:

for any device or equipment, not described in any other subparagraph of this paragraph, of a prescribed kind—

In other words, the provision allows for discretion if the device or equipment is prescribed by a physician, and it seems to me it would have been far better to take all the provisions detailed between pages 282 and the middle of page 284 into the regulatory field.

Having said that, within the same section I should like to turn to subparagraph (iv) which appears on page 282. It provides:

• (5:40 p.m.)

as remuneration for one full-time attendant upon, or for the full-time care in a nursing home of, the taxpayer, his spouse or any such dependant who was throughout the whole of a 12 months' period ending in the taxation year necessarily confined by reason of illness, injury or affliction to a bed or a wheel chair—

At the present time there is difficulty in interpreting those words. Some assessment officers indicate that a taxpayer or a dependant must be confined to bed for a period of 12 months prior to entry into a nursing home if any nursing home expenses during that twelve months in the taxation year are to be claimed or allowed. I have heard another version in this regard, to the effect that there must be one entire 12-month period of confinement in the nursing home. Of course, I think that is wrong. I should like the parliamentary secretary to confirm what is meant by the language of this provision we are being asked to pass.

It seems to me that the logical interpretation of these words is that if a person is confined to bed or a wheel chair for a period of time and has spent some time in a nursing home, the total of which two periods is 12 months, that represents the 12-month period in a taxation year and is sufficient to qualify that person for an exemption of the expenses incurred.

Before I sit down I should like the parliamentary secretary to tell us whether there is a possibility of the government introducing further amendments after we pass these two sections. As the hon. member for Halifax-East Hants has asked, are there any changes to be made in addition to those forecast by the minister a week ago Thursday? If there are, I suggest we should leave these sections open. There is a strong possibility that we may be able to move to something else later this day, but I do not want to abandon these sections if there is to be an amendment.

Mr. Mahoney: Mr. Chairman, I think I can assure the hon. member that we have no further amendments which have not already been indicated or moved to sections 109 and 110. There are no further amendments of which notice has not been given.

Mr. Lambert (Edmonton West): If there are no further amendments, any changes will come by way of another bill just as those introduced on the night of October 14?

Mr. Mahoney: I think any further amendments of that nature would be the subject of a further budgetary statement and other legislation involved.

Mr. Lambert (Edmonton West): I find the last remark of the parliamentary secretary a little disconcerting. If the government has no further amendments, then the representations of hon. members are of no avail and we are just spitting into the wind. I had hoped we could persuade the government to make certain changes, some editorial but perhaps some in respect of the status of spouses and some in respect of child care expenses, because a certain category of spouse will be completely denied the benefits of the child care expense provisions. It is our hope that we might convince the government of the justice of that cause.

Mr. Mahoney: Mr. Chairman, in the first place it would be rather presumptuous of the government to assume that we have now heard all the representations of hon. members on the other side and are able to say we have in mind what additional amendments are to be proposed. Certainly the representations of hon. members opposite are being considered. I simply reiterate that at the present time the government has no further amendments it proposes to offer in respect of sections 109 and 110.

Mr. Rowland: Mr. Chairman, in dealing with sections 109 and 110, which concern personal exemptions for income tax purposes, I wish to make two points. My first point relates to the general level of exemptions provided by the proposed legislation, in that they are not high enough, and the second is that the government in proposing this legislation should have gone to a tax credit system rather than continuing a tax exemptions system.

In keeping with the customary logic of this House, perhaps I should deal with the first point first, that is, the general levels of exemptions proposed in this bill. It will not take much time to go over this point because it was dealt with extensively by a number of members on second reading of the bill and during the general discussion on clause 1.

Perhaps at the outset I should say that section 109 (1) (h) is generally acceptable to us in the NDP. The section proposes that the deduction from income for elderly taxpayers 65 years of age and over be $650, with the guaranteed income supplement being exempt, whereas formerly the $500 additional exemption was available if the taxpayer was aged 70 or over. We consider that to be an improvement and we are especially pleased to note that it ends the anomaly of taxing pensioners on their income from the guaranteed income supplement, knowing they had to go through a means test to get it in the first place. This situation would have been laughable if it had not been so tragic in its consequences. The government said, on the one hand, that a pensioner could not live on less than $135 per month but, on the other hand, taxed a portion of that amount. We welcome the end of this situation when the legislation passes.

Section 109 (1) (d) deals with exemptions for wholly or partly dependent children. That section proposes that for each dependent child under 16, and children up to 21 years of age who are totally dependent by reason of infirmity or attending school or university, a deduction of $300 can be made. This deduction is reduced $1 for every $2 of a child's income over $1,000. Formerly the provision was that if the income was over $950, the excess could be added to the parents' tax. Section 109 (1) (d) (v) proposes

that for dependent children over 16 the deduction from income be $550, which is reduced by $1 for every $1 of the child's income over $1,050. The former provision was that a parent could deduct $550, and if the child's income was over $950 the excess might be added to the parents' tax.

The changes have not altered the exemptions in any substantial fashion. There is an air of unreality surrounding them. They bear no more relationship to the costs of rearing and educating a child than they did formerly. The new regulations may bring marginal relief to some families, but it is so marginal that one wonders why the government even bothered to undertake this somewhat more elaborate formula. As I said at the outset, I do not intend to go into the arguments extensively because it has been done time and time again. The point to be made is simply that the exemption provided for wholly or partially dependent children bears no relationship to the actual cost of maintaining these children.

Turning to personal exemptions, section 109 (1) (a) proposes that the deduction from income for a married couple be $2,850, increased from $2,000, and section 109 (1) (c) proposes that the deduction from income for a single person be $1,500, increased from $1,000. Personal exemptions should not be figures which are simply picked out of the air. They must relate to something, and surely that something is the amount of money it takes a Canadian to live on at a level which does not entail poverty.

• (5:50 p.m.)

The Economic Council of Canada has suggested that a single person in Canada earning less than approximately $2,000 a year is living below the poverty line, and that a married couple earning less than approximately $4,000 a year is living below the poverty line. Surely, then, $2,000 and $4,000 are the logical levels at which to fix personal exemptions so as to ensure that no one is forced to contribute to the general well-being of the community through taxes at the cost of being forced to live in poverty. I wish the government had given this factor more consideration in computing the level at which they would fix personal exemptions.

Another means of considering the adequacy of personal exemption levels is to compare them to increases in the cost of living. We find that between September, 1949, the last time personal exemptions were increased, and September of this year the cost of living for Canadians, in constant dollars, has risen by approximately 125 per cent, whereas the proposed increase in personal exemption is only approximately 42 per cent. There is an obvious disparity here.

Another way to look at it is to consider the annual average income of Canadians. In 1949 the personal exemption was fixed at $1,000 for a single person, and the average income was about $900. The personal exemption was considerably above the average income. Now the average income far exceeds the exemption. The other point to be made with regard to the proposed exemptions and the new rate schedules is that they result in greater savings in dollars for those with larger incomes. I might illustrate that by comparing the tax saving from the increased exemption which would be realized by people at different income levels.

With a gross income of $2,000, the tax saving from the increased exemption with the new rate schedule to a single taxpayer with no dependants would be $33. With a gross income of $4,000, it would be $160. At $6,000 the saving would be $177; at $8,000 it would be $195; at $15,000 it would be $258; at $50,000 it would be $364; and at $100,000 it would be $397. So the annual tax saving increases as a person's income increases. That is why we say we should have gone to a tax credit system. The parliamentary secretary said it would not be simple to implement. No one denies that. All that need be said in rebuttal, I submit, is that neither is a system of exemptions simple to implement and that the effort required to overcome difficulties in a system of tax credits, if greater, also has much greater pay-offs in terms of equity, in terms of the flexibility introduced into the tax system and in terms of offsetting the effects of somewhat regressive forms of taxation such as customs duties and sales taxes which bear almost equally on all Canadians.

Both the tax credit and the tax exemption are designed to recognize that a certain portion of an individual's income should be free of tax. The exemption specifically states the amount of income which should not be subject to tax. Under the present system it is $1,000 for a single taxpayer and in the proposed legislation it would be $1,500. But because we have in Canada what is technically called a progressive rate schedule, increases in exemptions generally benefit higher income earners, as the figures I cited a few moments ago illustrate.

The tax credit system does not state the amount of income that should be exempt but states an amount of tax that need not be paid, a set sum which can be deducted from a citizen's total tax bill, and thus gives each citizen the same monetary benefit. Thus, the tax credit would give greater relief to lower income groups, which surely is what a tax system should attempt to accomplish. The fact that the government has not gone to a system of tax credits in this legislation is but one more piece of evidence that this country is run in the interest of the upper income levels of the middle-class to the exclusion of benefits for the lower income groups.

To illustrate that point further, the same is true of the recently proposed 3 per cent reduction in income tax and the earlier removal of the 3 per cent surcharge. Both these measures have the effect of giving the greatest dollar relief to upper income earners and not lower income earners. By this process the government is attempting to generate greater activity in the economy. If greater benefit were given to the low income workers, the effect on the economy would be greatest because due to their income position they would spend virtually all their income. In the upper income groups, because they would save a portion of their money the immediate effect on the economy would probably be less.

Faced with difficulties in respect of the economy, the government came up with what amounts to a $1 billion bonanza for the upper income groups and corporations and at the same time argues that it is not able to implement a system of guaranteed annual income because such a system would cost $2 billion or $2.6 billion a year to operate, if the figures of the Economic Council of Canada are to be accepted.

I venture to say that recent tax cuts together with the removal of the surcharge represent the largest portion of revenue necessary to implement a guaranteed annual income, if we accept the figures of the Economic Council of Canada, and that a guaranteed annual income would provide greater stimulation to the economy than would the tax cuts, despite that being their ostensible purpose. Similarly, a system of tax credits would generally benefit most greatly the lower income groups. That is the major reason we in the New Democratic Party argue the need for the implementation of such a system. Meaningful tax reform means meaningful redistribution of income, and the proposed changes in exemption levels simply will not accomplish that end. Redistribution of income is something to which government in this country must address itself in the very near future.

The Deputy Chairman: Order, please. It being six o'clock, I now leave the chair until eight o'clock.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Shall section 109 (1) carry?

Mr. McCleave: Mr. Chairman, one is at a disadvantage when the only person one can preach to is out of the chamber. The parliamentary secretary is now returning, so I will make my point.

I have been pleading throughout the day for justice for a sizeable number of people who live together but are not married to each other. Each of these couples consists of two persons, and one is invariably a man and the other one is invariably a woman, despite some misunderstanding on the other side. Perhaps they do not tell things with the niceties of distinction that we do on this side. In any event, I suggested, and the parliamentary secretary agreed with me, that our taxing statute should not be a moral statute, that we are really not concerned with that here; we are concerned with fairness toward all. The parliamentary secretary, having agreed with me, said that people living together who are free to get married should get married. Who points the moral finger there and wags it about?

Regarding the other category of those who live together but are not free to marry each other, the parliamentary secretary said they would be few in number. There are estimates presented by welfare councils in Canada that up to 200,000 people are in that category, a group that would populate a city larger the Halifax and one a little smaller than that from which the parliamentary secretary comes. So we are dealing with sizeable numbers of Canadians. I suggest, again, that a formula could be reached so that they would receive exactly the same benefits, no more no less, than those of us who have gone through the marriage ceremony.

The parliamentary secretary also made the point that there might be some young Lothario who would take unto himself a different girl every year for purposes of income tax exemptions and relief. I thought that probably there

would not be people so bold, but perhaps there are. But then I said to myself: So what? What difference does it make if he supports a different woman every year of his life? If he is that kind of optimist, let him do it so long as he is not claiming two or more women for exemptions.

Some hon. Members: Oh, oh!

Mr. McCleave: I can hear the hooting and hollering starting, Mr. Chairman, because one tries to fight for a minority that cannot possibly represent itself in this chamber. It is then that the baying hounds over there must yap and have their fun. That will keep the debate going longer, gentlemen, because I will stay with this point until hell freezes over and until we get some kind of satisfactory answer from the government.

Some hon. Members: Hear, hear!

Mr. McCleave: What they are saying is that it would be a lot of work to check on some of these people, therefore let us not do it, let us see to it that they pay a disproportionate share of income tax because otherwise it would interfere with that great god that the Liberals worship—administrative efficiency. I say that that is also a weakness in their argument. But this whole exercise has also raised in the first few hours of the debate something that is very wrong with the section. We are being asked to pass one of the most important measures that any Parliament can pass and certainly the most important measure that this Parliament is being asked to pass, and that is a new Income Tax Act.

One would think that for that sort of occasion we would have someone here who is responsible to the House of Commons. But we have the parliamentary secretary. He is an estimable chap, but any suggestions that we make to him here and that we make to his officials—they are not the government, they are not the cabinet—they can slough off with a yes or a no, generally a no. That has been the performance so far today.

• (8:10 p.m.)

I say that is irresponsible. Because of the importance of this legislation the Minister of Finance should be in his seat for every moment of the debate, listening if possible but at least present so that we may ask questions and get proper answers instead of what we have received so far, a series of remarkably inept answers. I say this with all deference to the parliamentary secretary. I have respect for him, but after some of this stuff all I can say is that if he is passing on what his advisers tell him, he had better get new advisers; or if he is passing on what he himself knows, he had better get out and find out something about the domestic law of Canada.

I put the question again. I am asking as seriously and as responsibly as I can, on behalf of people not able to ask it themselves, that the definition of "married person" be broadened in section 109(a), line 2, so that the people I have mentioned, who are not married but who live together as man and wife, may have the benefit of the income tax legislation we are being asked to enact.

[*Translation*]

Mr. Godin: Mr. Chairman, the following appeared in *Le Devoir* of December 27, 1968:

[Mr. McCleave.]

The Canadian Prime Minister, Mr. Pierre Elliott Trudeau, in his Christmas message to the people, asks them to co-operate with the government, during the coming year, in its efforts to reduce social inequalities.

"Our country," the Prime Minister stated, "is one of the most beautiful in the world, one of the most peaceful and one of the most affluent."

"But it has its problems and its difficulties. Some of our citizens do not partake as much as they should of the general welfare of the country. Some others do not enjoy the same freedoms and privileges as the majority of Canadians."

"It is therefore imperative," the message goes on, "to reduce those inequalities, and it is our intention to work relentlessly towards this end during the coming year."

"But to achieve those objectives," he added, "we need the co-operation of all citizens, we need their goodwill, which must always be stronger than any ill will, so that, together, we may ensure in a peaceful manner, the welfare of everyone and the progress of the whole country."

Mr. Chairman, those were very pious wishes expressed by the Prime Minister (Mr. Trudeau). In fact, he intended to reform and to cure what he thought was the cause of a certain uneasiness.

Judging from various reports and studies, we may wonder what was the result of the appeal launched by the Prime Minister with a view to levelling social inequalities and determining the extent of the co-operation of welfare recipients, of lower income groups, of businessmen, of industrialists who must close down their factories, of tradesmen who go bankrupt.

The call for co-operation from all Canadians went too far, in my opinion, since the unbalance we experience actually and which is labelled by experts under the terrifying name of inflation is in fact nothing but the unreasonable shifting of purchasing power in the hands of the various sectors of society. Indeed there is inflation in the upper echelons of society and deflation in the less favored ones.

From the Prime Minister down to the latest newborn this year, we are all governed by money requirements in order to meet our personal, familial and social needs.

We need just as much money to live as we need the air we breathe. Clause 109 of Bill C-259 now under study is somewhat disturbing, since it does not fully recognize human needs. In fact, clause 109 on page 277 of the bill reads:

(1) For the purpose of computing the taxable income of an individual for a taxation year, there may be deducted from his income for the year such of the following amounts as are applicable:

(*a*) in the case of an individual who, during the year, was a married person who supported his spouse, an amount equal to the aggregate of

(i) $1,500, and

(ii) $1,350 less the amount, if any, by which the spouse's income for the year while married exceeds $250;

Mr. Chairman, at first sight, these proposals seem quite interesting, but they are clearly inadequate when we look at the consumer index for September 1971, for instance, which has reached 134.5 related to the basic year 1961.

If we take the year 1949 as the basic year, that is the year basic tax exemptions had been fixed, this index has now reached 174. As a matter of fact, the basic exemptions whose amount had been fixed in 1949 have never been reviewed, which leads us to believe that the workers

have really been forgotten by the governments that have succeeded one another until now, and we find that the proposed increase provided in clause 109 of Bill C-259 is much below the increase in consumer prices.

Indeed, in the case where single people are concerned the exemption will be increased from $1,000 to $1,500 and in the case of married people without children it will be increased from $2,000 to $2,850. Thus we have recuperated 24 per cent in the first case and 31 per cent in the second case.

Simultaneously, our national production has increased fourfold. The assets of our chartered banks have increased sixfold. The stocks and shares of the 800 largest Canadian corporations have increased seventeenfold. And the salaries of the members of this House have been multiplied by 4.

In view of such inequities it seems to me that we must find solutions in order to correct this situation. We must not only bring the exemptions up to a level which will allow total recovery, but go beyond that level if we really want to alleviate the tax burden of the small and average taxpayers.

We must keep in mind that so far the increase in the cost of living has affected taxpayers in the low income bracket more, since the items for which prices have increased most are essentials—that is, food, clothing, and housing.

Above all, we must remember, in reference to this bill—and particularly to clause 109—that the revenues of all levels of government from personal income tax have increased from 20.6 per cent in 1961 to 31.5 per cent in 1971, which represents an 11 per cent increase.

The Economic Council of Canada stated in its 1968 report that the poverty line was situated at $2,000 for single people, and $3,500 for married couples without children.

Now, those figures are all higher than the basic exemptions suggested by the Minister of Finance. So, to remedy the situation, and because I want to respond to the right hon. Prime Minister who said that they needed the co-operation of all the citizens, I bring in my contribution this evening by moving the following amendment:

That Bill C-259 be amended by deleting from subparagraph (ii) of paragraph (a) of subclause (1) of clause 109 the figure "$1,350" and substituting therefor the figure "$2,500".

• (8:20 p.m.)

The Chairman: Order. Before I deal with the amendment I would observe that I understand the Chairman this afternoon had a similar amendment before him, although to a different part of the section, and he ruled it out of order. I would be pleased to hear argument from hon. members if they wish, although I have had an opportunity to discuss it with the occupant of the chair at that time. At this point, prima facie I would agree with his ruling, but I would not want to deprive hon. members of the opportunity to make submissions.

Mr. Lambert (Bellechasse): Mr. Chairman, I would like to make a few comments.

During the recess, I perused certain documents which lead me to believe that, according to the way the Standing Orders are interpreted in connection with moving of the amendment, there would not be any additional expenses entailed by the government nor any new taxes for the taxpayers.

Citation 265 of the 4th edition of Beauchesne's Parliamentary Rules and Forms has been quoted. It reads as follows:

No member other than a minister of the Crown may introduce a Bill for the reduction of duties. The government must take full responsibility for the taxation levied to provide the revenue. But the House enjoys complete freedom to make every representation possible to the Government with regard to the manner in which the ministers discharge this responsibility.

And it is added

This duty the members may perform by moving amendments to reduce the taxes proposed by the Administration.

Now, later the following can be read in comment 269:

—nor would any amendment to extend the imposition of a tax to persons enjoying an exemption therefrom be now permitted.

The objective here is not to extend taxes to another group, but to exempt certain people from a tax under Bill C-259.

I believe that the legislator sought, by way of that rule, to retain for the government the power to introduce fiscal legislation in Parliament.

Indeed, the matter was debated right here in the House of Commons on May 22, 1941 and the then Speaker delivered a ruling on an amendment brought forward on the occasion of the introduction of a bill seeking to increase the tax on gazoline to 3 cents. An hon. member had then presented an amendment tending to increase the tax to 4 cents. That was therefore a tax increase resulting from a private member's motion. The Speaker's ruling was put to the vote and upheld by the House, which is quite understandable to me.

Now, though I have made some quick research during recess, I could not find in our Standing Orders anything which forbids a member to expresse himself concretely in this House while introducing an amendment which would be such as to protect the taxpayers from an excessive tax burden.

In view of these circumstances, since we are considering the productive capacity of our vast country, and based on logical reasoning, it is possible for Canada to decrease the tax burden of certain categories of Canadians who, in our opinion, are overtaxed. So, we assume that we have the privilege to introduce an amendment for this purpose so as to urge this government to increase the basic exemption.

There, Mr. Chairman, are the few remarks that I wanted to bring to your attention before you make your decision.

[*English*]

The Chairman: Order, please. If no other hon. members would like to assist the Chair, if hon. members would bear with me I think it might be helpful if I were to outline as briefly as I can the principles applicable to the procedural acceptability of this motion. I think I might be justified in doing that because of the remarks just made by the hon. member for Bellechasse. I appreciate that there is in his mind and in the minds of other hon. members some question about the basis for the procedural acceptability of this motion.

The first consideration might be the rule of relevancy, and I would be of the opinion that the proposed amendment does not offend that rule. Second, there is the principle that no member may propose an amendment to increase taxation or extend its incidence. Again, I am of the opinion that the amendment now before the committee does not offend either aspect of the principle I have just stated. Indeed, the proposal before the Chair goes in the opposite direction in that it would have the effect not only of reducing that aspect of taxation, as the hon. member pointed out in his argument, but it would also restrict the incidence of the tax by eliminating taxation for a substantial number of persons who would be taxpayers under the proposal now found in the bill. On those first two principles I have no disagreement with hon. members who have argued that this motion is procedurally acceptable.

The third principle, however, that of the financial initiative of the Crown in relation to money and taxation proposals, gives the Chair some difficulty. I might, for example, ask hon. members who have argued either this afternoon or this evening whether this sort of motion is procedurally acceptable and whether they would suggest that as private members they could do something indirectly by means of an amendment such as this which they could not do directly by way of a bill. I would think the answer would be in the negative. I do not think it would be argued that a private member could amend, for example, the Income Tax Act by way of a bill.

It seems to me that it would matter little that the financial initiative of the government permits it to initiate a taxation proposal if it were then open to any member to propose, by way of amendment, a different substantive scheme of his own, and I think that is the situation the Chair has before it.

• (8:30 p.m.)

It seems to me that the proposition put forward by the hon. member for Portneuf does not amend the proposal put forward by the government it would, I suggest, supplant, rather than amend, the government's proposal. In effect, he would suspend the initiative of the Crown in taxation measures and thereby bring about a fundamental change in the financial procedures of this House. In his argument the hon. member referred to Beauchesne's Fourth Edition, citation 265. He made a very strong argument. However, it is important to distinguish between the matters which have been raised. Citation 265(1) of Beauchesne's Fourth Edition reads:

No member other than a minister of the Crown may introduce a bill for the reduction of duties. The government must take full responsibility for the taxation levied to provide the revenue. But the House enjoys complete freedom to make every representation possible to the government with regard to the manner in which the ministers discharge this responsibility. This duty the members may perform by moving amendments to reduce the taxes proposed by the administration.

As I understand the hon. member's argument, he is relying strongly on the words: "This duty the members may perform by moving amendments to reduce the taxes proposed by the administration." I would accept that citation as being binding upon the Chair and agree with that part of the hon. member's argument. If I may use an example, the hon. member would be free to move an amendment to reduce the rate of taxation from 10 per cent, say, to 9 per cent, if that would affect all taxpayers across the board.

If the hon. member could fit his proposal within that citation, the Chair, being bound by the citation, would have to accept it. However, I have to distinguish that situation from the motion. According to the motion, the hon. member is proposing that some taxpayers be relieved of the payment of taxes and this is where the fundamental difference comes in. According to the citation to which hon. members have referred and I have just read, it would be permissible for hon. members to reduce taxation across the board. That is what the citation says. By his motion the hon. member is proposing to reduce taxes for some Canadians, undoubtedly, and to eliminate taxation for others.

It seems to me that is the crux of the matter and on this distinction I have to base my decision. It would matter little that the government could initiate a taxation proposal if it were then open to any member to propose, by way of amendment, a substantive and overriding scheme of his own. With respect, I think that is what the hon. member has proposed. He is substituting a substantively different scheme for the scheme which is in the bill before the committee. I thank the hon. member for his very valuable argument; however, for the reasons I have given I must rule that the motion is not procedurally admissible.

Mr. Gilbert: Mr. Chairman, the provisions increasing exemptions from $1,000 to $1,500 for single people and from $2,000 to $2,850 for married couples are among the most mean, niggardly, unfair, unjust and inequitable parts of this bill.

An hon. Member: What about scandalous? That's a good word.

Mr. Gilbert: There are other sections which could be described in the same way, Mr. Chairman. However, the section referred to applies to so many Canadians of the lower income brackets that I feel impelled to speak on their behalf. When one considers that the basic, single person exemption was set at $1,000 in 1949 and that 22 years later it is to be increased to $1,500, and when one takes into account the tremendous increase in the cost of living since 1949, is it any wonder that I call this provision mean, niggardly, unfair, unjust and inequitable?

An hon. Member: Don't repeat all that again.

Mr. Gilbert: Mr. Chairman, when I remember what Mr. Carter said about tax exemptions—he preferred tax credits to replace them—I submit that if Mr. Carter were present this evening he would ask us strongly and forcefully to implement his ideas. An exemption of $1,500 for a single person means that any person earning over $30 a week will be taxed. An exemption of $2,850 means that any married couple earning over $55 a week will be taxed. Any married man earning more than that will pay tax.

Mr. Chairman, we tested the Minister of Finance a few months ago after he said during a radio broadcast that a single man could live on $30 a week. The hon. member for Winnipeg North brought forward a motion asking the minister to live on that amount of money for a time and then report back to the House. Of course, the idea was

[The Chairman.]

rejected because the minister and members on the Liberal side knew it was totally impossible for a single person to live on $30 a week. Yet when it comes to exemptions, that is what we do. As a result of these proposed changes, a single person earning over $30 a week will be taxed and a married person earning over $55 a week will be taxed.

One of the shortcomings of a democracy is that members on the government side must vote in support of government legislation. Try to picture the hon. member for Lanark-Renfrew-Carleton, a minister of the church, attempting to sell the principle in his riding of a $1,500 exemption for single persons. He would not succeed, Mr. Chairman. However, as a member of the Liberal party he is bound to support the government, to accept the proposal and to vote against any amendment which would increase the exemption.

Picture the hon. member for Windsor-Walkerville, who represents a workingman's riding, attempting to persuade the people of his area that the $1,500 single persons' exemption is acceptable. He could not do it. Yet because we live under a democratic system the hon. member, if he supports his party, will vote for that exemption. There ought to be a free vote on this section because there are on the Liberal side many members whose hearts must ache and who must cringe when they consider that the government is increasing personal exemptions from $1,000 to $1,500 for single people, and so on. I cannot imagine even the worst Liberal, so to speak, supporting this type of increased exemption.

I notice the hon. member for Scarborough West, who is now a parliamentary secretary, pointing his finger at me and probably saying, "No, John, you are wrong." I ask him to take this bill to his riding and ask his people whether an exemption level which was set at $1,000 in 1949 is acceptable at $1,500 in 1971. Is that exemption level acceptable to the people who voted for him in 1968? I am sure, knowing his honesty and fairness, that he would say, "Of course it is not." Yet he is bound by his party to vote for this provision.

• (8:40 p.m.)

The very least we should do is increase the personal exemption from $1,000 to $2,000 for single people and from $2,850 to $4,000 for married couples. What does this mean, Mr. Chairman? If we increase the exemption to $2,000 for a single person he will then have to pay income tax on income over $40 a week. A married person will have to pay tax on income over $80 a week. I ask Your Honour and the members of this House how a single person can live on $40 a week and a married couple can live on $80 a week in today's world. It just is not realistic when one takes into account the high rents and cost of living that we have today.

The Economic Council of Canada underlined to this government what it means to live below the poverty line. They said the minimum amount required for a single person in 1968 was $1,850. They would now say the minimum should be $2,000 for a single person. They said at that time a married couple would require at least $3,200. Now they would say they require $4,000. Yet this government wants a segment of Canada to live below the poverty line. They want to impose tax on a single person who earns more than $1,500, and $2,850 for a married couple.

The member for Sault Ste. Marie comes from a workingman's family. He has done quite well in his profession. He was elected by the ordinary folk in that city. I am sure he feels ashamed this evening when discussing the exemptions the government has proposed. If he went back to his constituency and conducted a poll with regard to these exemptions, I am sure his people would object to them. I am surprised that the member for Sault Ste. Marie, who is a workingman's son and has worked himself, sits idly by, lets this section ride and will support the government on it.

Some hon. Members: Shame!

Mr. Gilbert: The Minister of National Health and Welfare has made speeches in the past few weeks with regard to the guaranteed annual income. At times he has attempted to protect the unemployed. I admire him for his courage because at this time in our welfare state, which in many ways has been created by the Liberal government and has caused much heartache and divisiveness in the country, he is trying to protect the unemployed. The minister comes from the city of Hamilton where many people are unemployed and many are earning very low incomes. How can he justify these miserably low exemptions of $1,500 for single people and $2,850 for married couples?

I hear a voice from the west, the member for St. Boniface. I am sure there are many French speaking people in his constituency. The province of Quebec also has high unemployment, poverty and many other problems. We are now attempting to straighten out those problems by giving this miserable, mean, despicable increase from $1,000 to $1,500 for single people and $2,000 to $2,850 for married couples. I am sure he is not very proud that he is not speaking for the French people in St. Boniface and the French people in the province of Quebec who have suffered unemployment and poverty as a result of this government's policies.

[*Translation*]

The Chairman: Order. The hon. member for St. Boniface on a point of order.

[*English*]

Mr. Guay (St. Boniface): I wish to bring to Your Honour's attention that I speak with a great deal of pride for all the people in my constituency.

An hon. Member: You never speak.

Mr. Guay (St. Boniface): They are well represented.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Gilbert: I am sure the hon. member for St. Boniface does not speak with any pride. He knows that in his constituency there is a tremendous amount of unemployment and poverty, yet he has the nerve to say that he speaks with pride.

The Chairman: Order, please. The hon. member for St. Boniface is rising on a point of order.

Mr. Guay (St. Boniface): I rise on a point of order, Mr. Chairman. This only shows that because we have an NDP

government in Manitoba we have a lot of trouble; we do not get the policies that the people in my constituency would like.

Some hon. Members: Hear, hear!

Mr. Gilbert: Mr. Chairman, I really feel sorry for the member for St. Boniface. I suppose he is taking it hard that the New Democratic Party won in Manitoba and are bringing forth good policies.

The Chairman: Order, please. I invite the member for Broadview to return to the section under discussion.

Mr. Gilbert: Mr. Chairman, may I return to the exemptions and point out that as a result of the increase from $1,000 to $1,500 for single people, a person who earns $2,000 will pay $75 income tax. With an exemption of $1,000, he would have paid $109. The tax saving as a result of this increase is $34 a year, or 65 cents a week. When the government brought forth the June budget that was so magnanimous it said it was prepared to go to the country on these changes. When the people of Canada studied the proposals and realized that a person earning $2,000 a year would receive a saving of $34 a year, or 65 cents a week—hardly the price of a package of cigarettes—the government quietened down with regard to the exemptions.

I was really disturbed this afternoon when the hon. member for Bruce spoke.

An hon. Member: You are always disturbed.

Mr. Gilbert: He said if we increased the exemptions to $2,000 for single people and $4,000 for married couples, it would cost $500 million. The hon. member for Winnipeg North answered that argument with strength. I shall read the facts with regard to ways and means of obtaining moneys to take care of any increase in exemptions. If we changed over to a tax credit rather than a tax exemption system, we would have a saving of $1,140 million. The use of tax credits in place of dependency deductions would bring in another $250 million. Full inclusion of capital gains and income, rather than the proposed system of computing one half of net capital gains, would account for another $100 million. The elimination of dividend tax credits would net another $139.3 million, while the elimination of depletion allowances for natural resource industries—

The Chairman: Order, please. The parliamentary secretary is rising on a point of order.

Mr. Mahoney: On a point of order, Mr. Chairman, would the hon. member identify the authority from which he is reading with such certainty?

Mr. Gilbert: I cannot help but smile at the parliamentary secretary. This afternoon the member for Winnipeg North read it. He read it as evidence given by the Minister of Finance of Manitoba, which is backed up by research experts. He said he would prefer to accept the message from St. Paul than to accept the message from St. Pat. How true that is, because the message from St. Pat would certainly be coveted by those in his own city in view of the love he has for the oil companies. Certainly the message would be very twisted and turned if we accepted his.

[Mr. Guay (St. Boniface).]

• (8:50 p.m.)

I know it is very hard for the parliamentary secretary to accept this because he totally rejects the arguments put forward by the hon. member for Bruce. He probably gave the hon. member for Bruce the material regarding the $500 million, but we know what are the results of our own research and also the research done by the finance minister of Manitoba. The truth hurts, Mr. Chairman, and it certainly hurts the Liberals in mid-section.

If we were to eliminate depletion allowances for natural resource industries and the three-year exemption with no offsetting provisions, we would add another $224.6 million. If we were to limit capital cost allowances to actual wear and tear, revenues would be increased by $364.3 million. If we retained estate and gift taxes this would add another $65 million; and denial of convention and entertainment deductions would add another $5 million. Retaining maximum tax rates and increasing the progressivity of the tax system would yield another $1,000 million. In total, Mr. Chairman, we would net $3,282.2 million.

The argument of the hon. member for Bruce is that we cannot increase the personal exemption for a single person from $1,500 to $2,000 and for a married couple from $2,850 to $4,000 because it will cost $500 million. According to the argument of the Minister of Finance of Manitoba, by taking certain steps we can increase revenue by $3,000 million. So is it any wonder that the poor parliamentary secretary attempts to laugh off the argument and to shake his head and say that it cannot be done? Is it any wonder that I am striking this evening at some of the Liberals who come from ridings heavily populated by the working people? If they were to go back to their ridings and ask these people whether they are satisfied with the increase from $1,000 to $1,500 and from $2,000 to $2,850 at a time of high unemployment and high cost of living, there would be a total rejection of these exemptions.

I say that exemptions of $2,000 for a single person and of $4,000 for a married couple are the very minimum that this government should bring forward. I am sure some members will shake off their lethargy and when the times comes to vote on the section they will be men of courage, men of concern, men of compassion and will vote for the ordinary folk in the community rather than for the rich, fat-cats that support their party.

[*Translation*]

Mr. Rondeau: Mr. Chairman, I have the pleasure of saying a few words on clause 109 of the bill which concerns the vast majority of Canadian workers.

I am particularly concerned while studying this clause to note that the federal government always seems to be in agreement with the advice of those economists who are in favour of tax increases only. For example, when leading Canadian economists advocate tax cuts for all taxpayers, they are not listened to. Their recommendations seem not to be taken into account. The government apparently listens only to those who favour a continuous increase in taxes.

In *Le Devoir* of May 2, 1971, Canadian economists stated that:

Ottawa should reduce personal income tax and sales tax.

The government should reduce the personal income tax and the federal sales tax in order to stimulate productivity and slow down salary inflation, said economist Grant L. Reuber, Director of the Economics Department of Western University in London.

So, Mr. Chairman, here is an economist who demands tax reductions, but to whom the government, apparently, does not listen.

I continue with my quotation:

According to Mr. Reuber, the Bank of Canada has made Canada's economic problems more serious by going from one extreme to the other and by alternating between credit restrictions and capital flow into the banking system.

Further, Canadian taxes are traditionally high and American tax reductions could be used as a basis for radical changes in the tax system.

Here is an economist who is in favour of continued economic progress while at the same time asking for tax reductions. One tends to believe, when one is speaking to the government, when tax reductions are in question, that automatically they will entail a reduction in revenue for the government.

At this point, I should like to refer to a speech made on American television by a former president of the United States, and which was published in the "United States News Annual Report" of September 30, 1963. I quote:

[*English*]

President Kennedy's address to the nation by radio and television, September 18, 1963—

President's reasons for tax cuts—

[*Translation*]

If the then President of United States felt a tax cut in his country would be favourable to the Canadian as well as to the American economy as a whole, the same reasons prevail in 1971. These reasons which were put forward in the United States in 1963 might well be the same that would justify the Canadian government to cut taxes in 1971.

[*English*]

First: A tax cut means more jobs for American workers. More after-tax money means more buying power for consumers and investors—and this means more production and the jobs our nation needs. Merely to reduce unemployment to a more acceptable level in the next two and a half years, we must create more than 10,000 new jobs every day. We cannot effectively attack the problem of teenage crime and deliquency as long as so many of our young people are out of work. We cannot effectively solve the problem of racial injustice as long as unemployment is high. We cannot tackle the problem of automation when we are losing one million jobs every year to machines.

Second: A tax cut means new protection against another tragic recession. I do not say that a recession is inevitable without a tax cut, or impossible with one. But, excluding war years, we have had a recession on the average every 42 months since World War II—or every 44 months since World War I. And by next January, it will be 44 months since the last recession began. Recessions mean high unemployment and high budget deficits.

• (9:00 p.m.)

[*Translation*]

Mr. Chairman, when the federal government is on the point of showing a very high deficit, this points, as the President of United States stated in 1963, to an economic recession.

[*English*]

Of all kinds of waste, they are the worst. We need a tax cut to keep this present drive from running out of gas.

And third: A tax cut means new markets for American business. American citizens will spend, as history shows us, an overwhelming percentage of the extra after-tax dollars left in their pockets; and this spending will broaden markets for businessmen, put idle machines to work, and require new machines and new factories to be built—

Fourth: A tax cut means higher family income and higher business profit and a balanced federal budget.

[*Translation*]

That is inconsistent with what the hon. members opposite have seemingly believed for generations, namely, that a tax cut means less income for the federal government.

[*English*]

A tax cut means higher family income and higher business profit and a balanced federal budget. Every taxpayer and his family will have more money left over after taxes for a new car, a new home, new conveniences, education and investments. Every businessman can keep a higher percentage of his profits in his cash register, or put it to work expanding or improving his business. And as the national income grows, the federal government will ultimately end up with more revenues.

[*Translation*]

This, Mr. Chairman, once more has not been understood by the government, I think.

I go on quoting:

[*English*]

Prosperity is the real way to balance our budget—

[*Translation*]

Mr. Chairman, prosperity is the only solution if we are to balance the budget.

I go on with the quotation:

[*English*]

Fifth and finally: A tax cut means new strength around the world for the American dollar and for freedom. A tax cut can help us balance our international accounts and end the outflow of gold by helping make the American economy more efficient and more productive and more competitive, by enabling our goods to compete with those who are developing foreign factories, and by making investments in America more attractive than investments abroad—

This nation needs a tax cut now—not a tax cut "if" and "when" but a tax cut now and for the future.

[*Translation*]

Mr. Chairman, those are the five reasons given by the president of the United States in 1963 to outline the economic policy to be followed in that country.

Mr. Jean-Charles Cantin (Louis-Hébert): Mr. Chairman, I rise on a point of order.

An hon. Member: The hon. member for Louis-Hébert wishes to be recognized.

The Deputy Chairman: The hon. member is rising on a point of order.

Mr. Cantin: I would like to direct a question to the hon. member who is speaking, Mr. Chairman.

An hon. Member: Then it is not a point of order.

The Deputy Chairman: Order. The hon. member knows that he cannot ask a question on the ground that it is a point of order. In any case he must previously ask the permission of the hon. member who has the floor.

Does the hon. member permit a question?

Mr. Rondeau: Certainly, Mr. Chairman, as long as it will not affect the time allotted to me.

Mr. Cantin: The hon. member has quoted the views of an economist which apparently have been published in Canadian newspapers in May 1971 and in American newspapers in 1963. I would have preferred him to quote editorials published after the introduction of Bill C-259, that is after June 18, 1971, because that would be more enlightening for us. Indeed what has been said before that date may be quite different from what has been said afterwards.

Mr. Rondeau: Mr. Chairman, if I wanted to answer that question, I would have to ask the hon. member several others because his question is so impenetrable that it is difficult to understand it.

Mr. Chairman, it seems to me that the data quoted in 1963 are quite the same as those that the economists have been quoting every day since the budget speech.

In fact, if we are to have a balanced budget, if we want our economy to remain alive, we need to have prosperity in Canada. Any intelligent man, any logical economist, favours prosperity in order to boost the economy and to allow the federal government to have a balanced budget—a great cause of worry for hon. members on the other side when we ask for tax reductions. This is precisely what the speaker before me did when he asked for a basic exemption of $3,000 for single people, and $5,000 for married couples. They think that the federal government would lose considerable revenues by granting such exemptions.

Considering we have thousands of unemployed in Canada and the economy is not progressing, the national treasury is losing very substantial revenues anyway.

Mr. Chairman, as the previous speaker said, today single Canadians will have to pay federal taxes the moment they earn a salary equivalent to $30 a week. For married people, the amount will be $57 a week. I am convinced those figures are totally illogical and unrealistic.

• (9:10 p.m.)

This is why we ask that the basic exemption be set at $3,000 for any single person and $5,000 for married persons.

Mr. Chairman, if we want to get our economy moving again, we must put an end to the inefficient administration of the country: we should avoid travelling the same financial and economic paths that have been trodden for more than 100 years in Canada. If we do not change our attitude in regard to the financial measures and the financial doctrine which the government, through the Minister of Finance (Mr. Benson), seems to apply and according to which those who are well off should be gradually dispossessed, we will end up with a society of dispossessed people.

If we want to eradicate unemployment, we should create prosperity. We must provide incentives to those who wish to invest in Canada. The only reason for investing is capital gain. With the current budget or the tax reform of the Minister of Finance, we are about to eliminate private initiative in Canada, and this is no way to improve our competitiveness since one of our present problems is being unable to sell our production on world markets. Our production has become too costly, taxes are too high and when the private sector adds up its production costs retail prices are too high. We cannot compete with foreign countries.

The Deputy Chairman.]

If we want to keep our present share of both domestic and foreign markets, it is an absolute necessity for us to leave the beaten track of present orthodox finance so as to enable the Canadian economy to expand, to produce what we can produce, as we have the needed skill, manpower, equipment, raw materials and natural resources. This country is extraordinarily rich but our economic system is outdated. The taxation system no longer meets the needs of private enterprise.

Should we wish to establish an economic system by means of which the government would own everything, should we wish to establish a socialist system, we need only to keep on smothering those who would like to see this country become great and prosperous.

I am always dismayed to see our hon. friends opposite ready to tax further private enterprise in Canada, to tax further the small wage earner, the worker by limiting the basic exemption to $30 a week for single persons and to $57 a week for married people.

Not more than six months ago, we had the opportunity in this House to vote on salary increases for members of Parliament. We did not bother then to determine whether or not those increases would create a deficit in the budget of the hon. Minister of Finance, nor where the Minister of Finance would find the money. There was no discussion, apart from the opposition coming from this corner of the House.

It seems to me that when we speak on behalf of the population as a whole, of the majority of workers who have to work hard to feed their families, it is absurd in 1971 to talk about a basic exemption of $1,500 for single persons and $2,850 for married couples.

Mr. Chairman, I therefore support what my hon. colleagues submitted by way of amendments, and I hope that the government—not before the next elections but very soon—will reconsider these facts and listen to economists who do not always advocate tax increases but increased prosperity for Canada, which might perhaps mean the same revenues for the federal Treasury.

[*English*]

Mrs. MacInnis: Mr. Chairman, this government reminds me of the farmer who had a horse. He had an idea one day that he could save money by taking away a handful of hay from the manger and that this would not make any difference to the horse. He decided the following day that if he took away two handfuls he would save more money in feeding the horse. He did this day after day, taking away one more handful each day. He was getting on very well. He was saving a nice pile of money. Unfortunately, the horse died.

An hon. Member: Shame!

Mrs. MacInnis: This farmer was so busy looking at the savings he could make in scraping off a little bit of hay

every day from his horse that he did not look at the horse, and as a result ended up penny wise and pound foolish: he lost the horse at the end of the process. I do not consider the farmer was a particularly wise person, and I think this government is exceedingly unwise to do what it is doing with the low-income people of this country.

Evidently this government does not worry if someone says it is heartless and does not care. What worries the government is if it is told it is inefficient and not up on modern ways of technology and monetary success. I suggest that by going ahead and scraping and scraping away the livelihood of the low-income people who earn the wages and do the work in this country, the government is following a very foolish procedure indeed. Do not forget: the difference between the farmer's horse and the people on low income in this country is that the low wage earners are learning very slowly but surely that they are simply being robbed a little more, a little more and a little more.

I know people in my riding, and I am sure hon. members opposite know people in their constituencies, who are working for small wages, who are very self-respecting, who are very independent in their jobs, whose problems are increasing just as steadily as the burdens the government is placing on them in the way of increased taxation, who have children to feed and clothe and who must pay high rents. Remember, when the cost of food, clothing and rent steadily increases over a period, a few points here and a few points there, and the cost of living is going up steadily in this country, the low wage earners know this very well and feel it.

These people must have food and clothing. They have to pay as much for their bread, meat and other food items as do people like ourselves who took occasion to raise our own income because it was felt it was no longer adequate to buy food and clothing and to pay for the shelter and other things which Members of Parliament need. People who are earning low salaries and incomes have to pay the same amount for groceries as the rest of us. They have no way to prevent the landlord from continually raising the rent bit by bit by bit.

These are the people who see the opportunities they thought they had to send their young folk to school and college whittled away because the cost of living has not left them enough to carry on the education of their children. This is what is happening across the country. The people are beginning slowly, but very surely, to understand what is happening. I think this government received a nasty shock over the last few weeks when it discovered that the farmers in western Canada were not going to accept something they did not want and that the government could not tell them in fancy language that it knew far better what the farmers and farm organizations wanted. The people on the Prairies said they did not want it and were not going to take it. They were not going to be told it was better for them than what they wanted.

I warn the government that across the country there are thousands and thousands of families who know what they want and they are gradually reaching the point where they will completely reject this government. What for? For complete unfairness and discrimination. They know very well that the government has allowed the higher wage and salary earners and large corporations in this country to get away with far less than their share of the tax burden, and that a far greater share has been loaded on the low wage earner and people with small incomes.

That gentleman of the cloth over there can smile all he likes. If he were following the teaching he was raised on he would know it is very bad to grind the faces of the poor and get after the poor widows, fatherless children, and so on. But since he has been on that side of the House he has forgotten all the teachings he had in his early youth.

I have just returned from my riding where I saw once again how hard people are trying to have faith in this Parliament and how much they are hoping it will give them an opportunity to make their own way in decency. I become angry because it seems so hopeless to get Members of Parliament on the other side to realize what they are doing to the wage earners in this country. Heaven alone knowws why they are doing it, because they have had enough warnings to realize that they cannot get away with it. There is no use their using the old excuse that they have to put these imposts on—

• (9:20 p.m.)

The Deputy Chairman: Order, please. The hon. member for Hamilton-Wentworth is rising on a point of order.

Mr. Gibson: May I say, with the greatest respect, Mr. Chairman, that the remarks of the hon. member are very interesting but I submit they are irrelevant. The type of address she is making would be relevant to the Throne Speech but not to the section under debate.

An hon. Member: Get your foot out of your mouth and sit down.

Some hon. Members: Oh, oh!

The Deputy Chairman: Order, please. The Chair appreciates the remarks of the hon. member, but I was following closely the remarks of the hon. member for Vancouver-Kingsway and I have the impression that the hon. member intended to reach a conclusion relating to the exemption or to some other aspect of the section before the committee.

Is the hon. member for Peace River rising on a point of order?

Mr. Baldwin: May I suggest that the hon. member for Hamilton-Wentworth might be next to give us his idea of a speech which is relevant?

Mrs. MacInnis: If anything were needed to prove the relevance of what I have just said, it is the point of order just raised over there. The very fact that the hon. member thinks that what I am saying is irrelevant proves why they are unwilling over there to raise the exemptions, and shows exactly the arrogance that goes before a fall. When the fall comes it will be mighty.

Some hon. Members: Oh, oh!

The Deputy Chairman: The hon. member should address herself to the Chair and then it might be easier for other hon. members to follow the debate.

Mrs. MacInnis: Yes, Mr. Chairman, I will speak to what is relevant whether or not these people think it is. My colleague, the hon. member for Broadview, has demol-

ished the excuse that they cannot give higher exemptions, by quoting the Carter report which states where these extra amounts could be found. If the taxation system of this government had been based on ability to pay, we would not have to ask the government to raise the exemptions to $2,000 for single people and $4,000 for married persons. The government would have done so, not out of compassion but because the economists who wrote the Carter report told them that that was the thing to do and that that was the way in which to run a sound economy.

I want to point out that with the cost of living rising as it is, it is perfectly ridiculous for us to be stuck with exemptions which have improved so little since the famous first exemption of $1,000, 22 years ago. Surely it is ridiculous that there is no relationship between the rising cost of living and the way in which the exemptions have been increased. I do not believe any study has been carried out or any correlation made between the exemptions and the rise in the cost of living. If so, we have certainly not heard about it from the government.

In my opinion, if this government had been doing the right thing we would not now have to plead for these exemptions. We would have had the government carrying the study to fruition, that is to a guaranteed income, and thus all Canadians would have an income on which they could live. An escalator clause could have been added to raise income in accordance with the cost of living and we would not be having to ask for these exemptions today.

I say to the government that the very least they can do now is try to make up for their glaring neglect in ensuring that people have an income on which they can exist, an income which should rise in accordance with the cost of living. The least they can do is to raise these exemptions to $2,000 for single people and $4,000 for married people, and even that is far from what is required today.

A scientific survey should be carried out as to how much it costs to live, and the taxation rates should be set in accordance with it. Those of us who are in this House sometimes feel that the big danger when people get into government is that they become so insulated and so remote that they do not know any more what people on lower incomes are thinking and how they are feeling. There are no people as blind as those who do not want to see, nor as deaf as those who do not want to hear.

I wish I could bring the collective voice of people on low incomes to sound out here in the House. Then hon. members on the other side could hear the opinion of the great majority of low income people across this country. Sometimes one has a great sense of frustration in trying to get this government to hear and to react in time. No doubt in time they will be brought to make changes, but it may be too late then for many families.

Remember this, Mr. Chairman, when we urge that exemptions be raised we urge for something else along with it. I know a great many families who are practically giving up hope because they have to exist on their present income. They feel they are being taxed to death, taxed to keep people on social assistance, taxed for roads, taxed for schools, taxed for everything. If these exemptions could be raised even to the amounts we are suggesting, it would put heart into a great many people who today feel they simply cannot carry on because the burden is too crushing. I am not exaggerating; I am repeating what I am hearing and what you people would hear if you were not tied so tightly to the party discipline which makes you put wax in your ears and blinkers on your eyes.

[Mrs. MacInnis.]

I appeal to the backbench members, if there are some of you who do not have parliamentary secretaryships and who are not yet tainted with the virus of ambition. I urge you to listen to the people in your ridings. If you are afraid of speaking out in the House, do it behind the scenes. I appeal to you not to break down the will of people who are wage earners and who contribute to the taxation of this country in the measure they can. Do not make them bear burdens that do not belong to them. I wish that even at this late stage the parliamentary secretary would reconsider this section and try to achieve a little more fairness in it. Let him do so even from a selfish point of view. It would do far more to recoup the fortunes of the Liberal party than almost anything else.

I should not be giving him that kind of advice, and his party would have to do a great deal more to save themselves. But at least they should work in that direction. If they will not listen to reason, let them raise the exemptions for reasons of simple self-preservation because, believe me, if they go on acting in this way with regard to the low income people they will need all the self-preservation measures they can take.

Mr. Mahoney: Mr. Chairman, the hon. member for Winnipeg North Centre earlier today cited the Carter commission report as his authority for saying that a tax credit system was desirable in Canada. He said that the report recommended a tax credit system. The hon. member for Vancouver-Kingsway, who has just spoken, cited the Carter commission report as her authority for saying that it advocated greatly increased exemptions. I think it would be useful at this point to remind the committee of just what the Carter commission did say in terms of the areas relevant to the provisions proposed in sections 109 and 110 of the bill before us.

• (9:30 p.m.)

In the first place, the Carter commission report did not entirely recommend a system of tax credits. As usual, the hon. member for Winnipeg North was about half right—

Mr. Orlikow: That is half more than you are ever right.

Mr. Mahoney: —and that, of course, has an obverse side to it, which is rather typical. The Carter report did recommend a system of basic exemptions for single and married persons and for dependent children. The single rate that exists and is proposed under the current bill, according to the Carter recommendations would be replaced by two personal rate schedules, one for families, in accordance with the family unit concept of the commission, and the other for individuals. The basic exemption Carter proposed for individuals was $1,000, exactly as it is today, and not the increase to $1,500 that is proposed in this bill. The basic exemption for the family unit that Carter proposed was $2,100, not the $2,850 that is proposed in this bill.

Carter did not deal with exemptions for dependent children, moving instead to a tax credit system. He recommended that the tax credit for the first child be $100 and

for each additional child $60. He further recommended tax credits for working mothers, in the sum of $80 for a working mother with school age children and $200 for a working mother with pre-school children.

The present system of exemptions for close relatives other than dependent children or spouses was also to be replaced with a tax credit which was related to the expenditures made in support of such dependents. An individual or family unit would have a tax credit of $100 for each close relative to whom more than $1,000 had been given during the year for the support of that close relative. That tax credit would be scaled down depending on the degree of support given to the close relative.

Also, the Carter commission recommended, in respect of the areas dealt with in sections 109 and 110, that the special deduction from income of $500 for a taxpayer who has reached age 70 be terminated. Of course, the government in the current bill recommends that that special exemption be increased to $650 and be extended to taxpayers aged 65 and over. The commission also recommended that the special deduction of $500 for taxpayers who are blind, or confined to bed or a wheel-chair and who do not claim certain defined medical expenses. should be withdrawn. The government, in the present bill proposes that that $500 exemption be increased to $650.

There have been numerous other points raised during the debate today that I am sure I will have an opportunity later to deal with specifically. But in view of the increasing frequency of citations of the Carter commission report by spokesmen for the NDP, all of whom seem to be more than a little confused as to what the report actually recommended, I thought it would be worth while at this point to place on record those recommendations which are relevant to the sections under consideration.

Mr. Ritchie: Mr. Chairman, I raise a small point on which I would like clarification from the parliamentary secretary. It concerns section 110 and payment for full-time care of a taxpayer in a nursing home. The definition of a nursing home seems to be in doubt. My attention was directed to the case of a person over 100 years of age, who had a small pension from a son who had died, plus her old age pension. Apparently she was required to pay tax on this income even though at that advanced age she was pretty well receiving full-time attention in a nursing home.

I believe there may be a difficulty in connection with the definition of a nursing home due to the fact that provincial authorities, under which nursing homes are licensed, differ in their definitions with respect to nursing homes, boarding homes and hostels. Perhaps a proper definition will be easier to arrive at as time goes on and provincial authorities enforce stricter licensing procedures. I should like the parliamentary secretary to comment on this point.

Mr. McCleave: Mr. Chairman, I also wish to raise a point with the parliamentary secretary. It is technical one. Before I get into it perhaps I could add to the story that has been related to us by the hon. member for Vancouver-Kingsway about the farmer who kept putting less hay into the horse's manger until he suddenly found himself with a dead horse and, I suppose, some uneaten hay. Perhaps the moral of the story is that it does save a lot of wear and tear on mangers.

The parliamentary secretary listed the Carter commission recommendations, but I think hon. members should be reminded that there has been a considerable amount of inflation since those recommendations were made. The technical question I have arises out of section 109(1)(b)(ii)(B). This concerns the exemptions to be given for support of those who are "connected by blood relationship, marriage or adoption." I wonder if the parliamentary secretary's advisers could tell us what interpretation is intended to be made of this wording. The first part of my question deals with people who are connected by marriage. Does this include all step-relations, and does it include in-law relationships?

I would also point out to him that with a change of heart on the part of the government and the use of a phrase in this section about maintaining a self-contained domestic establishment, one could fit in all those unmarried couples living together in Canada and give them the benefit of the income tax reform. However, I do not expect the parliamentary secretary to answer that question tonight. I believe the minister will have to re-examine it. But I do ask the technical question about whether those connected by marriage include step-relations and in-laws, or just one and, if so, which one?

Mr. Baldwin: May I add to the point made by my hon. friend and raise the question of adoption. I have had occasion to raise this matter once or twice earlier. I recognize that most provinces have adoption legislation, but I think it is still recognized that adoption by fact is a common-law means by which there can be established a relationship between a child and an adult. Are there any circumstances under which adoption by fact, within the meaning of this subsection, may be acceptable?

• (9:40 p.m.)

Mr. Mahoney: Mr. Chairman, I acknowledge to the hon. member for Halifax-East Hants that there has been considerable inflation since the Carter report was published. However, I seriously question whether this would have affected the recommendations that certain extended and increased exemptions be abolished. If they were to be reduced to zero for people aged 70 and over or, say, people confined to a wheel-chair, I cannot see how intervening inflation would affect that type of reduction.

On the specific recommendation, I refer the hon. member to section 251 (6) of the act which defines persons related by blood relationship, etc., for the purpose of the act. When he has examined that section, if he has further questions I shall endeavour to answer them.

I would refer the hon. member for Peace River to section 252 (1) (b) where it states that in the act words referring to the child of a taxpayer include:

> a person who is wholly dependent on the taxpayer for support and of whom the taxpayer has, or immediately before such person attained the age of 21 years did have, in law or in fact, the custody and control,

I think that covers the *de facto* adoption to which he referred.

Mr. Saltsman: Mr. Chairman, I should like to make some remarks in reply to those of the parliamentary secretary who appears to have been stunned by the point

made by my colleague, the hon. member for Broadview, about the oil companies.

Mr. Mahoney: Did he say something about that?

Mr. Saltsman: I am absolutely amazed at the position he took when he pointed out what the Carter commission recommended and what his government is doing. The assumption seems to be that this government has been generous to a fault in comparison with the Carter commission recommendations. That is about as dishonest an argument as I have ever heard in this House.

The central point of the Carter commission report was that equity between taxpayers be established, and the parliamentary secretary trots out the facts of the old age pension to show how much more generous his government is than Carter might have been. It is a totally misleading picture that he draws. He says nothing about the $225 million worth of taxes that we should be receiving from the resource industries, as recommended by Carter, and which we are not receiving. That would have gone a long way toward relieving old age pensioners of their burdens.

The exemption brought in by this government, which amounts to a few dollars for the old age pensioner, is not going to help them greatly. What is needed, and what was suggested in many of Carter's recommendations, is an increase in the old age pension. This is of more significance to the senior citizen than an exemption of a couple of dollars a year in the taxation system. The proposals attempt to make an essentially unfair system look better with the kind of cosmetic arrangement that the parliamentary secretary has suggested.

When discussing the Carter commission report it is grossly unfair to point to some of these areas without drawing the major conclusion made by the commission, that all taxpayers, all wage and salary earners including those in the middle-income bracket, would have their positions substantially improved and their tax substantially lowered if all the people who had been getting away without paying their fair share were included in the tax picture. There was not a word about that from the parliamentary secretary, and I think in all fairness to the debate he should have pointed that out.

Mr. Mahoney: Mr. Chairman—

The Deputy Chairman: Order, please. Is the hon. member rising on a point of order?

Mr. Mahoney: On a point of order, Mr. Chairman, I must decline the hon. member's invitation to apologize for dealing with matters relative to sections 109 and 110.

An hon. Member: What a contribution. How gracious.

An hon. Member: That brings you back to the facts.

Mr. Saltsman: The parliamentary secretary's gracious attempt to decline from engaging in this debate on the basis of relevance is new. I have never known him to be concerned about relevance before and I do not know what his great concern is tonight. He certainly was not very relevant in the remarks he made a short while ago.

[Mr. Saltsman.]

Mr. Mahoney: It is supposed to be relevant; it is in the headlines.

Mr. Reid: You do not give him the opportunity to be relevant.

Mr. Saltsman: You are not very relevant in the backbenches either. Well, you probably are. It seems to be a very appropriate position for the hon. member for Kenora-Rainy River.

Mr. Chairman, one of the advantages of a system of tax credits rather than of exemptions is that it would indicate the true level of taxation in this country. One of the difficulties of our present system of using the exemption basis rather than the tax credit is that it makes our tax system look far more progressive than it is. Our tax system is not progressive. When you try to increase revenues, those who have the money cry about how heavily they are being taxed when in fact they are not.

My colleagues have done a good job of pointing out that the person in the upper income bracket receives far more advantage from a system of exemptions than the person in the lower income bracket. Yet the person in the upper bracket complains about his steep taxes and does not mention the advantages he receives. If we had tax credits we could in fact obtain the revenue which we are getting now. I am confining my remarks to this particular section, but it is necessary to point out, Mr. Chairman, that the whole tax system is riddled with this kind of inconsistency.

The marginal rate does not reflect the depletion allowances that people in the higher income brackets receive. It doees not reflect their after-tax income because of the advantage they get under the dividend tax rate. It does not reflect their after-tax income because capital gains are not included, and under the proposed bill will only be half included. There is a misleading picture when those with higher incomes can say they are being heavily taxed and in fact many of them are not paying as high a rate as the ordinary person with an income below $10,000.

The Carter commission pointed out that the lower and middle income groups of this country were bearing the chief burden of the cost of government and the cost of social services in this country, and that it was unfair because everyone should pay according to their ability. The parliamentary secretary prefers to ignore this fact and to point out the little things in the report that are pot-boilers, that would arouse some emotion. Admittedly, there are some things in that report about which we do not feel too happy. But Carter was suggesting, in the context of equity, the inclusion of all forms of income. We feel that should have been done.

On numerous occasions, Mr. Chairman, we have pointed out the importance of everyone paying their fair share because in a system such as ours there is no such thing as tax avoidance. One man's tax avoidance is the next man's tax burden. To the extent that people in the upper income bracket receive special benefits, whether from resource industries or capital gains, wage and salary earners are paying higher taxes than they should.

My colleagues have advocated an increase in the basic exemptions to $2,000 for a single person and $4,000 for a married man, and have indicated they would prefer a tax

credit system. However, it seems that the government is adamant on that point, so we are prepared to argue that at the very least we ought to increase these exemptions in order to be fairer to people in the lower income brackets. This argument is particularly cogent at this time when we are desperately trying to reduce the level of unemployment in Canada. The government itself acknowledges that we must take steps to increase consumer purchasing power. What better way of increasing consumer purchasing power is there than increasing the exemption levels of single and married people who are in the lower income brackets?

• (9:50 p.m.)

An hon. member said that it would cost half a billion dollars to grant these exemptions. The Minister of Finance, in his announcement of two weeks ago, indicated he was prepared to grant corporations tax reductions which would cost the treasury between $160 million and $175 million. Since there is no indication that any savings made at that level will filter down and stimulate the economy, would it not have been better if the Minister of Finance had granted increased income tax exemptions in order to stimulate the economy? I think most people will agree that that method would have stimulated the economy far more effectively at this time. That method of stimulation, I submit, is preferable to the method under which corporate taxes have been reduced.

I do not think we ought to be concerned so much about the government's being deprived of vast sums of revenue if exemptions are increased to the levels we suggest. We ought to be more concerned about transferring benefits that the government has given to certain sectors of industry to people who pay income tax and, particularly, to those at the lower end of the income scale.

I hope that those with thick heads on the government side of the House are listening to the points we are making. I hope hon. members over there feel some degree of sympathy for suggestions that we on this side of the House are making. I hope some people over there who may know what is going on will support the position the opposition is taking on increased exemption levels for Canadians. I hope they consider this matter both from the viewpoint of their party and of the taxpayer. Let them show fairness to those who have been denied fairness for too long. Let us move to stimulate the economy at this time when it so desperately needs stimulation.

Mr. Burton: Mr. Chairman, in debating sections 109 and 110 of this bill we really have had to contend and grapple with two basic issues. One is the extent of relief from taxation which is to be afforded people through a variety of methods and how the division of that relief from taxation is to be brought about; in other words, how the dollars of exemption or credit, or whatever it is, are to be divided up. Second, we have had to deal with the establishment of a tax system that is capable of being adjusted and changed to take into account new economic circumstances and developments in our economy and society as a whole. Mr. Chairman, I think that this is at the heart of the debate because we are now discussing tax credits and tax exemptions.

I was surprised at the intervention of the Parliamentary Secretary to the Minister of Finance. He seemed to suggest that Carter was not that hot on the idea of the tax credit system and that he came forward with it only in a half-baked way, so to speak. For the benefit of the parliamentary secretary and members of the committee, may I quote some of the comments made by the Carter commission on this particular subject. I intend to continue my remarks tomorrow, Mr. Chairman, and therefore I shall deal now with only one point. Dealing with the purpose of tax credits as against exemptions, Carter had this to say:

> We believe that the primary purpose of the additional allowances for dependants, working wives, educational support, and so forth, is to reduce the tax burden on low income families whose ability to pay is most heavily affected by the additional non-discretionary expenses resulting from each of these circumstances. We therefore regard the use of tax credits as a more efficient means of achieving this objective. Accordingly, we have recommended the adoption of tax credits in place of exemptions to reflect the effect of family responsibilities upon ability to pay, and have used the tax revenue gained from this substitution both to increase the effective allowances to low income families and to reduce marginal tax rates below what they would otherwise be.

It seems to me that in this paragraph Mr. Carter set forth the principle clearly that you need a tax credit system if you are to bring about the type of relief that is envisaged when you bring in any form of exemption, credit or whatever it may be. On page 180 of volume 3 of the report which was published in 1966, some five years ago, Mr. Carter pointed out the differences between tax credits and exemptions. He said that the difference between tax credits and exemptions is simple. Of course, members of the other side of the House seem to have failed to grasp this fact. Mr. Carter went on to say:

> A tax credit involves a reduction in taxes of a given amount, while an exemption grants a reduction in taxable income. The latter results in a tax reduction that increases with income. Because an exemption excludes from tax the last dollars of income received by a taxpayer, the value of an exemption depends upon the marginal rate applicable to the taxpayer. A tax credit, on the other hand, in effect exempts a given amount of the first dollars of a taxpayer's income. A tax credit thus affects all taxpayers in the same amount, while an exemption provides an allowance which increases in value as income increases ... To put this in other terms, the revenue loss resulting from the use of exemptions is higher than from the use of credits, where credits and deductions achieve the same result for low income families.

The government failed to recognize or grasp that principle put forward by the Carter commission, and for that they should hang their heads in shame.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

THE CANADIAN ECONOMY—REQUEST FOR ESTIMATE OF NUMBER OF JOBS PROVIDED BY NEW GOVERNMENT PROGRAM

Mr. David Orlikow (Winnipeg North): Mr. Speaker, on October 15 I asked the Prime Minister (Mr. Trudeau) whether he would table an estimate as to the number of

people who would be employed this coming winter as the result of the proposals made by the Minister of Finance (Mr. Benson) two weeks ago for dealing with the very heavy unemployment which we are facing. The Prime Minister, in his characteristic way, answered with one word, "No." I was not the least satisfied with that answer.

One cannot help realizing how serious the situation will be this coming winter. In September of this year, the last month for which figures are available, there were 434,000 people unemployed. That represents 7.1 per cent of the labour force, calculated on a seasonally adjusted rate. In September, 1967, the last September before this Prime Minister and the government were elected to run the country, there were 219,000 people unemployed. The seasonally adjusted rate was 4.1 per cent.

• (10:00 p.m.)

Ever since the Prime Minister and this government were elected, the rate of unemployment has risen sharply. This year, month by month the rate of unemployment is running approximately 10 per cent higher than the same period last year. In February, 1971, the worst month for unemployment, there were 675,000 people unemployed. A rough calculation of adding 10 per cent, which is a very conservative estimate because it does not take into account the American economic measures announced and instituted by President Nixon, indicates that approximately 750,000 people will be unemployed. The Minister of Industry, Trade and Commerce (Mr. Pepin) estimated that the effects of the Nixon economics, if implemented for a full year, will add 90,000 to the number of unemployed in Canada. If one takes half of that for February of this year, you get another 50,000 people unemployed. As I said on another occasion, the estimate I give is not one which I calculated; it is an estimate prepared by one of the most eminent economists in this country. We have a potential unemployment this February of 800,000 people.

The government announced a program of public works at the federal level through the provinces, municipalities and volunteer organizations. It announced it will spend between $450 million and $500 million. A few days ago the Minister of Agriculture (Mr. Olson) pointed out that $10 million is to be spent on upgrading agricultural exhibition buildings. He estimated that 1,000 jobs will be provided through the expenditure of that $10 million. In other words, the Minister of Agriculture estimated it will cost $10,000 to produce one job. By using the same calculation for the $450 million to $500 million which the government proposes to spend this winter, 45,000 to 50,000 jobs will be created. That is not good enough. We will still be left with 700,000 or more people unemployed this coming winter.

The Prime Minister has said on many occasions that the situation is getting better, the economy is improving and the rate of unemployment will be following, if not today, tomorrow, next week or next month. The people of Canada have a right to demand that the Prime Minister and the government say how many jobs will be produced this winter as a result of the program announced by the Minister of Finance, and how many unemployed there will be next winter. I know that economists in the Department of Manpower and Immigration, the Department of Labour and the Department of Finance have made these calculations. The Prime Minister and the government not only have a responsibility but a duty to tell the people of Canada what kind of winter they face this year with regard to unemployment.

[Mr. Orlikow.]

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, as the hon. member well knows, predictions in any precise terms of the number of jobs created by a given program cannot be made with any degree of certainty. It is always possible, of course, to predict a certain rise or fall in employment in very general terms. Indeed, the Minister of Finance (Mr. Benson) in his presentation on October 14 indicated that, as he had forecast, there are now some 200,000 more jobs in the economy than there were a year ago.

The design of the current program is to stimulate employment opportunities for the great many new entrants into the labour force and, wherever possible, to protect from lay-offs those who are currently at work. Much of the current program involves tax cuts which are designed to increase consumer spending, thereby increasing the demand for goods and services. But how is it possible to predict accurately the number of people who will be protected from lay-offs as a result of these measures?

Similarly, with the balance of the program consisting of loans and grants to provinces, municipalities and associations, as well as massive housing construction programs and other programs associated with residential construction, the final number of jobs created no longer rests entirely with the government but, rather, depends upon the response of those to whom these programs are directed. There is, in addition, the multiplier effect of increased consumer spending and the indirect effect created thereby, because when the government spends sums of money, money is also enticed out of the savings repositories of associations, municipalities and individuals. Thus, how can we fairly delineate the exact amount of government responsibility for all these increased activities?

Accordingly, while the government has every expectation that the jobs stimulus of this program will be very dramatic, and while it may be possible later to ascribe a fairly exact ratio of jobs created or saved to dollars spent, it is regrettably impossible at this moment in time to give an accurate answer to the kind of question put forward by the hon. member.

[*Translation*]

ATOMIC ENERGY—RESUMPTION OF STUDY OF POSSIBLE ESTABLISHMENT OF HEAVY WATER PLANT AT MONTMAGNY

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, tonight I should like to revert to a matter which I raised in a question I asked to the hon. Minister of Energy, Mines and Resources (Mr. Greene) on October 19, 1971, that is the possibility of establishing a heavy water plant in Montmagny.

In my question, I referred to the year 1966, but *Hansard*, by mistake, mentioned the year 1970. However, the year in question is actually 1966. My question appeared on the Order Paper in 1969.

Now, I have received on that matter a letter from the Montmagny Textile Union, which was sent in September. The letter reads as follows:

The Montmagny *Syndicat du Textile* wants to point out that the City of Montmagny was considered, in 1966, as the site of a heavy water plant to be built by Canadian General Electric.

Now, Mr. Speaker, on February 3, 1969, I put on the order paper the following question No. 1,307:

Did the government have a special survey made into the possibilities of locating a heavy water plant in Montmagny or its vicinity and, if so, what were the results of that study?

The following reply was given:

As far as Atomic Energy of Canada, Limited is concerned, no.

No such study was made.

• (10:10 p.m.)

Later on, that is on February 10, 1969, I asked the department for additional information. The deputy minister of Industry, Trade and Commerce answered my letter as follows:

This is the list of production facilities which are under construction or which are planned in Canada:

a) Glace Bay (Nova Scotia). Yearly output: 400 tons. Operation will begin in 1969.

b) Tupper Point (Nova Scotia): Operation beginning in 1969.

c) Douglas Point (Ontario): Operation beginning in 1972.

The construction cost of a heavy water plant with a yearly output of 400 tons is about $65 million. Deuterium of Canada Ltd. and the Canadian General Electric Ltd. have entered into contracts with Atomic Energy of Canada Ltd. for the sale of 5,000 tons of heavy water during a 12-year period. The production of the Douglas Point plant will be used by Ontario Hydro which seeks to increase its nuclear power production program.

If I can be of further help, do not hesitate to contact me.

Following this reply, I put on the order paper the following question:

1. Has the Minister of Industry, Trade and Commerce already considered the possibility of establishing a heavy water plant in Montmagny?

2. Has the Minister of Industry, Trade and Commerce ordered certain research work for this purpose and, if so, (a) what have been the results of this reasearch, (b) was the site found suitable for such a plant, (c) has the water required for such a plant been considered suitable for this purpose, (d) what is the approximate cost of the construction of a heavy water plant?

I got the following answer:

1. The possibility of building a heavy water plant in Montmagny has not been considered.

2. Not applicable.

Now, in a bulletin published by Quebec Hydro on July 25, 1966, it is stated:

The federal government, through the Department of Mines and Technical Surveys and the Atomic Energy Board of Canada had asked Canadian General Electric if they would be willing to build a heavy water plant in Canada, under certain conditions, one of the first ones being that this plant be located in one of the regions officially designated as "underdeveloped area".

—of which Montmagny was then a part.

Well, the study was made, and one paragraph of the bulletin reads as follows:

Canadian General Electric, urged on by the Atomic Energy Board of Canada, was compelled to set June 24 as the final date for registration.

—for the towns that wanted to apply for the building of the heavy water plant within their limits.

A study was conducted. Reference is made to a report in the bi-monthly review of Quebec Hydro. I am surprised to learn in newspaper reports today that apparently the plant has been built in Nova Scotia at a cost of $120 million, that it has not yet produced any heavy water, that it is intended to hand it over to the government of Nova Scotia and that, in order to put it into operation, a further investment of $90 million would be needed.

In conclusion, I would like to have an explanation, not out of curiosity, but in order to satisfy the Montmagny population and authorities. I also wish to urge again the government to look into that question. The Montmagny plant closure will lead to the lay-off of several hundred workers. The installation of a heavy water plant would help fight unemployment that will soon prevail in Montmagny.

I hope the hon. minister and the government will take into consideration the facts I have mentioned, and if it is true that there has been a study, then there is something to go on. If there has been no study, the truth should be told and from there, all government levels will be able to work on a project to achieve the construction of a heavy water plant in Montmagny. That would be much appreciated not only by the people in Montmagny by also by the population of the whole area.

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, as far as the federal government is concerned, no study has been made in Canada in 1970 about Montmagny as a possible site for the establishment of a heavy water plant. There is no such plan at the present time, because there is no need for it.

[*English*]

Members will recall that a plant at Glace Bay, Nova Scotia, has not come into production and that in April, 1970, the Prime Minister (Mr. Trudeau) offered financial assistance amounting to some $40 million to the province of Nova Scotia toward rehabilitating the plant. The offer was not taken up and the months slipped by. Early in 1971 the federal government authorized AECL to undertake a study of the plant to see what in their judgment was involved in the rehabilitation of the Glace Bay plant. Just recently AECL has been asked by the federal government to enter discussions with Deuterium of Canada Limited and the premier of the province of Nova Scotia to determine whether grounds for an agreement could be reached regarding the terms of AECL rehabilitating the plant. The outcome of this initiative should be known in the near future.

REGIONAL ECONOMIC EXPANSION—IMPERIAL OIL CONSOLIDATION OF PRAIRIE OPERATIONS IN EDMONTON—CONSULTATION WITH MINISTER OF IMPLICATIONS

Mr. Doug Rowland (Selkirk): Mr. Speaker, on Thursday October 14 I asked the Minister of Regional Economic Expansion (Mr. Marchand) the following question:

May I ask the minister whether, prior to the recent decision by Imperial Oil to consolidate their prairie operations in Edmonton, or at any time since that decision was made, he has consulted with Imperial Oil to discuss the implications of such consolidation for regional economic disparity?

The minister took the question as notice and replied the following Monday to the effect that there has been no consultation with Imperial Oil except that four months ago when the decision to locate at Edmonton had been made by Imperial Oil, Imperial Oil came to the Department of Regional Economic Expansion and asked them if any money was kicking around for such a development. The reply was in the negative, that Edmonton was not a designated region and that oil refineries did not qualify. I find it beyond belief that in the case at least of major economic decisions on the part of Canadian industry, consultation with DREE is not automatic.

The short-term economic effects of Imperial Oil's decision to shut down refineries at Calgary, Regina and Winnipeg in order to consolidate at Edmonton are imposing, but the potential long-term effects on the cities involved defy calculation. Yet there was no obligation on the part of Imperial Oil to consult nor, it would seem, did the minister or his department feel any need to make inquiries of Imperial Oil or to discuss with that company the possibility of locating its new facility in the slower growth areas of Winnipeg or Regina. If such consultations are not automatic, how can we ever hope to lessen regional economic disparities?

The parliamentary secretary to the minister, or whoever is replying on the minister's behalf, may say that the legislation does not make such demands. I say if it does not, it should. Otherwise DREE will never do much more than give grants to companies which have already made up their minds to locate or expand in a given area. It will simply act as a slush fund. It will never effect a major relocation of industry in this country, which is absolutely necessary if the regional economic disparities which exist in Canada are to be removed.

Indeed, the very procedures adopted by the department militate against its being able to have any major impact upon the structuring of our economy. A company cannot, for example, submit several possible locations for a plant to DREE for its consideration and weigh offers for each of the locations; it must submit a single location. Then if it is to know what is available in another area in any definitive way, it must reject the first offer from DREE and submit another plan. Thus, to a large extent companies must reach their decision without any meaningful assistance from DREE. Hence, it is not surprising that Imperial Oil approached DREE only after its decision was made.

In a television interview on this subject I argued that unless DREE has the power and the necessary procedures to exert a major influence on the decisions of industries about the location of their facilities, it will never effectively deal with the problem of raising up areas of slow economic growth. The minister said in reply on the same program that the people of Canada were not yet ready for government to tell private enterprise that it must locate a facility in Vancouver, in Halifax or in Winnipeg.

• (10:20 p.m.)

I am not sure that the people of the economically disadvantaged regions of this country are not ready to see the government engage in directive economic planning as opposed to indicative planning. I am certainly ready to try it, since indicative planning has done nothing to close economic gaps in this nation. In the five or six years during which some attempts at indicative planning have been made, the gaps have actually widened.

But I am not even going so far as to ask the government that the department direct industry. I am simply asking the government to ensure that consultations take place; that the people know that if slow growth regions are to be overlooked by an industry, the government at least has made some effort to ensure that that region would not be overlooked. Surely such action is the least one could expect from a department supposedly dedicated to the removal of regional economic disparities even if, for some reason beyond my understanding, the government will not give that department the directive powers without which it can never accomplish its stated task.

Thus, I would ask again if the minister would consult with Imperial Oil to see if there is not some way to have its decision to locate in Edmonton reviewed and to have the slower growth areas of Regina and Winnipeg considered again. Moreover, I would ask the minister, if Imperial is to move out of Winnipeg despite any hoped for future efforts of DREE, to seek assurances that crude oil will continue to be supplied to the Shell Oil refinery in Winnipeg by the pipeline which is owned by a subsidiary of Imperial Oil and which now supplies both the Imperial refinery and the Shell refinery.

It would seem to me that if the Imperial refinery in Winnipeg is converted to a storage facility for finished products as projected, the pipeline might well be converted to carry only finished products, which might necessitate the closing of the Shell refinery by cutting off its crude. I hope the minister will seek assurances that this will not be the case.

Finally I want to make two comments with respect to the proposed consolidation, which are not strictly relevant to the matter under consideration but which should be heard. First, I think Imperial Oil should be commended for the fact that it gave its employees, the communities involved and the governments involved three years' notice of its eventual intentions. This has allowed the employees some time in which to seek alternative employment and the communities time in which to seek alternative employment and the communities time to plan and to adjust. It also allowed the governments, even if this one is seemingly unwilling to do so, time to get involved in the decision. That is commendable.

On the other hand, the means by which the employees were informed by Imperial Oil of the decision was absolutely reprehensible. Unless the men happened to be at work at the time the announcement was made, they found out their jobs were in jeopardy by reading it in the newspapers or hearing it on the radio. Men on another shift, on day off or on holiday were not given the courtesy of advance notice. Many men with 15, 20, 25 and even 35 years of loyal service to that company suffered the indignity of being informed of the jeopardy to their jobs by people unconnected with Imperial Oil, friends and relatives who happened to hear about it. That is unforgivable. As I said, that is beside the point but I think it should be noted.

The major points are: Will the minister consult again with Imperial Oil to see whether that decision cannot be changed and, if it cannot be changed, will the minister

seek assurances that Imperial's action will not ultimately result in the closing of the Shell Oil refinery in Winnipeg?

[*Translation*]

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, as the Minister of Regional Economic Expansion (Mr. Marchand) replied on October 18 last to a question put by the hon. member for Selkirk (Mr. Rowland), his only negotiating power, in his capacity as minister, is to offer a grant to a plant locating in a designated area.

However, the minister has assured me that when an opportunity occurs, he will gladly pass on to the management of Imperial Oil the representations the hon. member for Selkirk has just made in the House.

[*English*]

At 10:25 p.m. the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Tuesday, October 26, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

TABLING OF COMMUNIQUÉ ISSUED AT CONCLUSION OF VISIT OF PREMIER KOSYGIN TO CANADA

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, under Standing Order 41(2) I should like to table copies in English and French of the communiqué issued at the conclusion of the visit of Premier Kosygin to Canada.

ORAL QUESTION PERIOD

EXTERNAL AFFAIRS

CANADIAN-SOVIET COMMUNIQUÉ—MEANING OF REFERENCE TO REDUCTION OF MILITARY EXPENDITURES

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the right hon. Prime Minister a question or two about the communiqué he has just tabled which says, among other things, that "it is the intention of both sides to continue furthering, jointly and separately . . . the reduction of military expenditures". In view of the fact that the White Paper on Defence envisages some increase in our military expenditures, is the government of Canada here speaking about reducing the military expenditures of other countries or does this mean that the government of Canada would be prepared to reduce our military expenditures proportionately to the reductions in military expenditures of certain other countries?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the Leader of the Opposition will notice that this is put in the context of the NATO approach to mutual and balanced force reductions and also the Soviet idea of a conference on European security. The statement there is in line with our posture at NATO, a posture made known in the House, that if we can reach some agreement to de-escalate the arms race or even, in the European situation, to reduce military commitments, Canada would be interested in participating in such discussions. It is impossible to know how this will end up. That is why we are in our white paper taking a position of our own, but of course our military posture in Canada would be subject to any over-all agreement we reached.

Mr. Stanfield: Mr. Speaker, I have a supplementary question arising from the Prime Minister's reference to the NATO discussions and the possible discussions about European security as well as the reference in the communiqué about the importance of reducing troops on both sides in that area. Does this envisage the withdrawal of Canadian and United States troops from the European theatre?

• (2:10 p.m.)

Mr. Trudeau: It is much too early, Mr. Speaker, to know what the posture of the NATO countries would be in that regard. Only a few weeks ago the NATO countries named Mr. Brosio as an explorer to see to what degree the other side, the Warsaw Pact countries, is prepared to engage in serious negotiations. Certainly government policy has not been established as to whether this would end with a complete or partial withdrawal of some of the American and Canadian forces over there now.

CANADIAN-SOVIET COMMUNIQUÉ—REFERENCE TO NON-INTERFERENCE IN INTERNAL AFFAIRS OF OTHER COUNTRIES—POSSIBLE REPUDIATION OF BREZHNEV DOCTRINE BY U.S.S.R.

Hon. Robert L. Stanfield (Leader of the Opposition): It does not appear to mean anything very precise but I would like to ask the Prime Minister a very precise question with regard to the reference in the communiqué emphasizing respect for independence, national sovereignty, territorial integrity and non-interference in internal affairs of other countries. I should like to ask my right hon. friend whether this arose following any discussion, for example, of the so-called Brezhnev doctrine under which the right was asserted to intervene in other countries to protect and preserve Communist governments in those countries and whether the Prime Minister regards the statement in the communiqué as a repudiation by the U.S.S.R. of the so-called Brezhnev doctrine invoking, as it does, the right to intervene in the affairs of other Communist states?

Right Hon. P. E. Trudeau (Prime Minister): I would not be hopeful enough to use the word "repudiation" which the Leader of the Opposition used. Certainly we indicated that we did not accept the Brezhnev doctrine, and the meaning of the communiqué as it reads to us is as described by the Leader of the Opposition. Of course we do not know how the other side will implement this, but we are hopeful.

Mr. Woolliams: Oh, oh!

Mr. Trudeau: Ha, ha! We are hopeful that this joint statement indicates indeed a step in the direction that the Leader of the Opposition and we desire.

Mr. Speaker: The hon. member for York South.

Mr. Lewis: Mr. Speaker, I want to deal with some other aspects of the communiqué.

Mr. Speaker: Order, please. Is the hon. member's question supplementary, because there is a request for a supplementary question on the part of the hon. member for South Shore?

Mr. Lewis: I will leave it to Your Honour. It is supplementary in the sense that it deals with the communiqué, but perhaps your Honour might want to allow the other supplementary question first.

Mr. Speaker: The Chair might allow the hon. member for South Shore a supplementary question and then we will go to the other aspect of the communiqué to which the hon. member wishes to allude.

CANADIAN-SOVIET COMMUNIQUÉ—DISCUSSION OF OVERFISHING BY RUSSIAN FLEET OFF ATLANTIC COAST

Mr. Lloyd R. Crouse (South Shore): My question deals with the tabling of the Canadian-Soviet communiqué and I wish to direct it either to the right hon. Prime Minister or to the Minister of the Environment. The communiqué that has been tabled does not mention the fisheries problem which is troubling Atlantic Canada, despite the assurances given us by the Minister of the Environment as well as by the Prime Minister that this matter was discussed. Was there discussion about the excessive overfishing by the Russian fleet off the coast of Atlantic Canada? If so, was any agreement reached and when may we expect this agreement with regard to the conservation of our fisheries resources off the Atlantic coast to be tabled?

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, a representation was made, an emphatic one, and there was some discussion of the matter. The Premier of the U.S.S.R. did say that he would take the matter under careful consideration.

CANADIAN-SOVIET COMMUNIQUÉ—SECTORS OF INDUSTRY INVOLVED IN DISCUSSIONS OF MIXED COMMISSION WORKING GROUPS

Mr. David Lewis (York South): Mr. Speaker, I would like to ask the Prime Minister some questions arising out of the language of the communiqué. It is perhaps necessarily general but it would be useful if he could elucidate what some of these statements mean. The communiqué refers to working groups of the mixed commission between the two countries concentrating on sectors of industry in their discussions which offer "the best prospects for further co-operation and the development of trade." Is it possible for the Prime Minister, or any other minister—in view of the wave of the arm that I noticed the Prime Minister make—to tell us what sectors of industry fall into that category?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, these groups operate under the agreement on Industrial application of Science and Technology. Already there are six bilateral working groups in existence. One is on oil, one on gas, one on construction, one on hydro power, one on non-ferrous metals, and there is another one I cannot recall at the moment.

[Mr. Speaker.]

Mr. Baldwin: On communications.

Mr. Pepin: The idea is for these groups to get together—each has already met at least once—is to try to identify areas where we have complementary technology and to see if trade opportunities can develop in these areas. Already on the Canadian side prefabricated homes and pulp and paper machinery have been identified as products that could sell in the Soviet Union. This is the purpose of the agreement and both sides give a lot of importance to it.

Mr. Lewis: May I ask a supplementary on the other side of the coin. In another part of the communiqué it was stated that Canada was prepared to facilitate the importation into Canada of goods from the Soviet Union, "including machinery and equipment," and that the Soviet Union would do likewise for Canadian exports. Would the minister be able to inform the House at this stage what areas of machinery and equipment are under discussion, if those areas have in fact been identified?

Mr. Pepin: That is the name of the game, Mr. Speaker. The Soviet representatives are supposed to identify these areas for their government.

CANADIAN-SOVIET COMMUNIQUÉ—MACHINERY FOR JOINT ACTION AGAINST POLLUTION IN ARCTIC

Mr. David Lewis (York South): Mr. Speaker, there are a good many aspects of this communiqué that are not very clear. I am not saying this critically, but it is a fact. I would like to ask either the Prime Minister or the minister of pollution—

Some hon. Members: Oh, oh!

Mr. Lewis: —the Minister of the Environment—looking across I could only think of pollution, Mr. Speaker, I could not think of the exact title—

Mr. Guay (St. Boniface): You really got polluted, didn't you?

Mr. Lewis: —to inform the House what machinery has in fact been set up or what machinery is in fact planned to carry out the statements in the communiqué with regard to joint plans and joint action against pollution in the Arctic and general action to protect the environment in the Arctic? Has there been any machinery already set up? Is additional machinery contemplated? Generally, what is involved in that statement?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, I am not aware of machinery set up during the course of these recent consultations, but I am sure either the Secretary of State for External Affairs or the Prime Minister could elaborate on this subject.

Mr. Speaker: Order, please. I will recognize the hon. member for York South for one more supplementary and then recognize the hon. member for Témiscamingue.

Mr. Lewis: Then may I ask whether the Prime Minister or the Secretary of State for External Affairs can inform us of what machinery there is with respect to fighting pollution in the north?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, we have been having continuous discussions with the Soviet Union and with the United States on the question of pollution of the Arctic and we have established machinery for continuation of these talks. It does not seem to us very likely that we will be able to have a treaty. Therefore we are working toward co-operation in controlling pollution in the Arctic.

• (2:20 p.m.)

[*Translation*]

CANADIAN-SOVIET COMMUNIQUÉ—EXCHANGE OF PRODUCTS WITH U.S.S.R.

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a supplementary question for the Minister of Industry, Trade and Commerce.

The Minister has just said that six different groups are now studying trade possibilities with the USSR and mentioned that we could export prefabricated houses, heavy machinery, etc, to that country. On the other hand, on the basis of the studies that have been made, what can we buy from the Russians that we cannot produce in Canada? Can the Minister mention any one product?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): It is not the government's policy to limit imports to those products that we cannot produce ourselves? To give concrete exemples, I will say that Canada recently bought heavy water from the USSR in order to meet the needs of Atomic Energy of Canada Limited. Also Canadians may buy raw cotton from the USSR. Likewise there is a possibility to sell turbines in British Colombia.

The Soviets do for the Canadian market exactly what we do for the Soviet market, that is, they explore the needs of the Canadian market as we explore those of the Soviet market.

[*English*]

CANADIAN PARTICIPATION IN NATO AND NORAD

Mr. Jack McIntosh (Swift Current-Maple Creek): I wish to address a supplementary question to the right hon. Prime Minister. As a result of the statement he made today I would ask if Canada still belongs to the NATO and NORAD organizations?

Right Hon. P. E. Trudeau (Prime Minister): I think so, Mr. Speaker.

Mr. Diefenbaker: I am not so sure either after that answer.

* * *

THE CANADIAN ECONOMY

WAGE AND PRICE CONTROLS—PRESENTATION OF SPECIFIC PLAN TO LABOUR AND MANAGEMENT FOR CONSIDERATION

Mr. Lincoln M. Alexander (Hamilton West): I have a question for the Prime Minister related to a contingency plan for wage and price controls. As the Minister of Labour has been holding discussions with the CLC and the CNTU, and in light of recent indications of labour and management's willingness to consider and consult on the development of a contingency plan of wage and price controls, has the government decided to present a specific plan to labour and management for their consideration?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I think this news item, which was only brought to my attention this morning, is a good sign and we are happy if labour is now prepared to consider such a plan. I have said repeatedly that the government's policy would be to have a plan of wage and income control only if necessary. As I just said two days ago, there has been no approach to business or management or the provinces for the application of such a plan at this time.

Mr. Alexander: In light of the fact that labour seems to accept its responsibility and appears to be equally concerned about the state of the economy, can the Prime Minister advise the House at this time if the government is prepared to accept the five criteria for a fair income, policy that were stated by Mr. Ed Finn?

Mr. Trudeau: I am not aware of the policy stated by Mr. Ed Finn, Mr. Speaker, but I shall look into it.

An hon. Member: You are not very sharp today, are you?

Mr. Robert Muir (Cape Breton-The Sydneys): I have a supplementary question for the Prime Minister, Mr. Speaker. Can the Prime Minister assure the House that any further co-operative development of a contingency plan of wage and price controls will be undertaken by the Department of Labour, the Department of Industry, Trade and Commerce and the Department of Finance rather than by the discredited Prices and Incomes Commission headed by one Young?

Mr. Speaker: Order, please. The right hon. member for Prince Albert.

* * *

PENITENTIARIES

PRINCE ALBERT—CLEARING OF SUSPENDED GUARDS OF NEGLIGENCE IN 1970 RIOT—REQUEST THAT MINISTER WITHDRAW CERTAIN STATEMENTS

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my question is directed to the Solicitor General and concerns the riots in Prince Albert penitentiary in the fall of 1970. Following this there was an investigation by officials of the penitentiaries department and six guards or warders were suspended. They appealed by way of grievance. Is the minister now in a position as a result of independent investigation which took place, to say whether the six who were condemned by him and in the original investigation have now been cleared of all negligence?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, as the right hon. member knows, there was an appeal from the sentences rendered in the first instance which

recognized negligence by the employees. Following the appeal, the independent commission rendered a decision that there had not been negligence.

[*English*]

Mr. Diefenbaker: Mr. Speaker, will the minister table that report in the House? Also, since in that report it was found that there had been no negligence and that the responsibility was that of penitentiary headquarters in Ottawa, is the minister now prepared to withdraw the statement he made in the House to me on January 22, 1971 when he said:

—six penitentiary officers were suspended following the inquiry, because it revealed circumstances where these officers had been negligent to say the least.

He also said on January 21 that the officials in Ottawa who were responsible—

Mr. Speaker: Order, please. I suggest to the right hon. gentleman that it might be difficult from a procedural standpoint to quote in detail the references which the right hon. gentleman wants to use in support of his question. Perhaps the question might at this point be asked of the minister.

Mr. Diefenbaker: Mr. Speaker, the minister stated in the House that he agreed there had been negligence by the six guards. He also stated that there had been no responsibility resting on the penitentiary officials. Now the report finds that those allegations on his part had no foundation.

Mr. Speaker: Order, please.

Mr. Diefenbaker: I am asking, will he withdraw those allegations?

Some hon. Members: Withdraw!

[*Translation*]

Mr. Goyer: Mr. Speaker, following the first investigation, it was established that there had been negligence and the penitentiary authorities decided in favour of suspending the guards. At that time, I think the decision was based upon the results of the first investigation.

The second investigation revealed that there had not been any negligence and these people were reinstated.

Would the right hon. member want some change—

[*English*]

Mr. Diefenbaker: Mr. Speaker, the minister has not been gracious enough to withdraw the criticism he made of the officers. I ask him to table the report so we can find out exactly what took place and how wrong he was in the petty attitude he took.

Mr. Speaker: Order, please.

* * *

OIL

PROPOSED TAKE-OVER OF SUPERTEST BY BRITISH PETROLEUM—POSSIBLE GOVERNMENT ACTION—ACQUISITION BY PANARCTIC OILS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct a question to the Minister of Industry, Trade and Commerce who is also Acting Minister of Energy, Mines and Resources. In view of the action which the government took in preventing the take-over of Denison Mines and Home Oil, is the government planning any measures to deal with the proposed take-over of the last major Canadian-owned distributor of petroleum products, Supertest, by British Petroleum Limited?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, this situation has been under study and an announcement will be made in due course by the minister or somebody speaking for him.

Mr. Douglas: In view of the statement made by Mr. Heatherington, President of Panarctic Oils that he hopes that his organization will become a fully integrated oil company, is the government carrying on any discussions or will it carry on discussions with Panarctic Oils to see about the possibility of acquiring Supertest as a distributor for the products of Panarctic Oils Limited?

Mr. Pepin: Mr. Speaker, I am not aware of any particular discussions between Panarctic and Supertest. I will find out about it and, if such conversations have not been held, suggest that they might take place.

Mr. Douglas: Since this matter is to be dealt with by the shareholders on November 2, am I to assume from the minister's statement that the government proposes to stand idly by and watch this Canadian company being taken over?

Mr. Speaker: Order, please. The hon. member for Sarnia-Lambton.

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CROWN CORPORATIONS

POLYMER LAY-OFFS—RESULT OF MEETING BETWEEN MINISTER OF SUPPLY AND SERVICES AND CHAIRMAN AND PRESIDENT

Mr. Jack Cullen (Sarnia-Lambton): Mr. Speaker, I have a question for the Minister of Supply and Services. Did the minister summon the Chairman of Polymer Corporation and the president of Polymer Corporation to come to Ottawa in order to discuss the current reduction in the work force, and has the minister anything to report on the results of the said meeting?

Mr. MacInnis: He must have, or the hon. member would not ask the question.

Some hon. Members: Hear, hear!

Hon. James Richardson (Minister of Supply and Services): Mr. Speaker, it is not normal practice for the government to interfere directly in management decisions. However, in view of the seriousness of the position for the employees at Sarnia, I called the chairman and the president of Polymer to Ottawa and met with them, this morning. I am pleased to be able to report to the hon. member and the House that management have been able to cancel 35 notices of termination that were issued earlier this month. Further, Mr. Speaker, subject to the number of hourly paid employees who accept early retirement,

management are hopeful of being able to cancel an additional 25 notices of termination. Finally, Mr. Speaker, I have been assured that there are no current plans to give further notices of termination to either salaried or hourly paid employees.

• (2:30 p.m.)

Mr. Mac T. McCutcheon (Lambton-Kent): May I ask the minister if the government is thinking of or prepared to give a grant to cover wages and benefits for those who are not fortunate enough to be kept on?

Mr. Richardson: Mr. Speaker, as I have stated before, the government has a number of programs. What I have done is establish a group of senior officials to work closely with Polymer to maximize the benefits of various government programs, such as the employment support bill, the winter plan program and a number of other programs possibly PAIT, which can help Polymer to maintain employment.

Mr. Speaker: Order, please. I suggest to hon. members that we are running short of time. The Chair will recognize the hon. member for Lambton-Kent for one last supplementary and then try to go on because very soon we will have to call orders of the day.

Mr. McCutcheon: Thank you, Mr. Speaker. I wonder if I could ask the minister to answer my question.

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NATIONAL DEFENCE

EXPANDED ROLE FOR CAMP SHILO IN TRAINING OF FORCES OF NATO ALLIES

Mr. Craig Stewart (Marquette): My question is for the Minister of National Defence. Can the minister indicate to the House whether the government has any plans or is contemplating an expanded role for Camp Shilo in the training of the forces of our NATO allies and, if so, have any agreements been signed?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, while no agreements have been signed, as the hon. member knows an investigatory team has been in Shilo for the past several weeks looking at the possibility of using it for artillery training. It will depend, of course, upon negotiation of an agreement. At the moment the matter is in the exploratory stage but we are hopeful.

RECONSIDERATION OF USE OF SUFFIELD MILITARY RESERVE BY BRITISH ARMY IN LIGHT OF ECOLOGICAL REPORT

Mr. Steven E. Paproski (Edmonton Centre): I wish to direct a question to the Prime Minister. In light of the government's negative ecology report on the possible consequences of the British troop exercises in southern Alberta next spring, is the government taking a second look at going ahead with these tests and are arrangements with the British finalized?

Hon. Donald S. Macdonald (Minister of National Defence): If I can answer on behalf of the Prime Minister, Mr. Speaker, the report rather than being negative indicated that with the exception of one or two sites on the Suffield reserve it could be effectively used for this purpose and it will be so used.

Hon. W. G. Dinsdale (Brandon-Souris): I have a supplementary question for the Minister of the Environment. In view of the statement he made on October 8 that the report would be tabled, is the minister now in a position to do so?

Hon. Jack Davis (Minister of the Environment): I expect it will be tabled later this week, Mr. Speaker.

* * *

UNITED NATIONS

ADMISSION OF PEOPLE'S REPUBLIC OF CHINA—SITUATION RESPECTING TAIWAN

Mr. Andrew Brewin (Greenwood): My question is for the Secretary of State for External Affairs. In light of the vote at the United Nations for the recognition of the People's Republic of China as the government of China with a permanent seat on the Security Council, will the minister say whether he accepts the view advanced by some quarters that Taiwan has been expelled or whether it is not the situation that Taiwan was never a member of the United Nations?

Mr. Speaker: Order, please. It seems to me that the question as asked is academic.

EXPULSION OF TAIWAN—CANADIAN ACTION TO RESTORE REPRESENTATION

Mr. S. Perry Ryan (Spadina): My question is for the Secretary of State for External Affairs. Now that Canada has voted at the United Nations to expel the *de facto* government of Taiwan from that body, what initiatives does the government intend to take to help restore proper representation at the United Nations for the 14 million people in Taiwan?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, there is no government of Taiwan as far as I am aware. The government at Taipei claims to be the government of China and for that reason walked out of the General Assembly when the People's Republic of China was seated in the China seat.

Mr. Ryan: Canada did not take that position for 20 years—

Mr. Speaker: Order, please.

Mr. Ryan: —and we have had an embassy of Taiwan in Ottawa.

Mr. Speaker: Order, please.

Mr. Ryan: Will the government—

Inquiries of the Ministry

Mr. Speaker: Order, please. The hon. member has been called to order and he should resume his seat.

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[*Translation*]

ATOMIC ENERGY

GLACE BAY—INQUIRY AS TO PRODUCTION OF HEAVY WATER

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I have a question for the Minister of Industry, Trade and Commerce.

In view of the fact that hundreds of millions of dollars have been spent for the Glace Bay heavy water plant, can the minister tell us whether that plant has effectively produced since 1969 heavy water for sale in Canada?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, there are few people in Canada unacquainted with the Deuterium situation.

* * *

LABOUR CONDITIONS

QUEBEC—UNENPLOYMENT FORECASTS

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, my question is related to unemployment and I should like to direct it to the responsible minister. In his absence, however, I shall put it to the Prime Minister.

Could he tell us whether the government has any statistics indicating that the unemployment rate, in Montreal, could reach the same level as that in the Maritime provinces, that is 11 or 12 per cent during the coming winter? If not, what is the government unemployment rate forecast for this winter in Montreal and in the whole province of Quebec?

[*English*]

Mr. Speaker: Order, please. The hon. member for Calgary North.

[*Translation*]

Mr. Valade: Mr. Speaker, I wonder if the Prime Minister really understood that I was asking him the question in the absence of the minister responsible.

Mr. Speaker: Of course, the hon. member can ask his question, but he cannot insist on getting an answer.

Mr. Valade: I would like to ask a supplementary question, Mr. Speaker.

Would he tell the House whether he has data indicating that the unemployment rate will reach 11 or 12 per cent next winter in Montreal or in Quebec?

Mr. Speaker: The hon. member is only repeating the question he asked a moment ago.

[Mr. Ryan.]

[*English*]

NATIONAL SECURITY

NUMBER OF PEOPLE IN NEW SECURITY GROUP—PERSON IN CHARGE

Mr. Eldon M. Woolliams (Calgary North): I wish to direct a question to the Solicitor General with regard to security. Can the minister tell the House at this stage how many members form the new security force and who is in charge of that force?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): I am unaware of the existence of such a security force, Mr. Speaker.

[*English*]

Mr. Woolliams: How many people form this security group, for whom do these analysts work and to whom are they accountable for their actions when they analyse the reports which the minister discussed in the House last week?

[*Translation*]

Mr. Goyer: Mr. Speaker, I will have to inquire. I am not primarily concerned about the number of employees in the department.

[*English*]

Mr. Woolliams: With the greatest of respect, Mr. Speaker, I asked a very simple question. The Solicitor General is in charge and I am sure he has the answer. I am asking to whom these analysts are accountable and who is in charge? The minister hired them. He advertised for them. They are to do the analysing of this work. Who is in charge of this group?

[*Translation*]

Mr. Goyer: Mr. Speaker, I have already answered about employment. The Public Service Commission, through competitions similar to those held in any other department, looks after the matter.

[*English*]

Mr. Woolliams: I rise on a point of order, Mr. Speaker. I am asking to whom these analysts are accountable and who is in charge. The Solicitor General will not give these answers because he is hiding the facts from the House and the country.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

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EXTERNAL AFFAIRS

PROPOSED EUROPEAN SECURITY CONFERENCE—READINESS OF SOVIET UNION TO DISCUSS REDUCTION OF TROOPS OR WITHDRAWAL OF TROOPS FROM AREA

Hon. Robert L. Stanfield (Leader of the Opposition): I wish to ask the Prime Minister a question arising from the suggestion that a possible reduction in Canadian military

expenses might arise from the European security conference in respect of NATO obligations and this sort of thing. Has the right hon. member any indication that the U.S.S.R. is prepared to discuss at a European security conference a reduction in military expenditures, a reduction of troops, or simply a reduction of troops in that area of Europe, in other words, a withdrawal of troops rather than a reduction?

• (2:40 p.m.)

Right Hon. P. E. Trudeau (Prime Minister): It is in order to get an answer to this type of question that the NATO countries have encouraged our discussions with the Soviet Union and are conducting some themselves, and that, indeed, the NATO countries have named an explorer to try to find the answer to that type of question.

Mr. Stanfield: I should like to ask the right hon. gentleman whether there has been a change in the position of the U.S.S.R. during the past year? I ask this in view of the fact it was clearly indicated to me when I was in the Soviet Union that what was involved was a withdrawal and that the U.S.S.R. could discuss an actual reduction of troops only in a global context rather than in the context of European security. Has there been a change in the position of the U.S.S.R. in that regard?

Mr. Trudeau: Well, Mr. Speaker, perhaps as a result of the trip of the Leader of the Opposition to that country there has been some advance in the Soviet position—

Some hon. Members: Oh, oh!

Mr. Trudeau: If the Leader of the Opposition does not wish to take credit for it, that is fine, but we think they have moved since he last saw them.

Mr. Stanfield: On a point of order, Mr. Speaker, it is all very well for the Prime Minister to be smart. I am simply seeking information on a point of great importance to this country. I asked him whether there had been a change in the position, as would have been indicated by the Prime Minister's response to my question initially. I do not think that calls for any smart-aleck remarks by the right hon. gentleman.

Some hon. Members: Hear, hear!

PROPOSED EUROPEAN SECURITY CONFERENCE—SOVIET POSITION ON CAREFUL PREPARATION AND AGREED-UPON AGENDA

Mr. David Lewis (York South): I have a supplementary question for the Prime Minister. In view of the fact that one of the differences between the Soviet Union and the NATO countries with regard to a European security conference has been the insistence of the NATO countries that there be a carefully prepared agenda and so on before a conference is called, does the statement in the communiqué that both sides declare themselves in favour of a properly prepared conference on security and co-operation in Europe mean that the Soviet Union has now come closer to the NATO position that the conference must be carefully prepared and an agenda agreed upon before it is held?

Right Hon. P. E. Trudeau (Prime Minister): I would venture to answer in the affirmative. There has already been a very serious advance by the Soviet side in that they have concluded negotiations with the Federal Republic of Germany. We think this is a clear indication that they are prepared to go some distance to follow up statements made last May, I believe, by Mr. Brezhnev, that they were looking for a detente in Europe and heeding the opinions which have been given by Canada and other NATO countries that there would have to be progress on the Berlin question before we could fruitfully sit down to discuss European security generally. In that sense there has certainly been some movement on the part of the Soviet Union since the Leader of the Opposition last went there.

Right Hon. J. G. Diefenbaker (Prince Albert): While discussions are going on concerning certain reductions in armed forces—infantry, artillery and the like—did the Russian premier mention the fact that the U.S.S.R. today has the largest fleet on earth, including 340 submarines, that it controls ingress to and egress from the Mediterranean—

Some hon. Members: Question.

Mr. Diefenbaker: What did he say he intended to do concerning the reduction of naval forces, particularly in the Atlantic, and especially in the number of Russian submarines which are parading through the north Atlantic and the south Atlantic as well? After all, he has protested a desire for peace. What did he say about these things?

Mr. Speaker: Order, please.

Mr. Diefenbaker: Mr. Speaker, there is no way to get an answer out of this government. The Prime Minister has no right to deal with Parliament as he sought to do with the Leader of the Opposition a moment ago.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please.

Mr. Diefenbaker: Mr. Speaker, I rise on a question of privilege. The arrogance of this government—

Some hon. Members: Oh, oh!

Mr. Diefenbaker: —in refusing to give answers while protesting itself to be in favour of peace, yet allowing Kosygin to fool them in the way they have been fooled in the last few days, is something that should shock Canadians as a whole.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I suggest to hon. members that this is debate rather than privilege. I would hope that in the last two minutes remaining before the end of the question period we might contrive to get two or three more questions dealt with.

Inquiries of the Ministry

[*Translation*]

ATOMIC ENERGY

GLACE BAY—INQUIRY AS TO PRODUCTION OF HEAVY WATER

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I should like to put a question to the Minister of Industry, Trade and Commerce.

As the heavy water plant in Glace Bay, Nova Scotia, which was built thanks to thousands of dollars of financial aid from the government of Nova Scotia, then led by the Leader of the Opposition, has proved to be a real fiasco—

Mr. Speaker: Order. I would point out to the hon. member that a question cannot be put in those terms.

Mr. Rondeau: Thank you, Mr. Speaker. As that fiasco was later on compounded by the Liberal government—

Mr. Speaker: Order.

[*English*]

The hon. member for Dartmouth-Halifax East.

Mr. Forrestall: Thank you, Mr. Speaker. My question is related to the communiqué tabled by the Prime Minister.

Mr. Speaker: Order, please. I apologize to the hon. member. He will be recognized in a moment. I gather there is a question of privilege being raised by the hon. member for Shefford.

[*Translation*]

Mr. Rondeau: Mr. Speaker, I rise on a question of privilege.

A short while ago, the minister gave an answer, but unfortunately, in this corner of the House, we did not catch it.

Has the federal government lost any hope of producing heavy water in Nova Scotia, since it is buying some from the USSR?

Mr. Speaker: Order. The hon. member has indicated that he was rising on a question of privilege, and he takes this opportunity to repeat his question. He will agree that the Chair has recognized the hon. member for Dartmouth-Halifax East.

[*English*]

Mr. Forrestall: Mr. Speaker, my question—

Mr. Lambert (Bellechasse): On a point of order—

Mr. Speaker: Order, please. I again have to apologize to the hon. member for Dartmouth-Halifax East. With a little more patience we shall get to him. The hon. member for Bellechasse is rising on a point of order.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Speaker, I rise on a point of order since I was involved.

In fact, my colleague from Shefford said that we did not catch the minister's reply to my question. It might have been understood but nobody heard it because of the noise. I did not want to interfere then as I preferred to wait till the end of the question period. If Your Honour would permit the minister to reply, I would be very happy provided that reply is heard.

[Mr. Speaker.]

Mr. Speaker: Order. The minister could perhaps repeat his reply, but I respectfully submit to hon. members that if half the question period is spent repeating answers or questions, it will really be reduced to twenty minutes. In any case, we could perhaps allow the minister to reply to this question in a minute—

[*English*]

—after the hon. member for Dartmouth-Halifax East has had a chance to put his question.

Mr. Knowles (Winnipeg North Centre): Make it good.

Mr. Forrestall: I don't know whether it will be good but I shall try.

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EXTERNAL AFFAIRS

CANADIAN-SOVIET COMMUNIQUÉ—DISCUSSION OF POSSIBILITY OF PURCHASING RUSSIAN-BUILT ICEBREAKERS AND MARITIME PATROL AIRCRAFT

Mr. J. M. Forrestall (Dartmouth-Halifax East): My question arises out of the communiqué tabled by the Prime Minister. I want to ask him whether or not the possibility of purchasing Soviet-built icebreakers or Soviet engineering services for the design and construction of an expanded Arctic fleet was considered during the talks with the Soviet delegation? At the same time I might ask whether any consideration was given to the purchase of long-range maritime patrol aircraft?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, I know of no talks having covered either of those machines.

• (2:50 p.m.)

Mr. Speaker: We will return now to the question asked by the hon. member for Bellechasse and allow the minister to repeat the reply which was not heard by that hon. member.

* * *

[*Translation*]

ATOMIC ENERGY

GLACE BAY—PRODUCTION OF HEAVY WATER SOLD IN CANADA

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, as far as I can understand, the hon. member for Bellechasse asked me whether the government was aware of the difficulties of a company called Deuterium of Canada Limited. The hon. member for Shefford told me the reasons why that company is in trouble. I suggested that along with many Canadians we were also aware of that situation.

Mr. Speaker: Order. The hon. minister now has repeated the answer he gave earlier.

[*English*]

UNITED NATIONS

EXPULSION OF TAIWAN—CANADIAN ACTION TO EXPEL BYELORUSSIA AND UKRAINIAN SOVIET SOCIALIST REPUBLIC

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Secretary of State for External Affairs. In view of the reasons given by the Canadian government for supporting the resolution at the United Nations which in effect expelled the government of Taiwan as not being the *de facto* government of China, does the government intend to undertake steps at the United Nations to see that the governments of Byelorussia and the Ukrainian Soviet Socialist Republic are expelled on the same grounds?

Mr. Speaker: Order, please. I suggest that this is debate. I apologize to the many hon. members who have not had an opportunity to ask their questions. I have tried to make a mental note of them as they rose during the question period and will attempt to give them preference tomorrow.

* * *

[*Translation*]

POLLUTION

MEETING WITH UNITED STATES AND U.S.S.R. TO PROTECT NORTHERN ECOLOGY

Mr. Speaker: Does the hon. member for Charlevoix have a supplementary?

Hon. Martial Asselin (Charlevoix): Yes, Mr. Speaker.

Would the Prime Minister tell us whether, in his discussions with the Russian Premier, any mention was made of a summit meeting between Canada, the United States and the USSR to deal with the questions of the pollution of northern waters and the rational development of those waters?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I raised that question when I visited the USSR in May. At that time, the Russian government indicated that it was not interested in a summit or other level of meeting between the several countries interested in the Arctic. So, this time, I did not suggest such a meeting. Instead we discussed a treaty which could be signed by all interested nations. I must admit that the Russians did not appear very enthusiastic about that either.

Mr. Speaker: Orders of the day.

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, on a question of privilege.

Mr. Speaker: Order. The hon. member for Sainte-Marie raises a question of privilege.

Mr. Valade: Mr. Speaker, my question of privilege is as follows: The leaders of the various parties had agreed on the establishment of a list of ministers who would act for those compelled to be absent from the House on official business. According to that list, the minister responsible for manpower was to be present to answer questions relating to employment, labour and unemployment in Canada.

A short while ago, I asked a question to the government, in the absence of the responsible minister and no minister gave me a reply. My question was warranted, Mr. Speaker, since a minister of the Crown stated yesterday in Montreal that unemployment was to reach a rate of 12 per cent in the province of Quebec in the next few months.

Here is my question of privilege: If members of the opposition cannot get answers from the ministers designated to replace those who are not here, and if no other minister answers our questions, I feel that we are being deprived of a fundamental right—that of having our questions on crucial or current problems answered.

I hope, Mr. Speaker, that my question of privilege will be taken into consideration, and that we will be assured that in the absence of a minister who should be here, the government will, through his spokesman, the right hon. Prime Minister, answer the questions asked.

Mr. Trudeau: Mr. Speaker, I know you do not like this matter to be discussed in the House. I would only suggest to the hon. member that perhaps he is getting the roster wrong since neither the Minister of Manpower and Immigration, nor the Minister of Regional Economic Expansion, nor even the Minister of Labour is on the list for today.

Once again, I think the hon. member is barking up the wrong tree.

Mr. Speaker: Order, please. I do not believe there should be a debate on that point.

Mr. Valade: Mr. Speaker—

Mr. Speaker: Order. The hon. member cannot speak a second time on a question of privilege. He submitted the problem to the Chair and the Prime Minister answered. I do not think the question should be pursued further.

If the hon. member wants to raise a question of privilege once again, I will listen to him, but under the rules, a member is not allowed to speak more than once on the same question of privilege.

The hon. member has raised the problem and it will be considered.

Mr. Valade: I rise on a question of privilege once again, Mr. Speaker.

Mr. Speaker: The hon. member has another question of privilege.

Mr. Valade: Mr. Speaker, I am raising this question of privilege in reply to the Prime Minister who did not answer my first question.

Mr. Speaker: Order. This is not another question of privilege, but the same that gave rise to a debate between the Prime Minister and the hon. member, which I cannot allow.

[*English*]

Mr. Knowles (Winnipeg North Centre): Mr. Speaker—

Mr. Speaker: Order, please. The debate which is being pursued by hon. members on both sides of the House

makes it difficult for the Chair to hear the hon. member for Winnipeg North Centre.

Mr. Knowles (Winnipeg North Centre): I rise on a point of order, Mr. Speaker. In view of the many references during the question period to the communiqué the Prime Minister tabled today, I wonder whether the House would agree that it be made an appendix to today's *Hansard*?

Mr. Speaker: Is it agreed?

[*Translation*]

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: Does the hon. member for Shefford rise on a question of privilege?

Mr. Rondeau: Yes, Mr. Speaker. I would like to make a correction on page 9018 of yesterday's *Hansard*.

Mr. Speaker: Order. A correction cannot be made in *Hansard* by way of a question of privilege. All the hon. members know that a correction in *Hansard* is usually made directly through the officials concerned and when it is an important correction, it must be made on motions. The hon. member can ask the unanimous consent of the House to revert to motions. Does the House agree?

Some hon. Members: No.

Mr. Speaker: The hon. member might make that correction tomorrow on motions. I think it is extremely important, because during the debate—

Mr. Rondeau: Mr. Speaker, according to *Hansard*—

Mr. Speaker: Order. I indicated to the hon. member that such a change should normally be requested on motions. If the change is important, he should make it tomorrow on motions.

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: Is the hon. member for Abitibi rising on a question of privilege?

Mr. Laprise: Yes, Mr. Speaker.

During the debate, while the hon. member for Shefford (Mr. Rondeau) was speaking, the hon. member for Laurier (Mr. Leblanc), from the seat where the hon. member for Louis-Hébert (Mr. Cantin) usually sits, rose on a point of order for the sole purpose of having it reported in *Hansard* that the hon. member for Louis-Hébert was out of the House at the time. That is the correction we wanted made, Mr. Speaker.

Mr. Speaker: Order. Will the hon. member please resume his seat. It seems to me that we have spent the last ten minutes of the time of the House going over points of order and questions of privilege. I feel that these ten minutes could be put to better use.

[*English*]

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, you will have to admit there has been some confusion today. I did not understand what happened to my request that the communiqué be made an appendix to today's *Hansard*. Was that agreed to?

Mr. MacInnis: No, the Prime Minister turned you down.

Mr. Speaker: It is my understanding that the response to the hon. member was negative. I might ask again if there is consent.

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: Perhaps the matter might be considered after the House has gone into committee. The suggestion made by the hon. member is that the communiqué be made an appendix to *Hansard*.

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: As the hon. member has heard, there seems to be some opposition and I think at this stage there might be some communication made directly—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. Perhaps hon. members might allow the Chair to complete the remarks I am trying to make in response to the point of order raised after two questions of privilege. The hon. member for Winnipeg North Centre might consider communicating directly with the government House leader to determine whether his suggestion might be put in a more formal way tomorrow.

Mr. MacInnis: Mr. Speaker, on a question of privilege, when the discussion was taking place as to who was responsible for the refusal to allow the communiqué to be made an appendix to *Hansard* the hon. member for Calgary South indicated it was the Conservatives. There is no question that it was the Prime Minister who made the first refusal.

Mr. Speaker: Orders of the day. Order, please. I believe the hon. member for Timiskaming is rising on a point of order.

Mr. Peters: On a point of information, Mr. Speaker, I should like to inquire of Your Honour whether, when a request is made for the addition to *Hansard* of a communiqué or document that has been tabled, unanimous agreement is necessary before this can take place?

Mr. Speaker: The hon. member is asking for a ruling from the Chair in abstract. The Chair cannot, of course, be called upon to make that kind of ruling. Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Monday, October 25, consideration in committee of Bill C-259, to amend the Income

tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: Order, please. House again in committee of the whole on Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act. When the committee rose last evening section 109 was before the committee. Section 110 has been grouped with section 109 for the purpose of debate.

On clause 1—section 109: *Deductions permitted by individuals.*

Mr. Burton: Mr. Chairman, last night when the committee rose I had pointed out that in the Carter Report on taxation there was discussion of the principle involved in comparing a system of tax exemptions with a system of tax credits in order to provide some relief for taxpayers, particularly those at the lowest end of the income scale. I mentioned that the Carter Commission pointed out quite clearly what the difference was between tax credits and tax exemptions. I quote:

> A tax credit involves a reduction in taxes of a given amount, while an exemption grants a reduction in taxable income.

Of course, the report, points out that quite obviously the application of a tax exemption has a different impact from the application of a tax credit. The Carter Commission, in its report, went on to draw a conclusion from its studies of this subject. I quote again from the report at page 180, volume 3:

> We believe that the primary purpose of the additional allowances for dependants, working wives, educational support, and so forth is to reduce the tax burden on low income families whose ability to pay is most heavily affected by the additional non-discretionary expenses resulting from each of these circumstances. We therefore regard the use of tax credits as a more efficient means of achieving this objective. Accordingly, we have recommended the adoption of tax credits in place of exemptions to reflect the effect of family responsibilities upon ability to pay, and have used the tax revenue gained from this substitution both to increase the effective allowances to low income families and to reduce marginal tax rates below what they would otherwise be.

So, it is quite clear, in terms of the principle put forward by the Carter Commission, that the commission opted for a tax credit system. This, of course, leaves open the question of the mechanics of the application of this principle. There are many variables which could be introduced in applying this principle, but certainly in terms of the principle itself the commission came out very clearly in favour of the principle of tax credits. The commission went on to discuss, at page 183 of the report on taxation, the effect of tax credits if substituted for the present tax exemption plan:

> The credits that we propose for dependants are equivalent to a liberalization of exemptions for lower income families and a tightening of upper income families. For families with income under a certain level, the proposed system of credits would reduce taxes from what they would be with current personal exemptions.

Possibly this explains why the government has been so reticent about introducing tax credits into Bill C-259. I want to acknowledge, of course, that in any tax structure a system could be devised based on either tax credits or tax exemptions that would, at any given point of time, produce an equivalent amount of dollars for any given income level. It is simply a matter of mechanics to arrange a tax system based either on tax credits or tax exemptions which would provide for a certain income level. Let us call it income level one—X dollars of tax. Then this could be arranged for income level two, the next higher level of income, for which the amount of dollars in tax collected would be X plus Y dollars of tax. This could be applied to any situation in any given circumstance, but that of course involves a static concept of taxation. That is certainly not the type of world in which we live. We live in a very dynamic world in which the systems we attempt to organize and establish must be designed so that they are flexible enough to accommodate change and so that it is possible to adjust to any new condition or new circumstance as they arise.

I would also acknowledge that with the tax exemption system it is possible to make a change which would have an impact similar to a change to a tax credit system. This could be done by simply knocking off the lowest rate of taxation and then increasing the exemption level. This is fine if it can be done, but I suggest it is much more difficult than might be imagined to introduce such a system into practice. Certainly it is very difficult politically, I think, to introduce such a system because there are very obvious difficulties. Any government, regardless of its political persuasion, has to face the problem of persuading people that they must or should pay higher taxes. Certainly, if there is the appearance of a higher tax level, even the type which I described, this is not very acceptable to anyone.

So the method adopted by the government when it wanted to make some improvement in the situation of people at the lowest end of the income scale was to increase exemptions. This in some ways is much easier to administer and in some ways also it is easier politically, at least under given circumstances. But I suggest there will be tax changes in the future and, by the very nature of our economy, a tax system must be designed so that it can accommodate to change both up and down. Very often the general trend has been in the upward direction, but certainly I think now and at given times in the future our taxation system will be subject to either increases in taxes or decreases in taxes. Thus, it is very necessary that we design a tax system that is both flexible and equitable. This is my concern, and the concern of many of us, in taking a look at the plan as it is proposed by the government.

• (3:10 p.m.)

I should like to examine briefly the whole idea involved in making changes in exemptions, whether it is now or at some other point in time. Basically, it seems to me that the purpose is to provide help to the lower income people in particular and also to provide one means of stimulating the economy. In terms of the help that is provided to lower income people, I think it has been pointed out already in this debate that it is questionable whether it is of any real value. Certainly it has been pointed out that if there is an increase in basic exemptions from $1,000 to $1,500 per person on a $2,000 gross income the tax saving from the increased exemption is only $33, whereas if a person has an income of $100,000 the tax saving is $397.

Certainly, this is not very equitable in terms of being of assistance to people at the lower end of the income scale.

Secondly, there is the point of stimulating the economy. This, of course, must come through increased consumption. I do not think that anyone would suggest that an increase in exemptions is designed to increase in some way the savings capability of a segment of the population in order to assist the process of capital accumulation. Rather, I think an increase in exemptions is designed by its very definition to increase consumption in the economy. I think it is obvious, or it should be obvious to all hon. members, that the best way to increase consumption through a tax change is to help people at the lower end of the income scale. By the very nature of the economic system, people at the lower end of the income scale will spend a larger percentage of their increased income or increased savings from a change in exemptions or tax credit than will people in the upper income levels. I think it should be obvious to hon. members that this will be the case. Thus, I think it can be shown quite clearly that a system of tax exemptions, as we have it now, does not achieve the objectives that are claimed for it by people on many occasions. I suggest, therefore, that our tax system must have equity if it is to be acceptable to the public and if it is to achieve the social and economic objectives that a tax system must hope to achieve.

Reference was made during the discussion of the white paper and the report of the House of Commons Committee to the question of equity versus growth. The government, and some government supporters, attempted to put this situation in the very simple terms that this was the alternative before the people, that they have to choose between equity and growth. I want to suggest that I do not accept that particular set of alternatives as it has been put forward by some people. I think it is not a simple alternative of that sort. If one wants to look at either one of those objectives, namely equity or growth, the present tax exemption system does not help to produce equity in the tax structure. I suggest that the present system of tax exemptions does not stimulate economic growth in our economy. On the other hand, I suggest that tax credits will produce a greater degree of equity in the tax system. The stimulation and encouragement of consumption will be a more effective way of stimulating and encouraging growth in the economy.

In conclusion, I should like to say that a point of concern for the government and for all members of the House must be the question of confidence in the tax system. Do people really feel that they are getting a square deal under our tax system? I know that the government will go to the country within the next year or two. They will make claims regarding what this new tax system is doing for people, that it improves the position of many people in the country. But I suggest that the government should not be too smart about this question. They should reflect very carefully on this because once this new system is in effect people will see very soon that in fact the improvements claimed for it by the government, and by government supporters, mean very little in the context of economic conditions today. I suggest that there will be disillusionment among people in Canada when they see the little that has been done for the ordinary people through the tax bill before us.

[Mr. Burton.]

I suggest there will also be a great deal of disillusionment when people find that there are many loopholes and escape clauses for many of the larger corporations and the wealthy people of Canada. This will reduce confidence not only in the government—if any government dares to stick by such a tax system—but in the entire process of our handling affairs, and that is a matter that must be of concern to all members of this House. That is why I feel it is so important that in this particular area of the bill, sections 109 and 110 as well as other areas, the government take another look at the proposals it has placed before Parliament, and that it come forward with a more equitable tax package which will produce real tax reform, not just an imaginary type of tax reform such as we have in this bill.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, during a press conference he held a few days ago, the Prime Minister informed the nation that the gross national product in Canada for the year 1971 was about $95 billion and he compared this with the year 1960-61 when it was $40 billion. He rightly stated that Canadians are increasingly efficient and that we have good reasons to be happy that the national product continually increases from year to year.

What he said is so true that the Canadian Imperial Bank of Commerce news letter of September 1971 features a table that is most interesting, that we should all consult in order to have a clean conscience, when we will have terminated study of Bill C-259, having adopted legislation in keeping with its possibilities, reducing as far as possible taxes applying to those who do the most to increase national production.

The table appearing on page 8 includes the following: Gross national product, 1961, 39 billion dollars, 1974, 84 billion. And the right hon. Prime Minister tells us that it will reach some 95 billion for 1971.

Now, Mr. Chairman, further on it can be seen that some groups of persons have contributed to that increase in the gross national product in Canada, and certain details are given: Man-hour production in agriculture, based on 100 for 1961, was in 1970 up to—

• (3:20 p.m.)

[*English*]

Mr. Mahoney: Mr. Chairman,—

The Chairman: Order. The parliamentary secretary is rising on a point of order.

Mr. Mahoney: I am wondering when the hon. member is going to relate the GNP tables for 1961 to sections 109 and 110 presently before us.

Mr. McCleave: Now you are getting fussy again, Pat.

The Chairman: I think, with respect, the parliamentary secretary has a valid point and I would ask the hon. member if he will keep his remarks within the rather broad area that I will permit him under sections of 109 and 110.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I readily submit to the directives of the Chair, but in order to

support the reasoning that I want to make regarding clauses 109 and 110, I must find some argument. This is what the Minister of Finance (Mr. Benson) has done, on June 18, when he introduced his budget, and when he quoted the gross national product and other figures as arguments.

So, I think that I will not be departing from the Standing Orders when trying later on to show, regarding clauses 109 and 110, what I intend to recommend to this government. Since we have no opportunity of moving amendments to legislations, I hope, Mr. Chairman, that we will at least have the opportunity of bringing forward some arguments. This is what I am doing and I am convinced that, as the Chair has just said, I am perfectly in order.

I was saying that the efficiency of farmers in 1970 had reached a level of 177, compared with 100 in 1961. On the basis of 100 in 1961, the efficiency rate of manufacturing industry reached 140 and that of non-manufacturing industry, 127.

Farmers and workers having made considerable effort to contribute through their work to the increase of the gross national product, they have shown they are serious and efficient. Should Canadians get greater benefit from the national product? I think so. To allow them to do so, they must be given more purchasing power. That can be achieved in two ways: by salary increases or greater profits, or still by lower taxes.

In the case that concerns us, clauses 109 and 110 aim at amending the tax legislation by increasing the basic exemption. I entirely agree with the government about that proposal. However, I think it is not going far enough considering the great possibilities I have just outlined regarding the gross national product.

Now men's work, as a whole, that is national production, is not meant to keep on adding to the wealth of a small group of citizens but rather to ensure the well-being to all. In my opinion a society is not just if it tends to condemn a great many of those we call proletarians to be without any other property than their arms, and to be always threatened by a refusal of employment in times of unemployment or by a considerable reduction of income in cases of sickness or accident. Then, more and more, the number of those who do not own any property increases on account of the tax burden.

This is why I strongly urge the government to clearly grasp the scope of our arguments which, as far as I am concerned, I do not bring in on a sudden impulse, but from a sense of duty because I know in what situation thousands of families find themselves. I am personally aware of that situation and every day we receive representations, requests from people asking us to see that the tax burden is lessened in order to allow the Canadian family to develop.

I cannot understand how some people will not admit that it takes at the very least an income of $5,000 free of tax for an average family to live in normal conditions. I am speaking of the income tax that we are discussing right now.

I know that married couples have to pay a number of other taxes, it is a normal thing, but as far as income tax goes, in view of the immense possibilities of Canada, of the considerable increase of the national product, it is now possible to lower the contribution made by this category of people, by raising the level of exemptions.

Are we really aware of the fact that the government is asking the people to live in poverty in an affluent society? Our country is rich in many ways. I was given, a moment ago, a document which is not very old; it is dated October 25, and entitled "The National Conference on Law and Poverty". The conference will be held in Ottawa from October 28 to 30.

It offends a number of members when someone reminds the government that there is inexcusable poverty in Canada. It riles them. They say that it should not be mentioned.

Mr. Chairman, this conference on law and poverty is organized by people who are interested in the welfare of the population, among others a group of lawyers who call themselves the defenders of the poor, and it is sponsored by a section of the Canadian Law Professors Association seeking justice for the poor.

I did not have time to read the communiqué, for it has just come to my attention, but it seems that it was by an act of God that this document appeared on my desk at the very moment when I was about to champion the rights of these elements of the population.

Mr. Chairman, I have known the distress of not even having a 3-cent stamp to send a letter to my mother. I remember the hurt and that is why, today, being called upon to speak for those people, I discharge my duty by saying what must be said.

Mr. Speaker, this is what being underprivileged means. There are underprivileged people in Canada, just as there are in Europe, Asia and Africa. We just have to open our eyes to see where they are. We only need to visit our cities and see those retarded children for whom we are asked to provide more financial assistance so that they may adapt to Canadian society.

When we see, as I did last Sunday, Richelieu clubs organizing suppers in order to try and raise funds to assist underprivileged children, we realize that people are really willing to help the underprivileged in Canada.

We only need to open our eyes to see unemployed people who have to make do with the miserable pittance which they get from welfare, and yet who would like to work. Last Saturday, of 12 people who called at my office, 11 were asking for work.

• (3:30 p.m.)

People want to work, Mr. Chairman! But in order to give them the opportunity to work we will have to give a new impetus to the economy, to further the sale of our products so that the industries in turn can get going again and hire those people.

Mr. Chairman, that is the reason why I insist so much on putting the basic exemption for married couples at $5,000, because Canada can do it. Otherwise I would say: Let us tighten our belts! But, since Canada can do it—we know that, because the Prime Minister said so on the air—we must do something.

Mr. Chairman, that is my suggestion in connection with sections 109 and 110 in favour of families that do their share.

I would also draw the attention of the government to the fact that it seems very liberal to increase the basic exemption from $1,000 to $1,500 and from $2,000 to $2,850. It must not be forgotten that new elements have been included in the taxable income, like one-half of capital gains for instance. Payments from income maintenance plans will likewise become taxable, as well as adult training allowances, allowances paid under the Textile and Clothing Board Act, unemployment insurance benefits and scholarships, fellowships and bursaries, except for the exemption of $500.

This means that the basic exemption will be reduced by all these forms of income which become taxable, and one could find oneself not with $2,850 anymore, but with $2,500 or $2,400.

Mr. Chairman, in concluding my remarks, once again I urge the Parliamentary Secretary to the Minister of Finance to get my message to him on behalf of my constituents of Bellechasse and of all other Canadians. Let us be reasonable and prove that we are intelligent people, that we know how to use the gross national product and let us allow Canadians to benefit from that product in order to meet their everyday needs.

[*English*]

Mr. Baldwin: Mr. Chairman, I shall not detain the committee very long. Indeed, I hesitate to get into this debate after the remarkably strong and eloquent address to which we have just listened, but I am going to deal with a much more mundane issue. When I read through sections 109 and 110 I am disappointed that they do not make provision for something for which I have argued in the past, namely a special tax reduction for those resident in the northern part of Canada. This is something that I have been pursuing for 25 or 30 years. In the House and elsewhere I have always met with the answer that it cannot be done because there must be tax rules of uniform application across this country; that it is not possible to take a parallel of north latitude as the boundary line between those taxed at one rate and those taxed at another or changes in deductions. I recognize that for administrative purposes there is some merit in the answer, but when we look at some of the things that have taken place in the last few years, particularly in the regional economic expansion program, we note that with respect to the recovery and depreciation rules at least, there are opportunities for varying the rules by the application of different rates across Canada.

The fact remains, Mr. Chairman, that what we have seen in the northern part of this country has been a failure to develop what I think is required if we are to settle in and win the north, in the sense that it should be won, a small entrepreneurial class. We have the native peoples who are now in many cases emerging from their native positions to take jobs in the milieu of the outside world. We have the large corporations and we have government, both of which make certain provisions for special northern living allowances. However, these are uneven in application and are applied to people who go into the north for a comparatively short period of time, maybe two or three years, and who serve their time and leave. The result of this policy has been that the increase in the northern population has not been what it should be when compared with other countries.

Recently we have had an opportunity to entertain Premier Kosygin and I am sure he has related some information about northern development in the Soviet Union. No doubt when the Prime Minister and others were over there they saw what has happened. It is known that certain incentives are given to people in the Soviet Union to go into the north. I suggest that through deductions for income tax purposes it would be mechanically and administratively possible to work out additional concessions for people living and working in the north. I shall not deal with the question of corporations because that comes under a different aspect of the bill. I think it is essential, however, that there be some permanency of tenure in that part of the country. Today we have to provide concessions for people who go in there to work, so they will have an incentive to stay. These concessions will have to be reflected in the rate of taxation.

In all seriousness I suggest to the minister and the parliamentary secretary that they should review their files on this matter. I know that my hon. friend from the Yukon has mentioned this subject from time to time, and I have raised it in this House on a number of occasions. There is no doubt that the further north you go the more expensive it is to live. I can recall the early days when I first went into the northern part of Alberta. It used to be fairly rough rule of thumb that every 300 miles you went north of Edmonton doubled the cost of everything, including liquor, Mr. Chairman. While it might not be that severe today, I suggest that this phenomenon is still to be observed. The government has a responsibility to make longer range plans for the development of the northern part of Canada than those that exist today because the people living there are subjected to a much higher cost of living. I am just going to leave it at that.

• (3:40 p.m.)

I am not berating the government particularly because I know there are departmental and administrative difficulties. I warn the government that failure to enact some simple concession of this kind is bound to have an adverse effect on development in the northern part of this country. I ask the parliamentary secretary to look seriously at this proposal. It may be impossible to implement it by December through the December budget. We are now in a cycle of monthly budgets. It may be that when we come to the January, February or March budgets this proposal can be implemented. You see, we are looking six months ahead, and there ought to be ample time for the gestation of this creative idea so that it may be delivered as a healthy and virile child some months from now.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I hope and believe that we have made our position with respect to proposed section 109 as clear as it can be made. We favour a tax credit system rather than a system based on exemption levels. We did our best when the Standing Committee on Finance, Trade and Economic Affairs was dealing with the white paper to make this point. We did our best to make it at second reading and we have done our best thus far, in committee of the whole consideration, to make that point. We do not seem to have persuaded the

government to make the change. This is regrettable, but that is the way democracy works.

I confess to you, Sir, that I did quite a bit of reading in my favourite books to see whether there might be any way in which one could move an amendment to substitute a tax credit system for a tax exemption level system. I am afraid all the authorities are against the possibility of that being done. Although there are provisions indicating that amendments can be made with respect to tax bills, nevertheless, those amendments must be grafted upon the government's system. I will not, therefore, put Your Honour to the task of having to read the same books, as a result of which I fear you would rule out an amendment seeking to substitute a tax credit system for a tax exemption system.

That is not the end of my story. As you can imagine, I sat here yesterday with an amendment to raise the exemption levels which was similar to the amendment moved by the hon. member for Bellechasse and similar, also, to the amendment moved later by the hon. member for Portneuf. Again, since you have already ruled that type of amendment out of order, it would hardly be responsible of me to try that one again. I did not jump in with it yesterday, so to speak, because I thought that, procedurally, we already had before us one amendment to proposed section 109, namely, the amendment moved by the Minister of National Revenue which changes the word "taxpayer" to the word "individual" in one line of that proposed section. It is nice to know that a taxpayer is sometimes regarded as an individual. That change, however, is not significant. It is just a matter of using the proper word in the context of that particular part of the section. At any rate, that is why I did not move the amendment yesterday which was moved by my Social Credit friends.

Now that the possibility of an amendment that merely raises exemption levels has been ruled out of court by your rulings of yesterday on the amendments proposed by the hon. member for Bellechasse and the hon. member for Portneuf, I wish to follow another course. However, Sir, in this case I confess that I shall present my procedural argument before I move my amendment. Perhaps the citations that I shall read will indicate what is coming. Part of paragraph (2) of citation 263 of Beauchesne's Fourth Edition reads:

—The principle that the sanction of the Crown must be given to every grant of money drawn from the public revenue, applies equally to the taxation levied to provide that revenue. No motion can therefore be made to impose a tax, save by a Minister of the Crown, unless such tax be in substitution, by way of equivalent, for taxation at that moment submitted to the consideration of Parliament;—

There is more to the paragraph, but I think I have read the pith of it. It is pretty clear, Mr. Chairman, that it is in order for a private member to move an amendment to a tax bill which is a substitution by way of an equivalent amount for taxation at that moment submitted to the consideration of Parliament.

A couple of pages farther over you will find citation 268. We are still looking at Beauchesne's Fourth Edition. Let me read these words from paragraph (1) of that citation:

—Though it is the function of the Committee of Ways and Means to impose rather than to repeal taxes, example—

It says "example". I believe it ought to say "examples".

—of the repeal of taxation effected in this committee are to be found upon the journals.

Now comes the important sentence:

Proposals for the variation or modification of taxation can therefore be made in the committee; but these proposals must be grafted upon the financial scheme submitted by the Government,—

And that is why I knew I could not move a motion to substitute tax credits for tax exemptions.

—and must not affect the balance of ways and means voted for the service of the year. Amendments, therefore, can be proposed to substitute another tax, of equivalent amount, for that proposed by the Government, as an alternative duty, the necessity of new taxation, to that extent, being already declared on behalf of the Crown.

Now, Mr. Chairman, may I relate that procedural submission to our position in terms of policy. We have already made it clear that we favour a tax credit system as opposed to a tax exemption system. Yesterday I said that if the government was not prepared to go for a tax credit system, we would plead with it to raise the exemption levels from the proposed $1,500 and $2,850 to $2,000 and $4,000 a year. I indicated that I was somewhat concerned about that because, after all, this is our second line of approach and not our first. As I say, I was somewhat concerned about that because, unless one adjusts the rates, the effect of raising exemption levels is to give benefits which are larger for those at the top of the income scale than for those at the bottom of the scale. But now my hand has been forced by your rulings of yesterday against the hon. member for Bellechasse and the hon. member for Portneuf and also by these citations that say that as a private member I can move an amendment for a tax that is a substitution for something the government has proposed, provided it is for an equivalent amount. The words are there. They are as clear as they can be in the English version of Beauchesne's Fourth Edition and I suspect they are just as clear in the French version.

• (3:50 p.m.)

I come, therefore, to the second approach that we take. If the government is not prepared to bring in the tax credit system, I plead with it to raise the exemption levels to $2,000 single and $4,000 married and at the same time to adjust the rates that are set out in another portion of clause 1. After all, Mr. Chairman, we are dealing with clause 1 in its entirety, a clause that has 596 pages. I suggest that changes be made in the rates of another portion of clause 1 so that the revenue lost to the Crown by raising exemption levels will be gained by higher rates for those in the upper brackets.

I have put all of this in the form of an amendment. It reads in technical language, but I have plenty of copies so that hon. members can look at it. I move:

That Bill C-259 be amended at page 277, (a) by deleting the figure "$1,500" from lines 12, 37 and 48 and by substituting therefor the figure "$2,000", and (b) by deleting the figure "$1,350" from lines 13 and 38 and by substituting therefor the figure "$2,000", and that the rates of tax provided in the proposed section 117, on pages 305 to 312, be adjusted to provide revenue equivalent to the revenue lost by changing the exemption levels as herein provided.

I suggest that should meet with everyone's wishes. Even my good friend the member for Bruce will like this. He complained yesterday that I wanted to cut out some taxes and not say where we could get money to take their place. This motion suggests where that money can be obtained.

This motion does what I think most Canadians want done. I am prepared to admit that most Canadians may not understand the tax credit system. They would understand it if it were in effect and they were getting the benefit of it. To most Canadians, the heart of this whole issue is that the exemptions levels ought to be higher.

The effect of this exemption, changing the figure $1,500 to $2,000 and the figure $1,350 to $2,000 in certain places in the bill, is that the exemption level in all places becomes $2,000 single and $4,000 married. It should not only satisfy the hon. member for Bruce, but also the government. It shows where the money will come from. It satisfies the provision in Beauchesne's Fourth Edition which clearly states that it is in order for private members to make certain changes in tax bills provided they are grafted upon the financial scheme submitted by the government and provided that where a tax is reduced another tax is substituted for it of an equivalent amount. I ask anybody in the House, what is wrong with that? Let's do it.

Some hon. Members: Hear, hear!

The Chairman: Order, please. I ask the parliamentary secretary to excuse me. I did not read the motion. The hon. member for Winnipeg North Centre read it in the context of his remarks. I want to express some reservations about the procedural acceptability of the motion. Before I recognize the parliamentary secretary, may I read the motion for the purpose of hearing arguments on the procedural acceptability. It is moved by the hon. member for Winnipeg North Centre:

That Bill C-259 be amended at page 277, (a) by deleting the figure "$1,500" from lines 12, 37 and 48 and by substituting therefor the figure "$2,000", and (b) by deleting the figure "$1,350" from lines 13 and 38 and by substituting therefor the figure "$2,000", and that the rates of tax provided in the proposed section 117, on pages 305 to 312, be adjusted to provide revenue equivalent to the revenue lost by changing the exemption levels as herein provided.

Mr. Jerome: Mr. Chairman, when the hon. member for Winnipeg North Centre began, he carefully covered all of the ground that put him under any disability, giving advance notice that we were getting the full impact of his ingenuity in the final product. He certainly did not disappoint us with the amendment that came forward after the magnificent preamble.

Mr. Knowles (Winnipeg North Centre): I am glad you like it.

Mr. Jerome: It is supposed, at least, not to be the prerogative of a counsel on a case to cite only those aspects which further his position and keep from the court those which do not. I suppose it is not fair to shackle a Parliamentarian with the same obligations. The hon. member has quoted those references which support his position and has conveniently ignored those which do not. Be that as it may, the argument in citation 263, which in general terms supports the idea he has in mind, should be carried on with the balance of the paragraph. It reads as follows:

—nor can the amount of a tax proposed on behalf of the Crown be augmented, nor any alteration made in the area of imposition. In like manner, no increase can be considered either of an existing, or of a new or temporary tax for the service of the year, except on the initiative of a minister, acting on behalf of the Crown; nor can a member other than a minister move for the introduction of a Bill framed to effect a reduction of duties, which would incidentally effect the increase of an existing duty, or the imposition of a new tax, although the aggregate amount of imposition would be diminished by the provisions of the Bill."

[Mr. Knowles (Winnipeg North Centre).]

In the reference to citation 268, the hon. member failed to bring to the attention of the Chair the fact that the reference in that citation was to the committee of ways and means. This, of course, is a committee which has now been eliminated from our procedures. The considerations are obviously a good deal different when we are dealing with the final product than previously in the committee of ways and means. In addition, citation 269 was overlooked. It reads as follows:

No augmentation of a tax or duty asked by the Crown can be proposed to the committee, nor tax imposed, save upon the motion of a Minister of the Crown; nor would an amendment to extend the imposition of a tax to persons enjoying an exemption therefrom be now permitted.

The dilemma which the hon. member obviously faces is that if his amendment does what he intends it to do, it offends the rules. If his amendment does not offend the rules or does not do those things which have already been ruled out of order, it is not in his interest to put forward such an amendment. The answer to that dilemma is not a single amendment which offends the rules, but two amendments, one designed to correct the other. The amendment he is proposing to us which changes the exemptions is clearly out of order. What he proposes is a second amendment which is specifically designed to counteract the reduction in revenue resulting from the changes in the exemption levels, which are out of order, by making consequent amendments to the tax rates in order to bring the picture back into balance. The second amendment is equally out of order because it makes the same kind of changes, changes which are prohibited by all the citations to which I have referred Your Honour. I submit, therefore, that the amendment, despite the initiative which has been shown, is not less offensive to the rules which have been cited.

• (4:00 p.m.)

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, it is a frequent way of doing things, when we get into procedural arguments, to say that the other fellow did not read the citations in full. Frankly, I abridged the citations because I thought it was better to focus attention upon the issue which is really before us. The things which the parliamentary secretary has read, in addition to what I read, have no effect on what we are now discussing, one way or the other. They do not alter the picture at all. For example, he read a bit more out of citation 263, where it says:

—nor can the amount of a tax proposed on behalf of the Crown be augmented, nor any alteration made in the area of imposition.

I ask Your Honour to note that this follows immediately aft er the clear authority given to a private member to propose a substitution of one form of tax for another, provided it is grafted upon the government's scheme. The net result of my amendment would not increase the total tax imposed by one dollar. It comes out to the same amount. The word "equivalent" is there as required by the rule. As for the suggestion that the area of imposition would be widened, my amendment does not include anyone under the tax arrangement who is not already there, although it does leave some out.

Then, when the hon. member looks at citation 268, he reads more of paragraph two which relates to probate and legacies and duties on real property, things which have no real bearing on the issue at all. My limiting of quotations to the parts I read was, I submit, to the advantage of everyone, to the extent that it concentrated attention on what is before us. I am fully aware of the rule that financial matters are the prerogative of the Crown and that it is the Crown which takes the initiative. But this is not an absolute rule.

Yesterday, and I draw this to the attention of the Parliamentary Secretary to the President of the Privy Council, you, Mr. Chairman, when you were ruling against an amendment put forward by a member of the Social Credit party, said a certain tax might be 10 erp cent and there might be an amendment by a private member to reduce it to 9 per cent, and provided the amendment did not alter the area of imposition you would have to accept it. So an exception was pointed out yesterday by the Chair itself. Authority for such exceptions is clear. There is also, of course, the citation which was read yesterday by an hon. member of the Social Credit party—the last sentence of 265(1):

This duty the members may perform by moving amendments to reduce the tax proposed by the administration.

So the parliamentary secretary cannot get away by making a sweeping generalization and saying what I have done is to compound a felony by seeking to move two amendments which are out or order. The first, by itself, I realize, would be invalid, but I maintain I do have the right to substitute one tax for another provided it is grafted upon the government's ifnancial scheme and provided the revenue form the substituted tax is equivalent to the revenue lost by revksing the first one.

[*Translation*]

Mr. Fortin: Mr. Chairman, I should like to make a very precise remark and refer you to page 9007 of *Hansard* of October 25, 1971, when my colleague for Bellechasse (Mr. Lambert) moved an amendment.

Mr. Chairman, at that moment you referred to citation 265 from Beauchesne's Parliamentary Rules and Forms, 4th edition page 221. You said to my colleague for Bellechasse as well as to the committee members that the said amendment was out of order, because it intended to change the taxation field, in brief, it was against the very principle of the bill. You said that if the amendment moved by my colleague was concerned only with tax reduction, it would be acceptable, but because it was aimed at getting a number of taxpayers off the rolls, it would not be acceptable.

In this connection, I should like to repeat very quickly the citation. On page 221 of Beauchesne, it says, and I quote:

This duty the members may perform—

—of protesting the government's administration—

—by moving amendments to reduce taxes proposed by the Administration.

Now then, that was exactly the objective of the amendment moved by my colleague the hon. member for Winnipeg North Centre (Mr. Knowles) and that is why, Mr. Chairman, I would like to submit, with respect, that, in our opinion, this amendment is in order.

[*English*]

An hon. Member: Question.

Mr. Knowles (Winnipeg North Centre): Question? Okay, call it.

Some hon. Members: Oh, oh!

The Chairman: I thank hon. members who have assisted the Chair on the points of procedure arising from the amendment proposed by the hon. member for Winnipeg North Centre. I should like to have time in which to think about it. If I were a betting person, I would not bet on the side of the hon. member for Winnipeg North Centre because I have grave doubts as to the acceptability of the amendment. But the hon. member for Winnipeg North Centre has made a most persuasive argument, as has the hon. member for Lotbinière and it would not be fair for me to make a ruling off the cuff when there has been so much preparation by the learned members who have argued both sides of this question.

There is just one point on which I might ask for the assistance of hon. members. One of the proposed amendments also purports to amend, as described, the proposed section 117 on pages 305-312, and that section is not before the committee. Do hon. members have any suggestions for dealing with that aspect?

Mr. Knowles (Winnipeg North Centre): I will be happy to make a comment on that aspect, Mr. Chairman. There is also before the committee an amendment to clause one by the Minister of National Revenue containing, I think, 95 parts designed to alter subclauses throughout clause one. If he can do it, if he can move one amendment to clause one dealing with a host of proposed new subclauses, then surely I can move an amendment which relates to two of them.

The Chairman: I did not raise the point in order to throw a block in the way of the committee proceeding or to indicate that the hon. member could not proceed with the amendment. I appreciate the point made by the hon. member for Winnipeg North Centre. The fact is, however, that the motion moved by the Minister of National Revenue on behalf of the Minister of Finance is before the committee. There may be some difficulty in connection with the point I have raised, but I do not think it is of great importance. I wonder whether the committee would give consent to dealing with the motion of the hon. member for Winnipeg North Centre notwithstanding any procedural question which might arise. Of course, section 117 is not formally before the committee at this time.

Mr. Jerome: With respect, Mr. Chairman, I do not think that is the whole problem. I do not wish to endeavour to sustain a very strict position and argue that because we have agreed to approach this long bill in an intelligent manner, and deal with it in parts, and because we are not now discussing other parts which the hon. member proposes to amend, it would not be possible to proceed.

An hon. Member: You should hear Benson do it.

• (4:10 p.m.)

Mr. Jerome: The difficulty is much greater than that in that Your Honour is required to rule upon the legality of the amendment before us at the present time. It is designed specifically to raise exemptions and does so in dollars and cents terms. It is argued that while that is clearly procedurally offensive, what is designed to correct it is some amendment to section 117. What is really happening is that the hon. member is not putting forward that amendment to section 117, but is simply saying we should accept his amendment now and make some amendment to section 117 in the future.

The obligation to put forward a legal amendment to section 117, making changes in the incidence, the burden and the orderly imposition of taxation, has been argued today. At the best of times, if not always, it would be extremely difficult to put such an amendment in acceptable terms. I submit we are not now dealing with section 117 but rather an amendment which is supposed to legalize this procedure, but I submit it is not in sufficiently precise terms to enable the Chair to rule on it or to enable anyone to make an argument as to whether it is procedurally acceptable. I submit this puts the Chair in an absolutely impossible position.

[*Translation*]

Mr. Fortin: Mr. Speaker, I listened with interest to the comments of the Parliamentary Secretary to the President of the Privy Council (Mr. Jerome), and I beg to differ with him.

First of all, fundamentally the question is what we discussed earlier and the arguments are the same.

Secondly, the Chair wonders whether we are not dealing with two sections, one of which is not now before the House. Now, when the representatives of the various parties agreed on the procedure to be followed, the question was this: Will we discuss Bill C-259 clause by clause or will we regroup them by sections or main titles?

In any event, the present debate is basically an experiment. That is what we are now doing: experimenting. The House leaders agreed on main titles, and we are experimenting, trying to speed up the work while performing our duties as members of Parliament, properly and conscienciously.

That supposes many things, Mr. Chairman. It means that if my colleague for Bellechasse (Mr. Lambert), for Champlain (Mr. Matte), or any other rises and does what the hon. member for Winnipeg North Centre did, trying to amend—

[*English*]

Mr. Jerome: I rise on a point of order, Mr. Chairman. Perhaps the hon. member who is now speaking did not understand what I first said, or perhaps what I said was not translated adequately. It appears he is under the impression that in my earlier remarks I was suggesting the committee should be forced to stay with only those sections we are discussing. I want to make it perfectly clear that I was not attempting to sustain that position because it would be too rigid. I have no objection and do not propose that we on this side have any objection in a situation like this, or one which may arise at another time, to discussing other related sections. If it is necessary to put forward an amendment which deals not necessarily with the section we are discussing, but coincidentally with an amendment to another section, no one on this side would argue against that. It would appear from the matter to which the hon. member addresses himself that I took precisely the opposite position. I just wanted to make that perfectly clear.

Mr. Fortin: Mr. Chairman, I am now pleased with the remarks of the parliamentary secretary since he says that there is no opposition from his party. This is precisely what we want, Mr. Chairman. We wish that the principle of debate be honored so that we may discuss a clause respecting capital gains. In this way we recognize the principle whereby we may talk about another part of the bill also under the heading of capital gains. This implies that a member of this House and of this committee may rise and introduce comprehensive amendment.

This is not provided for in the Standing Orders but it was generally agreed upon. Therefore, Mr. Chairman, it seems to me that we could end the discussion since, as indicated by the parliamentary secretary, we quite agree on that point.

The Chairman: So there will be no misunderstanding as to how the committee is to proceed I should like to make one or two comments. As I said earlier, the Chair did not raise this matter for the purpose of precluding consideration by the committee of all aspects of the hon. member's motion. I should like to take the arguments of the three hon. members who assisted the Chair under advisement. It would be helpful if we considered the motion as proposed by the hon. member for Winnipeg North Centre. If the first part of the motion is allowed, then at some later date the hon. member would have to satisfy the Chair on the procedural acceptability of the second part. I think that is the argument put forward by the parliamentary secretary. If there is no disagreement to my suggestion, I will take the matter under advisement and make a ruling later. If I allow the motion it will be on the understanding that at some later time the hon. member for Winnipeg North Centre must satisfy the Chair as to the second part. Is that agreed?

Some hon. Members: Agreed.

The Chairman: Hon. members have taken a great deal of time and effort and it would not be fair to make a hasty ruling. I will consider the matter as quickly as possible and rule on it.

Mr. Blackburn: Mr. Chairman, my remarks will be brief but there are three aspects of sections 109 and 110 to which I should like to refer. The first aspect concerns the high expenses incurred by parents in respect of children suffering from cerebral palsy and other related diseases which require extensive treatment. To make it a little more clear, I am speaking not about medical expenses but about travelling expenses that parents incur when they take their children from smaller communities, villages and cities in the countryside, to major medical centres where specialized treatment can be obtained. Very often these parents run up high expenses over a period of

several years. They must travel sometimes by plane to centres such as Toronto, Hamilton, Montreal, Vancouver and so on.

This disease which afflicts children requires extended treatment. I have talked to some constituents in my riding who have had expenses in the neighbourhood of $5,000 to $7,000 over a period of perhaps 10 to 12 years. A couple of weeks ago when speaking on second reading of the tax reform bill I alluded to some aspects of what I consider to be a double standard of taxation. I think we all agree there are some groups in our society which have a greater advantage in respect of writing off expenses than other groups. I feel that parents with children afflicted by diseases such as cerebral palsy should be allowed some kind of tax reduction in relation to the expenses incurred in taking their children to major medical centres. They must travel and often stay overnight at a hotel or motel. They must eat in restaurants and they may be away from home for a couple of days or perhaps a week while the child is being treated. Let me suggest to the parliamentary secretary that some consideration should be given to granting tax exemptions in this area.

Another aspect of section 110 relates to the economic or financial problems parents have in attempting to cope with a child who has a perceptual handicap. As a school teacher, I recall that 10 or 12 years ago we did not know what perceptually handicapped meant. We were under the impression that every child who was dull or a slow learner was a child with a low I.Q. who could not learn. We find now that they have physical disabilities which make it difficult to understand what they are reading. This slows down considerably their learning ability. As a result, much money is being spent officially at the board level in our school systems and in the department of education to help correct this deficiency. However, many parents believe their children should have specialized tuition. This kind of specialized tuition can be rather costly, particularly to people in the low income brackets. I would like to suggest to the parliamentary secretary that perhaps some provision could be made for a tax exemption to be given to parents who have to pay extra tuition fees for the perceptually handicapped. Again this can run into a fairly high cost if you consider that to rectify the problem in the learning process of the child, it might take not just a couple of years or five years but perhaps 10 or 12 years.

• (4:20 p.m.)

From my own experience I know the schools can do only so much. In most instances, the parents send their children to specialists in this field. Of course, the fees very often are fairly expensive. A third aspect of this section of the bill relates to expenses incurred by teachers who are attempting to upgrade their standards and improve their professional ability. Obviously, it appears I am trying to speak for only my own profession, but I think it is a well known fact that other professions in this country have—I will not say built-in safeguards—members of their professions in politics who have spoken out in their favour. I am not attempting to set myself up as a lobbyist for the teaching profession at any level, but merely wish to point out some of the problems teachers have. I refer particularly to those who are beginning their careers and are in the low or middle income bracket and those who are teaching at the elementary school level. I am not referring specifically to those teachers who are now earning, shall we say, $15,000 or $16,000 a year.

I should like to preface my remarks in this regard by saying that, as we all know, society is becoming extremely complex. In order for a good teacher to keep abreast of things and to improve his knowledge and specifically his capability to direct students in new educational processes, it is necessary for him or her to take refresher courses. At the present time so far as I know the only tax concession granted in this regard is related to tuition fees during the summer recess. Again, most teachers who are taking courses go back to school. The tuition fee itself very often is paid by the board of education and is one of the smallest items of expense incurred. They have to travel. Some of our teachers come from the north to the various urban centres across Canada. Their expenses are high. I think we should be able to provide some tax concession to enable teachers to write off at least part of the expenses they incur while attending these schools. One might argue that since teachers take these courses to increase their income, why should the government assist them in increasing their own level of income. Let us not forget that in raising their levels of income they will be paying higher income taxes, so I think it makes some sense to suggest that the Department of National Revenue will receive as much or more than it gives.

Several years ago when Bell Telephone was switching over to a more complicated technological process a friend of mine working for Bell at that time was sent to Toronto for a course. His wages came in regularly. The cost of his course was by Bell. All his bills, the hotel account, his food, lodging and so on, were paid for and the company could charge this amount to operating costs and obtain a tax concession on it. I feel that if employees of a private company can be upgraded to improve their output,—and bear in mind I do not think it is incumbent upon boards of education to pay the expenses out of public taxes—the least the government can do is allow those teachers who have the determination and ambition to improve themselves to write off their living expenses or part of their living expenses while they are away taking courses to upgrade themselves.

These are the three major points I wanted to make. I am not asking for special concessions in the sense I am asking for special status for any one group. I am simply referring back to what I said a few weeks ago to the effect that I strongly believe there is a double standard in this new tax bill. Some people can write off expenses while in pursuit of their jobs, while others can not. In referring to the first two points I have raised, I do not believe it would be unfair or inequitable to allow parents of children with cerebal palsy or any other serious ailment which requires highly specialized medical treatment in centres many miles away from home, to write off some of the expenses involved in taking their children to these centres for help. Nor do I believe it is unfair or inequitable to ask the government to consider allowing some tax concession to parents with children who have learning difficulties or who are perceptually handicapped and who require highly specialized treatment. So, Mr. Chairman, this is what I wished to contribute to the discussion at this point.

Mr. McCleave: Mr. Chairman, the Minister of Finance is in the House. Yesterday I made a point which I presented in the form of a question. I did not think the parliamentary secretary or the officials could substitute their opinion for that of the minister or the government, so I now take the opportunity to raise the same question again. I imagine the minister is familiar with it. It involves discrimination against non-married people who are living together, whether or not they are free to marry each other, and the fact that they are not given the same type of exemption as those of us who have followed the orthodox route to such a union. The Prime Minister of this country has stated that the government has no business in the bedrooms of the nation. If that is good enough for the criminal law of our country it should be good enough for the tax law of Canada. I, therefore, ask the Minister of Finance if he will agree to make amendments to section 109 to correct what appears to be a glaring case of discrimination, or are the Prime Minister's words simply to be regarded as hypocritical baloney.

Mr. Benson: Mr. Chairman, in this respect I would simply like to say that, while I obviously am sympathetic in this case, it is very difficult to establish what a common-law relationship is. Do you allow people to claim married status because somebody has a girl friend whom he visits every now and then? The law is pretty definitive in respect of what married status is. I think that the relationship about which my hon. friend is talking may, in some instances, be the relationship of people who have gone through the formality of marriage in church or of civil marriage, but at least there is some evidence in that case, and you then move from the stage of people who have this kind of claim, a legitimate claim, down to the end. I believe that in the law it would be impossible to define the kind of relationship that is recognized if you were to consider allowing common-law marriage under the Income Tax Act.

• (4:30 p.m.)

Mr. McCleave: May I make a very sensible observation to the minister because the formula that he is looking for and which he thinks is difficult to achieve happens to be within section 109 already. It deals with people who maintain a self-contained domestic establishment. So we do not have people sneaking all around the city to accomplish this purpose of being in the category that I mentioned. They live together; it is as simple as that. They live in a self contained domestic establishment and provision for that is right in the act.

[*Translation*]

Mr. Matte: The clause now before us deserves our unremitting attention of course, because it can affect the greatest number of Canadian taxpayers. We should therefore take all necessary precautions in order to bring about a real change that would amount to something new for the taxpayers.

As I said before, the government has certainly sought, through this clause, to innovate so that other far less palatable sections could be adopted. The increase of the basic deductions from $1,000 to $1,500 for a single person and from $2,000 to $2,850 for a married person was thought to be a present to Canadian taxpayers.

[Mr. Blackburn.]

Mr. Chairman, let us forsake the mathematical and technical juggling and revert to the real problems facing the Canadian taxpayer.

I would like also to point out how this government or the Minister of Finance (Mr. Benson), through these inadequate deductions, are unable to somewhat correct certain anomalies, not to say inequities, which taxpayers have to endure.

Mr. Chairman, if one would think in terms of the individual's needs and if the tax legislation could be changed to take into account the will, the wishes and the interest of the taxpayer, the new tax deductions would have been calculated on the basis of the bare minimum that should be guaranteed to each and everyone to enable them to live at least decently if not comfortably. And it is absolutely illogical, and I repeat "illogical" that this bare minimum be taxable.

If we ever calculate the bare minimum which an adult needs to live in Canada, we reach the figure of $1,500. If we exercise a minimum of judgment, we are going to say that it is $1,500, but the minister as well as everybody else knows that if a survey were conducted, it would indicate that this amount is largely inadequate and will not even pay for the upkeep of a CEGEP or university student. This does not even cover living expenses for any other individual. It is therefore indecent to tolerate such a small exemption.

There exists a sort of contradiction which I should like to underline. When considering the minimum exemption, taking into account that when the Old Age Security Act was amended, it was estimated that the amount granted as old age pension and guaranteed income supplement was a vital minimum, I believe, Mr. Chairman, that we have in this case the vital minimum for two people 65 years old without any income. Such a vital minimum is recognized as allowing two people to live decently. They are given $255 per month, that is $3,060 per annum. This is accepted as a basis, since this is the amount given.

Now, we must at least acknowledge that since the amount of $3,060 is felt to be needed by people of 65 to live on, in general, people only 65, 45, 30 or 20 years of age need more money.

In that case, to tax an amount of $1,500 even before the individual has had time to secure food, clothing or housing is nonsense and the Income Tax Act should immediately be amended in that respect.

All hon. members will agree that no one in the House can rise and suggest that $1,500 is an appropriate vital minimum for a Canadian citizen, when they know very well that such is not the case. Nobody else would pretend that it is so.

I wonder from simple common sense why the tax exemptions have not been raised higher, at least to the minimum income level which each Canadian is entitled to have.

All the more so as this tax reform proposal is so complicated that taxpayers computing their returns will be lost to the extent that they will probably have to pay someone if they want to pay their taxes. Besides, an odious factor will be added to something already not too exciting since our workers, the salaried people, precisely those who pay their taxes at the source—consequently

before their food, lodging and clothing—have no time to study all these technicalities and will therefore have to call in an accountant to figure out their taxes.

This again reveals how eager the government was to show its false generosity because certainly nobody can live with $1,500 a year. I think this no longer exists and if it did it should be definitely changed.

This is why I fail to understand why the Minister of Finance does not immediately propose an amendment similar to that moved yesterday by the hon. member for Bellechasse and to that moved today by the hon. member for Winnipeg North Centre. I wonder why the Minister of Finance does not immediately move an amendment to boost this amount of $1,500 to $3,000 and allow a $5,000 exemption for married couples.

There would be no exaggeration in that, Mr. Chairman, but it would merely be logical and sensible. And we would have then done something for the Canadian taxpayer. Moreover, considering all the means that are resorted to and that are used to get more money, one must say after all that with this mass of taxation reform, the government would surely get more from taxes.

How strange that one should not realize that if more money were left in the taxpayers' pockets, there would be less involvement on the part of the state in the individual's life and government's administration costs would therefore be reduced. That thought never occurs to us. Put an additional $500 or $1,000 in every taxpayer's pockets, and the unemployment problem might perhaps not be what it is today. Perhaps we would not have to cope with the problems of small, average or big industries that are fighting against financial difficulties and must therefore lay off employees.

That would be a good solution because everybody could go their own way and that is, I believe, what Canadian taxpayers want above all, namely that kind of freedom which will make them really happy to live in this country. But it rests with the government to grant them that possibility and that is why I deem it my duty to express once more the taxpayers' opinion, in my constituency and throughout Canada: That the exemptions advocated in section 109 are inadequate, that they are far from being satisfactory to the Canadian taxpayer and that in the case of a person earning $3,000, $4,000 or $5,000, a small wage-earner, it would be put a mere difference of some $30 or $40 for a whole year of work. That is merely making fun of the taxpayer.

• (4:40 p.m.)

[*English*]

Mr. Skoberg: Mr. Chairman, I read reports in the press today that the parliamentary secretary, replying to the hon. member for Winnipeg North Centre on the question of tax credits, said that these would not be nearly as simple and straightforward as the advocates of a tax credit system seemed to believe. But, Mr. Chairman, all of us realize that nothing is as simple and straightforward as we would like.

I think we should look back and see what the Carter Commission did say. That commission was dominated by an eminent accountant, a former tax expert in the civil service. You would not expect such a person to recommend a plan that would be impossible to administer. At that time there was a lot of talk about the necessity of hiring armies of tax experts, but it was just talk.

We in the New Democratic Party believe in that portion of the commission's report which advocates a tax based on tax credits, a comprehensive system that should include capital gains and windfalls. But when we talk about tax credits and exemptions the thing that makes me worry is how one person, Colin Brown, can convince the government, through a skilful propaganda process, to change its mind and not even consider tax credits as recommended by the Carter Commission.

I would like to quote one short paragraph for the benefit of the Minister of Finance and his parliamentary secretary, and then give the source. It reads as follows:

> The Carter Commission would not limit, much less deny, the rewards of successful individuals and companies. It would insist that they, like everyone else, pay their fair share of taxes on gains in wealth. The outcry against the Carter Report has come from a very small section of the Canadian people—not more than the top-earning 2 to 5 per cent, according to a speaker at a Canadian Tax Foundation Conference. But because of the lack of any comparable outcry for the report from the unorganized millions of lower and middle income taxpayers, there is a clear danger that the report will be shelved. It may become an academic document to which professors refer wistfully when they are talking about an ideal tax system, rather than a practical charter of just taxation for Canadians. The Church should urgently support the Carter Report as a magnificent document which deserves to be implemented in the main.

That is from "The Cutting Edge," the 43rd annual report, 1968, of the Board of Evangelism and Social Service of the United Church of Canada. If we are talking about justice and equity in taxation, then instead of being harassed by people like Colin Brown the government should take into consideration the 95 per cent of people who could be helped by a tax credit system. However, it appears that the government is too concerned about its friends in the upper 5 per cent bracket. It wants to try to please them rather than introduce a proper, equitable tax system to help millions of people across the country.

We have to ask ourselves whether the rights and liberties of the individual are protected under the system. It appears to me that adoption of the amendment offered by the hon. member for Winnipeg North Centre, which the Chair has taken under advisement, would bring about a more equitable tax system. So far as this party is concerned it would not take the place of tax credits, but is second best.

I believe the Minister of Finance must realize that it is the principle of equity that is facing this Parliament. We have to ask ourselves a number of questions about the type of exemptions proposed here. We have to ask what personal circumstances should be recognized in allocating tax burdens among individuals and families. How much should tax burdens differ between those in one circumstance and those in another? There are questions of belief, and we in this House must recommend and put into legislation that which we believe to be fair. We in this House are given the responsibility of making recommendations and enacting legislation that we think will be fair to the majority of the people. The tax burdens of those facing heavy family obligations and responsibilities should be reduced to reflect the non-discretionary expenditures that they are required to make. We know, Mr. Chairman, that

this could be done through the adoption of separate rate schedules and tax credits. The parliamentary secretary suggests that such a system would be difficult to administer, although Carter indicated that it was possible.

• (4:50 p.m.)

The National Pensioners and Senior Citizens Federation presented a brief to the government in 1968, to which reference was made yesterday. One clause reads:

RESOLVED that we ask that the allowable income ceiling be raised to $3,000 per couple, $2,000 per single person,

The brief from the same body dated October 18, 1971 suggests $3,000 for single people and $4,500 for married couples. This body is representative of the senior citizens all across this country. Surely, more could be done for them than has been done in the three years since the first brief was presented. It appears, however, that the government is not interested in this area.

I should like now to refer to that portion of section 110 dealing with exemptions and would call the attention of the Minister of Finance and his parliamentary secretary to it. The cost of burial—I am quite prepared to say facetiously that this bill should be buried or cremated and then maybe we could get back to the basic problems of this country! This is a matter of great concern to the senior and all citizens of this country. I have a letter dated October 8, 1971 from the minister which reads:

Funeral expenses are, of course, a personal expenditure unrelated to earning income and, in cases of hardship, need not be incurred in any significant amount. For these reasons such expenses are not provided for as an allowable deduction.

Well, Mr. Chairman, though it may sound frivolous, one individual told me recently that this would be fine and dandy if you could leave the body on top of the ground and tell the government to bury it or cremate it. The minister is in the House at the moment and I should like to ask if he could give some serious consideration to allowing funeral expenses as a legitimate deduction from income taxes. The letter suggests that funeral expenses are a personal expenditure, but surely it ceases to be personal when the law decrees that a body must be buried or cremated. Whether we like it or not, this is a legitimate expense and should be included in the provisions of this act. It appears to me that when we talk about funeral expenses being a personal expenditure which has to be absorbed somehow, we must be realistic and acknowledge that it is a burden to the majority of people.

The minister's letter states that such expenses "need not be incurred in any significant amount". Surely, this suggests "have" and "have not" funerals. The minister probably did not mean to suggest two classes of funeral—one rather elaborate and one to drop the body in a hole. But this is the reply received to a letter I wrote to the minister concerning an individual who wished to have such expenses considered for exemption from income taxes.

In many cases when a husband or wife is ill, the doctor will recommend that the spouse remain near by. This can entail considerable expense for travelling and accommodation, but as far as I know such expenses are not allowed under the Income Tax Act. I should like very seriously to ask the minister if he could give consideration to allowing a fair amount for funeral expenses, whether cremation or burial, and thus eliminate the "have" and "have-not" distinction. I know that we will not make any radical change at this time, but perhaps he would look into it. Allowances are made in many other areas and with the increasing cost of burial in Canada today, surely consideration could be given to this matter.

The Deputy Chairman: Order, please. Before I recognize the hon. minister I should announce the proceedings on the adjournment motion. The questions to be raised tonight at the time of adjournment are as follows: the hon. member for Nanaimo-Cowichan-The Islands—Regional Economic Expansion—Atlantic provinces—assessment and revamping of departmental programs in light of criticisms—long term targets; the hon. member for Brandon-Souris—Post Office—Steps to improve service and avoid exorbitant cost for mailing letters; the hon. member for Battleford-Kindersley—Agriculture—Farm machinery—federal assistance to prairie provinces in testing program.

Mr. Benson: Mr. Chairman, I simply wanted to say that I would consider the representation of my hon. friend but it is a very difficult matter when one suggests bringing in expenses which are not related to the earning of income. I should indicate that the government did recognize problems in this area when we enacted the Canada Pension Plan. A death benefit was included there to look after the particular situation for people who had contributed to the plan.

Mr. Rynard: Mr. Chairman, I have listened at some length to the remarks that have been made. Many points have been brought out so I am going to be very brief. One of the government members mentioned that they could not go beyond the exemption of $1,500 single and $2,850 married and he mentioned a cost of half a billion dollars. That is a lot of money, but perhaps if we cut out the waste and extravagance and look things over very carefully it can be done.

If we go back to the time of the St. Laurent government in 1949, we find that the exemption levels were fixed at $1,000 single and $2,000 married. This was fair and equitable then, but surely it is not fair and equitable now to settle for less than the amount of the rise in inflation over that period. I, for one, believed that those figures were fair and equitable when brought in by that Liberal government. There has been a significant change in the cost of living since then. We set the basis for calculating the cost of living index back to 100 in 1961 or 1962. In other words, we ran from 1949 to 1961 and then set the clock back. But we had already suffered a loss of 25 per cent in the value of the dollar. Now, we have gone from 1961-62 to 1970-71 with a consequent loss of 27 per cent in the value of the dollar. Surely, it does not take a mathematician to add 27 and 25 and arrive at 52 per cent.

• (5:00 p.m.)

We are now asking taxpayers of this country to settle for something that will give them far less than the St. Laurent government established for them in 1949. Surely, this is not fair. I have attempted to calculate out what would be a fair exemption for a single person. Statisticians in the government ought to work on these figures. It is no use asking the Minister of Finance to work on them, because sometimes he is in error. According to my fig-

ures, the exemption for a single person ought to be established at around $1,800 and for a married couple at around $3,600. Perhaps the minister could tell us of any figures that the people in his department have established. Perhaps he can tell us why he has established the present levels. At any rate, so far as I can figure out, the exemption levels I have suggested ought to apply. If one considers cost of living increases between 1949 and 1961 and between 1961 and the present, one will see that the exemption levels I have suggested are about right. Surely, in this age of computers and electronics we can arrive at a better way of working out these matters without cheating our taxpayers.

By setting exemption levels as we have we are cheating the taxpayers at a time when their dollar is being eroded. Surely, that is not right. Provision ought to be made in this bill, for higher levels, and I will ask the minister to give that serious consideration. He ought to introduce a new system whereby exemption levels are adjusted each and every year to take into account increases in living costs, inflation, or whatever the case may be. There is no reason for not doing that in this electronic age. Actually, income tax forms are processed electronically, so that there is no excuse for not looking into this matter every year, two years or even five years. Let us not wait again for a period as long as that between 1949 and 1971 before adjusting exemptions. Such neglect looks a bit ridiculous in the present age.

The increased exemption of $650 for those of 65 and over is a good measure, because among those people there is an increasing toll of illness and their illnesses are of longer duration. As I say, however, the minister ought to give the matter of the adjustment of exemptions serious consideration. If they cannot be adjusted yearly, perhaps they could be adjusted every three, four or five years. I think it could be done yearly. I would not like to see exemptions increased in the same way as the guaranteed income supplement is being increased. Let there be no 2 per cent per year escalation there. I think exemptions ought to be granted which would take into account inflation and the erosion of the dollar. I leave that thought with the minister in the hope that he will bring the system up to date and rectify the erosion that is taking place every year, so that in the future people will be treated as nearly as possible in the same way as when this bill is passed.

Mr. Mahoney: Mr. Chairman, I am afraid the number of unanswered questions I have accumulated may outrun the opportunity that I will have to answer them in 20 minutes. At this time, I should like to answer at least a few of them. Perhaps I may sufficiently anticipate the points of the hon. member for Fraser Valley West that he will not feel called upon to exercise his talents of oratory.

Some hon. Members: Oh, oh!

Mr. Mahoney: That is most unlikely, however. Perhaps the wish is father to the thought.

The matter of tax credits has been raised again by numerous speakers. I ought to say that this point was investigated thoroughly by the Standing Committee on Finance, Trade and Economic Affairs when it was considering the white paper proposals. A document submitted to that committee under date of January 23, 1970 and prepared by the Department of Finance for the information of the committee, made a number of points worth noting. Although the figures, Mr. Chairman, refer to the exemptions and rates as proposed in the white paper, the point is equally valid at present and a comparable set of tax credits and adjusted rates could certainly be prepared in connection with Bill C-259.

The paper presented to us made the point that both tax credits and exemptions are methods by which amounts of income can be excused from taxation. An exemption can be viewed as adding a zero rate bracket to the bottom of the rate schedule. A tax credit can be viewed as transforming the bottom rate bracket or brackets, or parts thereof, into a zero rate bracket. The paper prepared a series of comparisons of a tax credit system showing tax credit for a single taxpayer of $210 and then an additional tax credit of $253 if he were married. It demonstrated that, point for point in the various income brackets, these were precisely the taxes that would have been paid by a single taxpayer or by a married taxpayer without dependent children, if one were to compare them to the schedules appended to the white paper.

The paper also pointed out that under a tax credit system, if the government wishes to provide that no one with an income of $1,400 or less will pay income tax, it must provide a credit which equals the tax on the first $1,400 of income. If a rate of 50 per cent had been applied to the first $1,400, the tax on $1,400 of income would have been $700 and the tax credit would have been $700. If the rate applied to the first $1,400 of income had been zero, the tax credit would also have been zero. In summary, the document said, and I quote:

> —the rate or rates applied to the first $1,400 are meaningless in that no one pays them. In practice, only the rates which apply to income above that level affect the amount of tax that is actually to be paid, and these rates can be adjusted in either regime.

So, again, I suggest to the committee that the easy suggestions hon. members have made in their general submissions that the tax credit system is more flexible and fairer to low income taxpayers than the exemption system are simply superficial observations completely without foundation. Hon. members cited no authority for their submissions. The important thing is not whether we introduce a tax credit system or a tax exemption system. The important thing is the rates that are applied to income upon which tax is actually paid, no matter whether that income is above the income which is excused from taxation, as under the exemption system, or whether it is that tax on income is net after the deduction of tax credits, as under the proposed tax credit system that hon. members opposite have been discussing. There is nothing magic about the tax credit system. The exemption system that this government has decided to remain with certainly gives the same opportunities for flexibility and fairness.

The hon. member for Edmonton West raised a number of points yesterday, and I want to refer to them. First, the hon. member referred to subparagraph 110(1)(c)(iv) and said:

> At the present time there is difficulty in interpreting those words. Some assessment officers indicate that a taxpayer or a dependent must be confined to bed for a period of 12 months prior to entry into a nursing home if any nursing home expenses during that 12 months in the taxation year are to be claimed or allowed.

The interpretation of this language, as well as the language of other sections of the bill, of course, will be the responsibility of the Minister of National Revenue. I can only say that that particular paragraph is the same as present subsection 27(1)(c)(iv) and has therefore been administered for many years. There ought to be ample precedent for its interpretation.

The hon. member for Dauphin raised a related question about the same section. He wanted to know whether an elderly person could deduct as medical expenses the amount that he pays for full time care in a nursing home. In this case it is assumed that the elderly person requires care but is not confined to bed or a wheel chair. Such expenses under the bill do not qualify as medical expenses. There is a problem in defining a nursing home, as the hon. member pointed out. Amounts paid to a hospital qualify as medical expenses, but homes for the elderly range all the way from private hospitals to accommodation which would compare favourably with some of our better hotels. A deduction for amounts paid to nursing homes could give some individuals a deduction for personal living expenses that would be quite unjustified.

• (5:10 p.m.)

Yesterday the hon. member for Greenville-Carleton raised a point under section 110(1)(c)(vi). The hon. member for Brant reiterated that point today. Each of them was talking about a different ailment, but nevertheless the answer is the same. This pertains to the question of children requiring special care or training because of mental or physical illness. Section 110(1)(c)(vi) is a new section in the bill. I commend it to both hon. members. It is among the list of deductions that may be made for a medical expense, and I quote:

for the care of the taxpayer, his spouse or any such dependent in a school, institution or other place of care that is specially equipped to provide care to persons who are physically or mentally handicapped and that admits for care only persons who are so handicapped,

There is an amendment to that clause which has been submitted by the government. It will make it clear that this provision extends to care and training as well as care alone. We feel that answers the question which the hon. member for Grenville-Carleton raised in connection with the disease dyslexia and which the hon. member for Brant raised in connection with perceptually handicapped children.

Yesterday the hon. member for Edmonton West raised the question of the guaranteed income supplement still being included in the computation of taxable income. The reason for including this supplement in income is to require that it be taken into account along with the old age security pension and other income in determining the extent to which an individual may be regarded as a dependant for tax purposes. It does not affect the taxation of the individual receiving the guaranteed income supplement. Indeed, at the present time no tax will be payable by that person. It does affect the taxation of persons who may be claiming a recipient of a guaranteed supplement as a dependent.

If the supplement were excluded from income, many elderly individuals would be regarded as receiving only the old age security pension of $960 a year for taxation purposes and would be qualified as dependents even though they may be actually receiving at least $1,620 a year. Under the system in Bill C-259, an individual does not cease to be a dependent for tax purposes when he has income in excess of $950 a year, as is the present system. A taxpayer could deduct $550 for his parent who had income of only $960. The requirement that the supplement must be included in income will have the result that all individuals eligible for old age pension throughout the year will have at least $1,620 income for tax purposes.

The hon. member for Peace River raised the matter of special concessions for northern residents under the Income Tax Act. There is no doubt that mechanically this could probably be done. However, it is a basic policy decision. It is a policy dealing with the northern territories and economy rather than a tax policy question. I really cannot offer to answer it beyond that point.

The hon. member for Brant raised the question of travelling expenses for handicapped persons. We have looked at this. We do not have any satisfactory answer to offer at this time.

The question of upgrading teachers and refresher courses was raised. In his speech, the hon. member was fair enough to cite most of the arguments against implementing his recommendation. I can only say that we place a different weight on the arguments against it than he obviously does.

The question of deemed realization on charitable donations, of items of property as opposed to money, was raised by the hon. member for Edmonton West. I prefer to deal with that question when we come to the capital gains section of the bill rather than under 109 and 110.

The hon. member for Edmonton West also raised the question of adjusting the provision dealing with eligible medical expenses, so that all such medical expenses would be prescribed by regulation. The bill before the House has made an amendment to the section dealing with appliances and devices to provide for that. The reason for that amendment in this particular instance is that technological advances in this area are proceeding extremely rapidly. In the opinion of the government, the law was not sufficiently responsive to these changes. It was necessary to be fair to taxpayers to provide a means by which deductions in this area could be allowed on a more rapid basis than has been the case in the past where an amendment to the act is required. However, on a general policy basis, deductions, changes in incidence of taxation of this nature, can be a very important decision. The government feels that Parliament should have the right to pass on them rather than the governor in council.

I think, Mr. Chairman, that tidies up the bulk of the questions to which I have not responded over the past few hours. I will check my inventory and no doubt I will have an opportunity to pick up any loose ends later.

Mr. Rynard: I wish to ask the parliamentary secretary a question. I was not clear on his answer with reference to nursing homes. Did I understand him to say that this might lead to people going into homes and claiming deductions when it was not necessary for them to go into these homes, thereby getting an allowance for living expenses?

Mr. Mahoney: No, Mr. Chairman. I was not questioning the motivation of people going into nursing homes. I was pointing out that the conditions under which they go into them, from a personal point of view, can be vastly different. Some nursing homes are tantamount to private hospitals. Others are very fine accommodation indeed, but do not render medical care or treatment of any description. In many instances, a general allowance of payments to nursing homes would result in taxpayers being allowed to deduct what are essentially personal living expenses. This would be inequitable as far as the vast body of taxpayers is concerned.

Mr. Rynard: As far as I know, and I know the Minister of Finance will correct me on this if I am wrong, in Ontario it is necessary to obtain a doctor's signature to get into these homes. They are all licensed.

Mr. Benson: I believe in most cases they are licensed.

Mr. Rose: Mr. Chairman, ordinarily I would be delighted to respond to the suggestion of the parliamentary secretary that he be denied my oratorial skills on the ground that some of the things I am about to say have been covered, at least in part by other speakers. From my experience, I feel that repetition in this House is not unique and that I must move ahead. Therefore, I cannot stand pat.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

• (5:20 p.m.)

Mr. Rose: I say that with the utmost charity.

Mr. Chairman, I understand that although today we are discussing section 109, section 110 is also fair game, although it was not yesterday. I am glad this has been ironed out. I am concerned about the 3 per cent rule, the situation in which medical expenses for a variety of the things the parliamentary secretary has mentioned in response to other members' speeches are covered or allowed as deductions. We should examine what this means. It means that a person earning $5,000 can deduct expenses in excess of $150. That is the way I read it; if I am wrong I would be pleased if the minister would correct me. I suppose one might describe $5,000 as an average sort of income and depending upon other circumstances the allowance might, or might not, be of great benefit, because a taxpayer would still have to pay the first $150. Those who earn a great deal more money are entitled to be sicker, or at least, deduct a larger amount for medical expenses.

I should like to draw attention to cases which have arisen in my own constituency and which have been brought to my notice. I have been in touch with the department about some of them. I was pleased to hear the parliamentary secretary indicate that transportation expenses would be considered tax deductible if associated with an illness. Perhaps, I did not clearly understand him correctly.

Mr. Mahoney: No, Mr. Chairman, the hon. member did not hear me correctly, I am afraid. The bill proposes no change in the situation as far as that is concerned.

Mr. Rose: I am sorry to hear that. In my view it should. A difficult situation is created for many people who are affected directly, or whose families are affected, particularly when regular treatment for certain ailments is required. I recall a situation where a businessman in the community which I have the honour to represent is obliged to put about 20,000 miles on his car each year to take his wife to a large centre where she can receive treatment for a kidney ailment requiring the use of a special machine. At 10 cents a mile, this adds up to $2,000. The man has no choice. If he does not follow this routine, his wife will die. He is allowed a deduction amounting to $150, yet he must face this fantastic burden of transportation costs. Situations of this kind should be investigated.

What is happening is this: the purpose of the medicare legislation, which has been applauded on all sides of the House, is being defeated. I know the minister must be tired of hearing about these special cases and I realize it is difficult to design legislation which will cover all eventualities. In spite of what some people say, I do not believe he is a hard-hearted individual. His own doctor has suggested he should go to Florida. While this is a wonderful idea, I would not argue that he should be allowed to deduct the cost of such a trip from his income tax. But I have made my point, and I do not wish to be facetious about it. By the way I might add, before I leave this case, that the constituent I have mentioned was invited to talk this matter over with the regional director. They had a nice chat but it did not mean a thing. He still faces the same high travel expenses.

Case No. 2 is another difficult situation involving a child requiring special training and care—a little girl suffering from spinal meningitis. The family is doing its best but is bearing a tremendous burden since school and training facilities suitable for this child are remotely situated. In a case like this, a maximum allowance of 3 per cent is not enough. If the child had only been sensible enough to have contracted a different kind of illness, things would have been fine. But this did not happen. It was not the luck of the draw.

The next point to which I should like to draw attention concerns the cost of necessary prescription drugs to older citizens. Many of these older people are obliged to live on meagre incomes. The party to which I belong has discussed this issue many times and our position in regard to it is well known. On occasions, the cost of prescription drugs runs as high as $90 or $100 a month. Three per cent of $3,000 amounts to $90 a year, which is no exemption, really. Something should be done about this; most of the people about whom I am concerned in this context have incomes which would fall close to the figure I have mentioned.

Reading the bill we find that in section 110 (1) there are some 14 places in which the need for such things as wheelchairs, special appliances, trusses, limbs, glass eyes and so on is recognized. But the legislation does this only in a tokenistic way. Members of Parliament should be well aware that there is no magic attached to the 3 per cent figure. It has not always been 3 per cent. Once it was 4 per cent.

An hon. Member: No.

Mr. Rose: An hon. member over there said "No". Does he want me to yield him the floor? I believe we should be considering seriously whether the 3 per cent figure should be retained. I understand the problems encountered by the minister responsible for this legislation. There are always people who will try to take advantage of any concessions. However, I do not think this is any reason we should not strive to enact the best possible kind of legislation. After all, legislation should be designed to serve the people; people are not designed to serve the legislation. If we keep this in mind it will be helpful. Instead of 3 per cent, why not 1 per cent? What is special about 3 per cent? It is simply a figure out of the air. I believe an amendment should be introduced to change this figure. I hope someone will move it. I shall not do so because there is already an amendment before the committee.

I want the parliamentary secretary to pay attention. I know that when a member speaks in the House he does pay attention and takes the representations made to him under consideration. I believe there should be provision in the bill which would allow a regional director, in the Department of National Revenue, or, if you like, a specially constituted board, to hear special cases and make provision for meeting them. If this were done, the law could be just, and anomalies could be handled with proper consideration. Most of the work which falls on me as a Member of Parliament in dealing with constituents concerns people who have run up against the stone wall of bureaucracy. They cannot get through to the decision-makers. They are stopped by the clerks at the front desks who have nothing before them but the rulebook.

I am saying nothing against our public servants when I say this. The people who meet the general public most of the time are not in decision-making roles; they can only operate on the basis of the rules before them. We want cases of the kind I have mentioned to go before someone with the power to act, the power to interpret.

• (5:30 p.m.)

I leave the committee with these two suggestions as to how to look after the anomalies hon. members have raised. We should reduce the 3 per cent rule because it is unjust. Whether we remove it or allow it to remain, we should have in the national revenue legislation a provision so a regional director will have the power of interpretation in respect of the extraordinary and special case.

Mr. MacKay: Mr. Chairman, I shall attempt to take a positive position in what I have to say. I think we all agree that the government is to be commended for taking this long overdue step in increasing exemptions for Canadian taxpayers. However, I realize also, as I think all hon. members do, that there is a limit above which personal exemptions cannot be raised.

The question before us is whether or not equity is being achieved for the average Canadian. I suggest, with deference, that it is not being achieved. As the hon. member for Fraser Valley West has said, I do not think that many of us here seriously doubt the good will of the Minister of Finance. Certainly I do not doubt it. I may question his forecasts and statistical bases sometimes, but I feel he has the basic welfare of the country at heart.

[Mr. Rose.]

The money required to run this country has to come from somewhere. There is no magic formula available by which we can get money, as some monetary theorists would like to suggest, such as from a printing press. I suggest, however, that something could be done. Our taxation rate schedule could be revised. I say this in all seriousness because in the lower income groups the tax increases very sharply in proportion to income, whereas in the higher income groups we find that an increase in income is not subject to the same sharp tax rate increase.

The government should take a good look at the rate schedule. Perhaps it will find that those of us who are fortunate enough to be in a higher tax bracket would not seriously object to paying a higher percentage of income tax if it were to the benefit of those Canadians who are not so fortunate. When talking about the unfairness and inadequacy of these exemptions for Canadians we are forgetting one factor. Much has been said about the cost of living increase since 1949, but other factors have come into play which did not exist in 1949, one of which is the increase in the types of tax the average Canadian must now pay.

Only recently in my own province have we had to cope with provincial sales tax. It is only fairly recently that federal sales tax has been a factor with which all Canadians must reckon in the purchase of ordinary goods and services. Municipal taxes have risen dramatically, in some cases 10 times since the early 1950s. That is the case in at least the province in which I live. These factors have not been given sufficient emphasis. The average Canadian has to pay a great deal more in over-all taxes than he did in 1949 when the St. Laurent government, in its wisdom, decided that personal exemptions of $1,000 and $2,000 were adequate.

Let me leave that point for a moment and associate myself with the remarks of an hon. member who spoke before me regarding the exemption of funeral expenses. I agree that benefits from the Canada Pension Plan are available and do alleviate some of the difficulty, but there are some people to whom the benefits of the Canada Pension Plan are not available. This is a fairly new scheme in our country. In all seriousness, the Minister of Finance should take another look at the possibility of permitting in specific cases the deduction of funeral expenses or at least a portion thereof.

Another area in which there seems to be some unfairness is that of municipal tax and mortgage interest payments. I think it would be worth while if the government were to consider allowing the home owner to deduct either part of his municipal taxes or a portion of his mortgage interest. If a home owner was smart enough to form a small corporation or make other arrangements he could in fact deduct mortgage interest and municipal taxes from his income. The average Canadian who owns a home cannot do so.

As a gesture, if nothing else, this would be the equitable thing to do, and it would promote the desire in everyone to own their own home if they felt they could benefit to some extent through a tax exemption. This government, rightly so, has promoted the idea that Canadians should own their own homes except in crowded urban centres. I think the government should make a tax concession for those Canadians who are struggling under the burden of

owning their own homes in this day and age when it seems they must pay taxes to everyone.

I do not intend to continue at length because much has been said about these sections and there has been a great deal of repetition. It seems to be illusory to some extent to talk about exemptions of $1,500 and $2,850 being of great benefit. Certainly this is a substantial benefit, but it is not good enough. In view of present concepts of income, many taxpayers who will be taken off the tax rolls this year will be right back on them before too long, paying more taxes than ever.

In conclusion, it is rather obvious that tax revenue has to come from somewhere. In all sincerity, the place to get the revenue is from taxpayers in the higher income brackets, giving the lower income people a break even though it is at the expense of those a little more fortunate. I should not like to see corporations taxed more heavily; I should like to see the tax rate on corporations lowered still further. The business community and the corporations must create the impetus if we are to generate economic activity in this country permitting it to grow and develop without undue reliance on foreign capital.

Mr. Ritchie: Mr. Chairman, I should like to say a few words about the 3 per cent rule in respect of medical expenses. I agree with the hon. member for Fraser Valley West who suggested this figure should be reduced. The 3 per cent rule was adopted a long time ago when incomes were much lower and 3 per cent was considerably less, relatively, than it is now. There are other reasons why this rule should be reduced. At the present time almost everyone has hospital and medical expenses covered by insurance for which they pay premiums. I have no argument against this system, and I am sure the 3 per cent rule applies in respect of an extremely small number of taxpayers.

There are some people who have legitimate expenses and substantial costs which are not covered. At this time we have vast increases in medicare, hospital and general welfare services. We must have some control in this regard. One way to meet the situation is to have citizens spend some of their own money to obtain medical and hospital services. Many people cannot obtain these services at times convenient to them and some will leave the country to obtain them elsewhere. It is a fact that our institutions are being overloaded and that this overloading will substantially increase. If there is any way in which citizens would pay for some of their expenses I think we as a country would be much better off.

• (5:40 p.m.)

The parliamentary secretary was kind enough to give me an answer in respect of the nursing home situation. I believe the department should look at this aspect of the matter. In my province of Manitoba and, I believe, in other provinces, nursing homes are rigidly licensed and regulated and nearly all admissions are under the control of the public health department. No one, whether a paying or non-paying patient, is admitted without the sanction of the public health officials. In effect, this means that admission to a nursing home is by means of a government official.

I am not sure of the figure, but I believe that approximately 90 per cent of the persons in nursing homes in my province are there as guests of the state. In other words, they do not have sufficient funds to pay for their care, which amounts to $400, $500 or $600 a month. Only a small number pay their own way. There would seem to be unfairness in this regard. Last night I detailed the case of a 100-year old woman whose old age pension plus a pension from her deceased son just equalled the cost of her stay in the nursing home. On top of that she had to pay income tax. This deprived her of the extras she might have had and meant that her family in effect had to pay her income tax.

Then there are people who find their life's savings being chewed up in order to pay for their care in nursing homes, whereas 90 per cent of the citizens receive it gratis. It would seem that this is an area in which something should be done. It affects a relatively small number of people. There would seem to be unfairness in the income tax regulations in this regard.

Finally, I should like to make a comment or two in respect of section 110(1)(c)(iii) which refers to medical practitioners, dentists and nurses. Here, again, it would seem that this provision could be broadened to include all members in the health field who are licensed in the province in which they operate so that whatever payments are made to them could be deducted in computing income tax. It would seem that in some professions which are licensed to carry on health disciplines, payments made are not deductible in the same way as payments to a medical practitioner, a dentist or a nurse. In this area it would seem that an anomaly exists and I thought the matter should be raised.

Mr. Skoberg: Mr. Chairman, I should like to raise a further question in respect of funeral expenses. When the Minister of Finance was here he said that the Canada Pension Plan would pay part of this cost. I am sure the parliamentary secretary would agree that people who are covered by the Canada Pension Plan are covered, but it is those who are not covered by the plan that we are concerned about. In fact, some people will not be covered in so far as funeral expenses are concerned. Therefore, could the parliamentary secretary or his officials give an undertaking that they will look at this area which is of concern to many people?

Mr. Mahoney: I think I can indeed give an assurance that we will look into it. I know the minister was here when the hon. member raised the question and is certainly well aware of the interest, as I am, and representations of members from other corners of the House. The general philosophical question of what deductions from income which are not related to earning the income should be allowed for various other good reasons is a tough one. There are many good causes, many unavoidable expenses and many occasions in the lives and deaths of people which result in expenditures which one cannot regard with anything but a great deal of sympathy. Yet if we were to extend the deductions from income tax into these areas we would be open to some serious question.

The question raised by the hon. member for Central Nova regarding home ownership and the possibility of deducting mortgage interest and property taxes of course

is a subject which has been raised by many people. However, I believe such a provision would be very discriminatory against people who cannot afford or do not choose to own their own home. I would only say to the hon. member that if he is really aware of any situation where a home owner has been able to claim such an expense through the medium of a corporation, I think the district taxation office would be most interested in knowing about it, even under the present law.

In my earlier answers I neglected to deal with a couple of questions raised yesterday by the hon. member for Edmonton West. I should like to deal with them briefly. He suggested, when I originally discussed the relative levels of taxation in Canada and in other jurisdictions, that I was perhaps misleading the House. I was very careful at that point to use statistics which are not subject to any variation on the basis of provincial, municipal or other taxes. The figures I used were the income figures at which a person starts to pay taxes on those jurisdictions. This figure does not vary, so far as I am aware, on the basis of any particular local condition.

The hon. member suggested that perhaps under section 109 (1)(d) the age of 21 that is presently prescribed in respect of a dependant resident in his parents' household should be reduced to 18 in conformity with changes in the law being made in both federal and provincial jurisdictions. I believe that upon analysis the hon. member would agree that such a change would impose an additional burden on taxpayers, would not be relieving, and that perhaps it would be of advantage to taxpayers to be able to automatically claim their children up to age 21 as dependants rather than having to prove they are mentally or physically handicapped or are in an educational institution once they get beyond age 18.

I may not have picked up all the points raised recently by hon. members. The hon. member for Dauphin raised some points concerning medical expenses. Certainly we are most interested in obtaining a suitable definition of a nursing home because we agree there is a great deal of merit in the argument presented here. We will look into the situation in the provinces to ascertain the validity of the contention that persons require bona fide medical certificates, and so on, in order to get into nursing homes. If it is possible to obtain a fair definition, then I am certain the minister would be more than happy to consider the representations which have been made here. The hon. member for Dauphin also made representations concerning the extension of the medical category to other health services. We will consider that matter but I am not, perhaps, too optimistic in this regard.

• (5:50 p.m.)

I do not think there is anything else. I gather that no one else is prepared to speak and that the Chair is ready to rule on the hon. member's amendment. If I am correct, we might call it six o'clock.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I wonder if the parliamentary secretary would make a few comments on the remarks made by the hon. member for Fraser Valley West, the hon. member for Dauphin and perhaps others on the 3 per cent level that is still in the Income Tax Act with respect to medical expenses. One of the advantages of having been around here for a while is that one remembers the history of these things. When it was first brought in, it was 5 per cent. We pleaded for it to be wiped out altogether, and eventually we got it down to 4 per cent and then down to 3 per cent. Why stop there?

Mr. Mahoney: I think that the figure cannot be regarded as anything except one arbitrarily chosen and this is, in my opinion, fair enough. I think most families, in addition to the assistance that is available to them through medical plans today which are subsidized by the general body of taxpayers, have to regard a certain amount of medical expenses as being personal living expenses.

The objective here is to make sure that people with unusual burdens of medical expense not be placed in a very unfair and untenable position. I have not heard any arguments that would lead me to believe that 3 per cent is wrong. I appreciate the fact that 1 per cent or 2 per cent would be more favourable to the taxpayers; certainly it would be more favourable to some in the higher income brackets who would benefit greatly from the ceiling being lowered.

Mr. Knowles (Winnipeg North Centre): A tax credit would be better.

Mr. Mahoney: However, a figure has been chosen. Perhaps there are arguments, but I have not heard them, to suggest persuasively that it should be reduced.

Mr. Burton: Mr. Chairman, may I put a question to the parliamentary secretary in that regard? He expressed the view that an individual should retain some responsibility for medical expenses and that this provision is really designed to provide some compensation relative to unusual medical expenses. The parliamentary secretary will recall that when the 3 per cent level was established, with the exception of progressive and forward-looking provinces like Saskatchewan which had a hospitalization plan already in effect, most of the provinces and jurisdictions did not have any hospitalization or medicare plan and all of these expenses could be considered in making the calculations concerning medical expenses. Therefore, would the parliamentary secretary not agree that the concept at that time was that only medical expenses of an unusually high nature were to be considered?

I ask this question relative to the fact that at that time the 3 per cent covered all medical, hospital expenses and other items now included in the proposed bill, or most of them. The proposal now before us relates only to special items, and the 3 per cent level is still being retained.

Mr. Mahoney: I do not pretend to know what the criteria were in choosing the original 5 per cent, reducing it to 4 per cent and then to 3 per cent, but I do think that the 3 per cent level has not been demonstrated to be unfair as yet. I can see, certainly in general terms, the desirability from the point of view of individual taxpayers of having that figure reduced, but I do not know what the criteria were in the first place.

I think today we accept the idea that in most cases publicly supported medical plans are available in Canada and most Canadians enjoy the benefits provided by them. This is, today at least, more of a safety valve and not necessarily designed to permit the deduction of what

would be regarded as ordinary or normal medical expenses.

The Deputy Chairman: Order, please. I am advised that the Chairman of the committee is ready to make his ruling on the amendment proposed by the hon. member for Winnipeg North Centre. I think it would be best to leave it to the committee to decide whether it prefers to hear the ruling now or at eight o'clock, and to call it six o'clock now.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, are you privy to this at all? Do you know how long it would take? If it would take four or five minutes we could have it now, but if it would take ten minutes I suggest we should hear it at eight o'clock.

The Deputy Chairman: My understanding is that it might be a five-minute ruling.

Some hon. Members: Six o'clock.

Some hon. Members: Now.

The Deputy Chairman: The Chair cannot call it six o'clock unless there is unanimous consent, and there does not seem to be unanimous consent. But if we invite the Chairman of the committee to make his ruling at this time, I hope the committee will agree to sit beyond six o'clock.

Some hon. Members: Agreed.

Mr. Knowles (Winnipeg North Centre): If you keep on talking, Mr. Chairman, it will be six o'clock.

The Chairman: Order, please. I am prepared to make the ruling now although I admit that, as the Deputy Chairman indicated, it may take six or seven minutes. I should like to leave it to members of the committee to decide whether they want to hear the ruling now or at eight o'clock.

Some hon. Members: Six o'clock.

[*Translation*]

Mr. Laprise: Mr. Chairman, as it is now six o'clock, it would be better to wait for your ruling until eight o'clock, when we will be much more inclined to understand it.

[*English*]

The Chairman: It being six o'clock, I do now leave the chair.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Order, please. When the committee rose at six o'clock the Chair was prepared to make a ruling on the motion of the hon. member for Winnipeg North Centre. Hon. members will recall that I had asked the committee the privilege of considering the motion of the hon. member, the arguments made in support of it and the arguments made in opposition to it, earlier in today's sitting.

It might be helpful if I began my comments by reading the motion. It was moved by the hon. member for Winnipeg North Centre:

> That Bill C-259 be amended at page 277, (a) by deleting the figure "$1,500" from lines 12, 37 and 48 and by substituting therefore the figure "$2,000", and (b) by deleting the figure "$1,350" from lines 13 and 38 and by substituting therefor the figure "$2,000", and that the rates of tax provided in the proposed section 117, on pages 305 to 312, be adjusted to provide revenue equivalent to the revenue lost by changing the exemption levels as herein provided.

At this time I took the matter under advisement. Because of the importance of the proposed amendment and after taking into account the obvious care and thought put into its preparation, the Chair sought and obtained leave of the committee to take the question under study. I would assure the hon. member that I have given careful and earnest consideration to his proposal. At the outset of my study I endeavoured to reconcile one authority with another, but inevitably it seemed that I could do no better than refer to a decision of Mr. Speaker which in my opinion bears directly on the point at issue.

If I may be permitted, I should like to put in my own words—I want to do this before referring to the ruling of Mr. Speaker so that we may consider it in the context of the motion made by the hon. member for Winnipeg North Centre—what I consider to be the purport of the proposed amendment. It seems to me that the hon. member's proposal would increase the exemptions and as a result thereof, as stated in his proposal, the rates of tax provided in proposed section 117 on pages 305 to 312 of the bill would have to be adjusted to provide revenue equivalent to the revenue lost by changing the exemption levels provided in the bill.

With the leave of the committee I should like to read from the proceedings of the House as recorded at pages 188 and 191 of the *Journals* of the House for December 11, 1969. Before I do this I would suggest that hon. members who are familiar with the arguments made earlier today on the procedural acceptability of the motion of the hon. member for Winnipeg North Centre note that the various authorities referred to in those arguments are dealt with by Mr. Speaker in the ruling to which I shall now refer. That authority is as follows:

> The order being read for resuming debate on the motion of Mr. Gray, seconded by Mr. McIlraith,—That Bill C-155, An Act to amend the Excise Tax Act, be now read a third time and do pass.
>
> And on the motion of Mr. Lambert (Edmonton West), seconded by Mr. Dinsdale in amendment thereto,—That all the words after "That" be struck out and the following substituted therefor:
>
> > "Bill C-155 be not now read a third time but be referred back to the Committee of the Whole with instructions that clause (i), paragraph numbered 10 be reconsidered to provide an air transportation tax on a flat fee basis to be determined by the committee as providing an equivalent return to and in lieu of the tax therein provided".

That was the motion that Mr. Speaker had for consideration. I now come to Mr. Speaker's ruling where he said:

> We all recognize that if this amendment was accepted as put to the House it would have a rather far reaching effect in that it would be a new principle. I recognize that we should not be afraid to accept a new principle simply because of the fact that it is new,

but we should look at such situations perhaps with even more attention than is normally accorded to such procedural matters.

Mr. Speaker continued:

The proposed amendment terminates with the words "in lieu of the tax therein provided". These words, it is suggested, if they have a meaning would direct the Committee of the Whole to delete a complete provision from Bill C-155 and substitute in lieu thereof a new taxation provision.

Mr. Speaker went on to say:

The President of the Privy Council (Mr. Macdonald) has quoted section (2) of citation 263 of Beauchesne's 4th edition. I would agree with the hon. member for Winnipeg North Centre (Mr. Knowles) that this citation does not help the hon. minister's case at all. The effect of the citation would appear to support the proposition that a private member may move to substitute a taxation provision for a proposal in a government bill provided that it is estimated that the new provision would yield an equivalent in the amount of moneys to be collected. That would appear to be the logical conclusion which could be drawn from that citation. In this respect I fully agree with the hon. member for Edmonton West and the hon. member for Winnipeg North Centre, but Beauchesne's citation is based on May's Parliamentary Practice, 13th edition. This is the authority given by Beauchesne for his citation.

However, at page 733 of May's 17th edition it is stated: "The view which made the proposal of taxes dependent upon the demand for supply prevailed at the time when it became necessary to find a procedure which would protect the financial initiative of the Crown from being infringed by amendments. It tended to connect the Royal initiative exclusively with the amount of revenue which it was the object of a tax to raise. Hence, in early editions of this book, it was stated that 'the Crown has no concern in the nature or distribution of taxes.' Hence, also, amendments were at first permitted which proposed the substitution of a different tax for a tax proposed by the government (provided that both were estimated to yield an equivalent amount) on the ground that the necessity of new taxation to that extent had already been declared on behalf of the Crown. In modern practice this view is regarded as incomplete, and as requiring to be supplemented by the view that the Royal initiative in taxation implies the exclusive right to define the incidence as well as the amount of burdens to be placed upon the people, and that an amendment which transfers a burden to taxpayers not previously liable is an infringement of this initiative."

The principle outlined in the foregoing citation from May's 17th edition is also set out in section (1) of citation 276, Beauchesne's 4th edition. That has already been brought to the attention of the Chair by the three hon. members who took part in this discussion. At page 826 of May's 17th edition it is stated: "Amendments must not exceed the scope, increase the amount or extend the incidence of any charge upon the people, defined by the terms of the ways and means resolutions, as agreed to by the House, by which the provisions proposed to be amended are authorized."

Mr. Speaker's ruling continued:

May I again refer to page 826 of May's 17th edition where it is stated: "A new clause offered in committee on a bill, which proposed to alter the incidence of income tax as between landlord and tenant, was ruled out of order on the grounds that it increased the existing charge upon one of the parties.

An amendment moved in committee on a bill, proposing to vary the method of levying a new tax, was required by the Chair to be framed in such a way as not to increase the charge which would be imposed on any individual payer of the tax."

There is little question that the purport of the amendment proposed by the hon. member for Edmonton West is to reduce the tax in respect of transportation by some persons travelling by air and to increase the tax in respect of other persons. Even if the amendment is intended to affect precisely the same taxpayers and that, in theory at least, it means to provide precisely the same amount of revenue, it would of necessity transfer a greater burden of taxation to one particular class of taxpayers or to a particular group of taxpayers. In doing so it is suggested that the amendment is an infringement of the financial initiative of the Crown.

[The Chairman.]

Having referred to and quoted from the decision of Mr. Speaker, I feel I must follow it. Indeed, the authorities direct me to follow His Honour's decision. I should like to say, however, that in the helpful argument on the procedural acceptability of this motion emphasis was placed upon various citations which, as I have mentioned, are difficult to reconcile. It seems to me, in the final analysis, that I must be guided by the practices of this House as enunciated by Mr. Speaker.

Accordingly, following the precedent of Mr. Speaker to which I have referred, I must regretfully decline to put the motion of the hon. member for Winnipeg North Centre.

Mr. Knowles (Winnipeg North Centre): Too bad.

The Chairman: The hon. member for Regina East.

Mr. Burton: Mr. Chairman, earlier in the debate today we had some discussion on the question of medical expenses. I feel that this matter deserves further consideration, because section 110 at page 282 continues the present system which involves a threshold level of 3 per cent of income in relation to medical expenses before a deduction is allowed. I questioned the parliamentary secretary on this matter before the dinner hour and I was not satisfied with his answer. He acknowledged that there were arbitrary features to the law as it has existed and as it is proposed in this bill. That is not good enough, Mr. Chairman.

First of all, when the 3 per cent level was enacted it was possible for taxpayers to include the entire cost of a doctor's services, the entire cost of hospital services and a variety of other services such as are now included in subsection (i) (c) at pages 282-283 of the bill. Since then, Mr. Chairman, there has been a reduction in those items which qualify for inclusion as medical expenses: it is no longer possible to include the cost of a doctor's services or hospital services as medical expenses. A long list of expenses which do qualify is set out at page 282. But while the situation regarding those two major items of medical expense incurred by most families has been changed, there has been no change with respect to the 3 per cent threshold level in calculating medical expenses. Thus, I feel that it is very necessary for the level to be changed to keep up with the great change in the concepts of medical care and medical practice in recent years.

In the past we have had what might be termed curative medical practice; whereas today we are more interested in preventative medicine. I think we should not retain the concept as outlined before the dinner hour by the parliamentary secretary, namely, that only unusual expenses would qualify for deduction from taxable income. This is a thing of the past. If the government is to achieve the objective it is trying to achieve, namely, the reduction of health care costs without in any way impairing the quality of medical care, we must adopt new approaches.

• (8:20 p.m.)

Thus, I feel that it is necessary for us to look at the provisions contained on page 282 of the bill. I think one of the best steps that could be taken would be to reduce the threshold level above which taxpayers could deduct expenses incurred as medical expenses. At present that threshold is set at 3 per cent of taxable income.

Mr. Knowles (Winnipeg North Centre): The hon. member should have said, not "taxable income" but "income".

Mr. Burton: I beg your pardon. The hon. member for Winnipeg North Centre has pointed out that I should have said 3 per cent of income. This 3 per cent level has been in existence since 1953. For some years prior to 1953 it had been set at 4 per cent, although when first introduced in the wartime budget of 1942, I believe, it was set at 5 per cent.

Therefore, Mr. Chairman, I feel it would be in the best interests of the Canadian people and would assist the government to achieve its policy objectives in other areas, namely, the areas of health care and government considerations involving health costs, if we were to reduce the threshold level for taxpayers. Accordingly, I would move the following motion:

That Bill C-259 be amended at page 282, line 7, by deleting the figure "3%" and substituting the figure "1%".

The Chairman: Order, please. Hon. members have heard the motion of the hon. member for Regina East. The inclination of the Chair is to accept it as being in order. It deals with the deduction under subsection 110 of certain medical expenses and the effect of the hon. member's amendment would be to reduce the figure of 3 per cent to 1 per cent. Before the committee deals with this motion I invite hon. members to submit procedural argument.

Mr. Deachman: Mr. Chairman, would you read the motion again? Some of us did not hear it when the hon. member read it.

The Chairman: I will be pleased to accede to the request of the hon. member for Vancouver Quadra and read the proposed motion. It occurs to me that there is before the committee a government amendment that precedes this proposed amendment. Does the committee wish to deal first with the amendment of the government and then revert to the motion proposed by the hon. member for Regina East and deal with it?

Mr. McCleave: Mr. Chairman, we have had the government's amendments in our hands for some time, and I think that probably the amendments of private members on the opposition side should be dealt with first on this and other occasions.

The Chairman: For the sake of orderly procedure, does the committee wish to deal first with the motion proposed by the hon. member for Regina East and then with the government's amendment?

Some hon. Members: Agreed.

The Chairman: I thank the hon. member for Halifax-East Hants for bringing forward a good point. Now I will accede to the request of the hon. member for Vancouver Quadra and read the proposed amendment of the hon. member for Regina East:

That Bill C-259 be amended at page 282, line 7, by deleting the figure "3%" and substituting the figure "1%".

Amendment (Mr. Burton) negatived: Yeas, 10; nays, 59.

The Chairman: I declare the amendment lost. For the sake of procedural clarity I wonder if members of the committee now wish to deal with the amendment moved by the Minister of National Revenue for the Minister of Finance. The minister moved:

That section 109 as set forth in clause 1 of the said bill be amended by striking out line 37 on page 279 and substituting the following:

'(ii) dependent upon the individual for'

Is it the pleasure of the committee to adopt the said motion?

Amendment (Mr. Benson) agreed to.

The Chairman: Shall section 109 as amended carry?

Some hon. Members: Agreed.

An hon. Member: No.

Mr. McCleave: Mr. Chairman, I wish to indicate that this section is to carry on division. It contains conflicting parts, some of which we support and some of which we do not. It ought to carry on division.

The Chairman: Shall the section carry on division? Is that agreed?

Mr. Caouette: No, Mr. Chairman.

The Chairman: Would the hon. member please resume his seat? I understood the hon. member for Halifax-East Hants to say that the section would carry on division. Is it agreed that this section shall carry on division?

Mr. Caouette: No, Mr. Chairman.

The Chairman: Shall section 110 carry?

Mr. Caouette: No, Mr. Chairman.

[*Translation*]

Mr. Caouette: Mr. Chairman, before section 109 goes through, I would like to say a few words.

Even in an amended form, that section 109 under which exemptions will be $1,500 for a single person and $2,850 for a married person does not meet the requirements or even the wishes of the Canadian people. Indeed, the federal government itself admits that the minimum wage providing a decent standard of living is $3,000. How can a government introduce in this House section 109, clearly stating that a single person will be taxed from $1,500 up and a married person from $2,850 up when we know that the minimum should be $3,000?

That section 109 is directly in opposition to the policy stated in this House by the government. There is more and more talk about a guaranteed yearly minimum for every Canadian citizen.

Mr. Chairman, we moved amendments to the section before us and this afternoon my colleague for Bellechasse (Mr. Lambert) suggested raising the exemption to $3,000 per year for a single person and to $5,000 for married couples. The government ignored that. The Chairman says that it is out of order because we ask the government to take measures so that there would be fewer taxpayers, while the government itself says—

The Deputy Chairman: Order.

Mr. Caouette: All right, speak all together and the Chair will not hear anything.

• (8:30 p.m.)

[*English*]

The Chairman: Order please. The Chair is really seeking advice from the committee. Hon. members will recall that yesterday there was general agreement that sections 109 and 110 should be debated together. I think we have followed the correct procedure. However, we have adopted section 109 and it seems to me the hon. member is now dealing with that section. I, personally, do not have any objection to that because of the general agreement arrived at by the committee yesterday, but I think it is my responsibility to draw this point to the attention of the committee.

Mr. Mahoney: The hon. member has not yet spoken on either of these sections in this debate and I think he should be accorded the opportunity to do so. I certainly would have no objection to his continuing.

Mr. Alexander: On a point of order, Mr. Chairman. As I sit here wondering what occurred at the time you called for the vote I ask myself whether in fact the section was carried. There seemed to be some confusion. I noticed the leader of the Social Credit party attempting to get your attention and I believe that when he started to speak he was under the impression the vote had yet to be decided. Perhaps there was some misunderstanding.

[*Translation*]

Mr. Fortin: Mr. Chairman, apparently, there was a misunderstanding. For our part, we thought that the question was on the amendment moved by the previous speaker or by the hon. member for Timiskaming (Mr. Peters), and not on the main motion, that is, on the clauses now before the committee. That is why our colleague is taking the floor. The committee proceedings seem quite confused. We regret being constantly interrupted in our work and wish some attention was paid to the speech of the hon. member for Témiscamingue and he would no longer be interrupted with questions that seem out of order.

[*English*]

The Chairman: As Chairman, I have no real difficulty, as I intimated when I reluctantly interrupted the hon. member for Témiscamingue. The point of order arises as a result of dealing with two sections together for the purpose of debate. It seemed it was proper to put section 109 to a vote. However, there was agreement yesterday that the two sections would be grouped for debate.

I did not interrupt the hon. member for Témiscamingue with the intention of curtailing his speech. My purpose was to clarify the situation. Having said this, I hope there will be agreement among hon. members that the hon. member for Témiscamingue be allowed to continue on the basis established yesterday.

Mr. McCleave: I was about to say what you have already indicated, Mr. Chairman: there should be generosity among all of us in dealing with this complicated legislation, and I am sure my hon. friends will agree that the hon. member be allowed to continue his speech.

[The Deputy Chairman.]

The Chairman: I thank the hon. member. He has echoed my sentiments and, I believe, the sentiments of all hon. members.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I rise on a point of order.

Once more, I wish to remind the Chair that, through no fault of ours, we sit in the far corner of the House and hear with some difficulty the rulings of the Chair. The hon. members talk in good faith and we do not understand what you say. I should like to know at what point of this sitting clause 109 was carried, because, after all, it is quite important that we know. If it was carried and a special favour is being granted to the hon. member for Témiscamingue (Mr. Caouette), I am all for it, but I wish I were told at what point that famous clause 109 was carried.

Mr. Fortin: Mr. Chairman, I rise on a question of privilege.

The Chairman: The hon. member for Lotbinière is rising on a question of privilege.

Mr. Fortin: Mr. Chairman, we are not challenging your ability in conducting the debate, neither do we question your integrity, but while you were speaking, nobody on this side of the House could hear what you were saying and when you put the question of clause 109—and we realize it now—we understood absolutely nothing. We would like to ask you to consider that the question on clause 109 has not been put so that we may proceed with the debate since some Social Credit members including the hon. member for Témiscamingue (Mr. Caouette) have other comments to make. We have nothing against the Chair, but we do not understand what it says. We are unable to hear what comes out of the loudspeakers.

• (8:40 p.m.)

[*English*]

The Chairman: The Chair understands the difficulty and must bear a considerable amount of the responsibility in the matter. If there was a misunderstanding about the vote taken on section 109, the matter is now in the hands of the committee; but it was my duty to put the question. If there is a misunderstanding I hope that hon. members will open the matter again. If that is the case, and it is important to hon. members who have spoken on this point of order, I would ask the committee whether there is leave to open section 109 and then put the question again.

Mr. Knowles (Winnipeg North Centre): Agreed.

The Chairman: If there is leave, I will put the question. Is it agreed that I put the question again on section 109?

Some hon. Members: Agreed.

The Chairman: Shall section 109 carry?

Some hon. Members: Agreed.

Mr. Knowles (Winnipeg North Centre): On division.

Some hon. Members: No.

[*Translation*]

Mr. Caouette: That is true, Mr. Chairman. Clause 109 has not yet been carried and we are thus able to proceed with what we have to say.

I was stating a few moments ago that my colleague, the hon. member for Bellechasse (Mr. Lambert), asked that deductions up to $3,000 for a single person and $5,000 for a married person be allowed, whilst the government's proposals are for $1,500 and $2,850 respectively, because it does not recognize—and at this stage I call upon the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney)—that to attain a minimum of social or economic standing, you need at least $3,000. Why is it that the government proposes a legislation which penalizes single persons by limiting their non taxable income to $1,500 and that of married people at $2,850? Why?

The government is contradicting itself. But the vital point on which the government is basing its policy is to create a decent standard of living in Canada. We are then seeking out all kinds of solutions and proposals in order to establish what is termed in English a welfare society, a society in which people expect to live on government resources. And this applies equally to the Minister of Labour (Mr. Mackasey) who is chatting with his neighbour and is totally oblivious to what we are saying.

Mr. Chairman, he did not even understand. He keeps on talking. This does not change anything. If the Minister of Labour was listening perhaps he could understand, but he is not listening and he will not understand, his earphone is not working.

An hon. Member: He is listening!

Mr. Caouette: If the minister would send his chum back to his seat, he would have more time to listen because those people will not settle the Lapalme workers case tomorrow morning by discussing as they are doing.

Mr. Chairman, the government is seeking to establish a society where both bachelors and married men would feel at home. Under this bill, nothing will enable Canadians to enjoy better living standards.

Let me explain, Mr. Chairman. Everyone, and the Prime minister first with his cabinet, is talking about social welfare and a just society. The 1968 election has been won by the Liberals with their slogan "The Just Society" which all the Canadians—I see an hon. member applauding across the way—think will exist someday.

After three years of liberal administration, we find that the number of unemployed people has increased. Everybody is convinced of that. The Minister of Regional Economic Expansion (Mr. Marchand) stated last night in Montreal: "We have more unemployment than ever and we will still have more in November." This is a statement the Minister of Regional Economic Expansion made in Montreal last night to the members of the Board of Trade. So we will have more unemployed in November. He did not mention December, January or February when we have perhaps one million, one million and a quarter or one million and a half unemployed.

So this is the just society! And in its attempt to better things, the government is offering us solutions that will help out American companies. As a matter of fact, it will distribute $80 million as incentives to Canadian industries to allow them to export to the United States because our neighbours below the border have imposed a 10 per cent surcharge. This program will not create a single job but will simply allow some of our industrialists to export their goods to the United States.

Mr. Chairman, this program will not create a single job; it will not help us to set up the just society that we want in Canada, nor will it—

[*English*]

The Chairman: Order, please. If I understand the position of the committee, the hon. member who has the floor may direct his remarks to sections 109 and 110. It seems that he is now engaging in a debate which may have been in order on second reading or during our initial round of discussion in committee of the whole. I have some doubt whether the hon. member has the right to roam as far as he has roamed, and with respect I would ask him to confine his remarks to those two sections which deal generally with the compilation of taxable income, deductions, exemptions, and so on. I invite the hon. member to assist the committee in this regard.

• (8:50 p.m.)

[*Translation*]

Mr. Caouette: Mr. Chairman, I thank you for your suggestion that I stay within the ambit of sections 109 and 110. But this afternoon, I had the opportunity of listening to the speeches of members of all parties and the Chairman never called anyone to order and told him that he was not dealing with the tax exemptions mentioned in sections 109 and 110. This evening, I am called to order and I am asked to deal strictly with the government proposals.

Mr. Chairman, this afternoon, social security and all kinds of things were discussed, but this evening I would not be permitted to express my views on those tax exemptions which, after all, are the basis for an economic reform which would allow Canadians to be better off than they are now.

Mr. Chairman, I say this: at the present time in Canada, with the government proposals about the direct taxation system, we are taking from some to give to others. Such is the program included in clauses 109 and 110. We say that we are wasting our time and that we are not farther ahead today than we were five or ten years ago because this is a social welfare system based on income tax exemptions which is offered to the Canadian people. All that social welfare encourages fraud, laziness, scheming and stealing. Everyone runs for help from social welfare. Some refuse to work for fear of losing their welfare benefits.

Mr. Chairman, reducing the income tax is ridiculous finally because many people do not earn enough to pay income tax, and single people who earn $3,000 or $5,000 a year will have to pay some. The government is not consistent. This is where we, the Créditistes, make a concrete suggestion, which rubber-necks still laugh at whether they are liberals or progressive conservatives. They laugh! There is but one solution: guaranteeing Canadians social security, regardless of the income tax system, to achieve a balance between consumption and production. What did we suggest? Instead of lowering income tax which the government now suggests, that all persons 18 and over be

guaranteed an annual income of $1,500 when they are single and $2,500 when they are married.

A married man with one child would get a basic exemption of $2,750; with two children, $3,000; with four children, $3,250; with five children, $3,750 and with six, a maximum of $4,000 as guaranteed annual income or social security.

Now, Mr. Chairman, the people will be told, as I said on the national TV network: If an individual finds a job of $4,000 or $5,000 a year, he should accept it, because it would not reduce his social security allowance, since it would be guaranteed. We would all receive it: the poor, the less poor, the more or less rich, everybody. We would all have that guarantee, regardless of our income.

We would see the unemployed—there are some 500,000 in Canada at the present time—look for a job and their salary would be added to the social security guaranteed to all. A person earning $10,000 would still receive his $3,000 in social security.

It is the opposite at the present time. Nowadays a man drawing welfare allowances keeps away from work. Even prostitutes in Montreal draw welfare payments on top of their earnings or whatever salary they may get from various firms.

Mr. Chairman, the present system of social welfare is an incitement to laziness and dishonesty. We ought to replace it with a system of social security which would foster honesty, work and personal initiative in every Canadian citizen.

This is not understood yet. We hear people make fun of our proposals. The other night, I heard the hon. member for Papineau (Mr. Ouellet) say that this would cost $18 billion. It will soon cost more than that to cope with revolutions which are being organized throughout Canada. Then members on the government side or members of the opposition will feel sorry and say: We were not courageous enough to act while there was still time left.

It is being said today that the silent majority does not move. Now, the silent majority begins here in this House where people do not have the courage to rise, where people laugh at those who offer concrete solutions, solutions that appeal to the intelligence of man, instead of the intelligence of the chap who will sell his vote at the next election for a small amount of social welfare.

Mr. Chairman, sections 109 and 110 will not change Canada's economic situation. The other day, the Minister of Finance (Mr. Benson) announced a 3 per cent reduction in personal income tax. For the Canadian who has to pay $300 in taxes, this will mean a reduction of $9 for a year or 75 cents per month. If he has to pay $200 per year, the reduction will be $6, or 50 cents per month. And Liberal members will say: We have been generous to the people of Canada.

An hon. Member: Hear, hear!

Mr. Caouette: That is what I call a stupid person! I see a Liberal member applauding. He does not know why he is applauding, but he applauds. He thinks this is funny; he sits on the Liberal side of the House.

Mr. Chairman, they may laugh, they may take our suggestions lightly, but things will happen before long in Canada—we have already experienced a few—exactly as they have happened in communist and socialist countries, because the government will not have had the guts to take position and act at the right time. We are afraid of making decisions. Again recently, we have been scared to make decisions as a free people, as free citizens.

Last night—and this has nothing to do with tax exemption in Canada—Communist China was admitted in the United Nations. Do we know that China became communist because of terrorists, bandits and murderers? And they are recognized in the United Nations while the Canadian army is called in to fight a dozen FLQ members or people planting bombs in Montreal. The Prime Minister of Canada is ready to roll out the red carpet for those people's entry into the United Nations Organization.

An hon. Member: Yes indeed!

Mr. Caouette: When they are raising cain in Montreal, those people are called bad lots.

I see the Chairman rising, which would indicate that I am straying from the subject, to which I shall therefore return immediately.

• (9:00 p.m.)

[*English*]

The Chairman: It did occur to the Chair that the hon. member might have been somewhat irrelevant in the latter stages of his remarks, but in any event I rose to advise him that his time has expired.

Some hon. Members: Continue.

The Chairman: Order, please. Of course, the hon. member may continue if there is unanimous consent of the committee.

Some hon. Members: Agreed.

Some hon. Members: No.

The Chairman: There is no such consent. Is the hon. member for Parry Sound-Muskoka rising on a point of order?

Mr. Aiken: No, I am rising to speak, Mr. Chairman. I was quite prepared to permit the hon. member for Témiscamingue to continue but I understand he has not been given consent. I would yield to him at this point so that he may continue.

Some hon. Members: Encore!

[*Translation*]

Some hon. Members: More.

Mr. Caouette: Mr. Chairman—

An hon. Member: Democracy at work.

Mr. Caouette: —I thank my good friend of the Progressive Conservative party for having suggested that I continue my comments, but I shall not take advantage of this courtesy.

I congratulate the Conservative member from I do not know what riding.

An hon. Member: Parry Sound-Muskoka.

Mr. Caouette: The hon. member for Parry Sound-Muskoka (Mr. Aiken). I believe he will become a Créditiste one day.

Mr. Chairman, I do not intend to hold the committee too long. Earlier I was talking about the United Nations, as everybody knows. The Liberals know it and we know it. Last year, I was one of the most convinced advocates of using the Canadian armed forces to fight terrorists in Montreal during the October crisis.

Mr. Roy (Laval): Mr. Chairman, I would like to ask the hon. member for Témiscamingue a question.

Mr. Caouette: Agreed.

Mr. Roy (Laval): I would like to ask the hon. member for Témiscamingue—the leader of the Social Credit party whose convention I followed carefully and whom I congratulate on his organizing ability—whether he could tell me the difference between a socialist party on credit and a socialist party that wants to socialize all existing companies for cash.

An hon. Member: That is stupid. Have you ever heard anything more silly?

An hon. Member: That is inexplicable.

Mr. Caouette: Where does that chap come from?

Mr. Lambert (Bellechasse): From Laval.

[*English*]

The Chairman: Order, please. I suggested to the hon. member before he relinquished the floor following his first presentation that perhaps he was not staying within the confines of sections 109 and 110. I was fortified in my decision when I heard the question of the hon. member for Laval. I would hope that hon. members would give due regard to the rules of the committee and would not enter into a general debate. The question having been asked, perhaps the hon. member would wish to answer it briefly. I hope that he will then continue his remarks having regard to the confines of sections 109 and 110.

[*Translation*]

Mr. Caouette: Mr. Chairman, you are absolutely right. The Liberal member for Laval (Mr. Roy) got a bit mixed up while asking his question, he did not know exactly how to put it. It is rather difficult to answer a question that does not make sense. But, in any event, I say to him that a socialist system, in my opinion, is not appreciated in Canada, but with all the rules and bills like the one that is before us, particularly clauses 109 and 110, we are moving on toward state socialism that constitutes a step toward authentic communism.

Mr. Chairman, while trying to address myself to clauses 109 and 110, I want to say this: A moment ago, I spoke of the admission of Communist China to the United Nations and I say—let us remember that we have here about fifty Liberal members from the province of Quebec,—that last year I supported the government 100 per cent as far as the war measures were concerned when taken against the terrorists of Montreal. Everyone knows that.

[*English*]

The Chairman: Order, please. Under the rules of the committee the hon. member for Témiscamingue has the floor. I think this is the third or fourth time that I have appealed to him. I do it in all sincerity, I think with the support of the committee. The hon. member should not discuss matters which are irrelevant to the purport of sections 109 and 110. I entreat him to obey the rules. All of us transgress at times. I know the hon. member is a very fluent and forceful speaker, but I hope he will try to confine his remarks to sections 109 and 110.

Mr. Caouette: I will definitely try to obey your request, Mr. Chairman. There is my good friend, the doctor, who has saved my life once anyway, and he is a Liberal. I am not a socialist. But this is not on section 109. He saved my life once and I am still alive. The Conservatives know very well that I am, and so does the Minister of Labour.

[*Translation*]

Mr. Chairman, I want to confine myself to the subject matter of clauses 109 and 110. However, I cannot at this point but admit that I am in the same frame of mind this year as I was last year when I sided with the government. When I see a government, be it China's or the U.S.S.R.'s, assuming power with the help of terrorists, and by resorting to violence, I cannot accept anything more now than I did last year. This is all I have to say on that subject.

• (9:10 p.m.)

Mr. Chairman, clauses 109 and 110 clearly state that the government intends to improve the standard of living of Canadians or to create the just society which we were promised during the 1968 election campaign. This just society has not even materialized in Valleyfield. Neither has it materialized in Quebec City, Montreal or Rouyn-Noranda.

Mr. Chairman, I have specifically detailed our suggestions a few moments ago and I urge all sincere members, whatever their political allegiance,—not as social crediters, or progressive conservatives, or new democrats or liberals—

An hon. Member: Or independents—

Mr. Caouette: If we are to have a hard working people, a people who works, whose initiative we respect, let us give him a social and economic security which it has not hitherto obtained. We are giving economic security to the U.S.S.R. and China, but at the expense of personal freedom. Nobody, even a member of this House, wants to lose his personal freedom.

Then, Mr. Chairman, a solution is available although the hon. member for Papineau interjected the other night that it would cost $18 billion. The last war cost us $14 billion and nobody has warned about inflation. We have made war and won it, but it has cost $14 billion. No one objected to this expenditure of $14 billion, not even the Minister of Finance. Even the hon. member for Lac-Saint-Jean (Mr. Lessard) did not object.

Mr. Asselin: A former colleague.

Mr. Caouette: A former colleague who used to understand more when he was with me than he does presently. Nobody objected to an expenditure of $14 billion to wage a war. But when it comes to spending $18 billion to guarantee social security to each Canadian citizen, people

stand up and say: The Social Crediters "are starting the money press".

Mr. Lambert (Bellechasse): This is quite funny!

Mr. Caouette: It is funny, indeed, but what is funny is to see those funny guys, the liberals, being funny. And when the Liberals were not in power, the Tories were having the same reaction. And that was thought to be funny.

Mr. Asselin: No one ever talked about the money press.

Mr. Caouette: The hon. member for Charlevoix never talked about it because he does not know how it works. The hon. member for Charlevoix is consistent. He came to see me the other day behind the curtains to ask me how it would work. I told him it would work very well.

The Deputy Chairman: The Chair hesitates to interrupt the hon. member but it can hardly see the relation between the hon. member's remarks and the two sections under consideration. I think all hon. members are interested in the analysis of the problems that are presently facing this country but since the committee must study two specific sections of bill C-259, the Chair would appreciate it greatly if the hon. member for Témiscamingue would relate his remarks from time to time to the sections being considered.

Mr. Caouette: Thank you, Mr. Chairman. I am not used to relating my remarks to just anything. I am used to making remarks and at this time we are discussing sections 109 and 110. Several things are related to them. The objectives of sections 109 and 110 are an increase in the purchasing power of Canadian consumers by allowing exemptions of $1,500 for single persons and $2,850 for married couples.

The minister of Finance himself said not so long ago that the vital minimum was $3,000. A great deal of things are connected with that minimum and we bring proposals that would enable hon. members to study something. The government does not give them anything to examine; we are the ones who give them something to think about and those who can think—there are some who cannot, and I sometimes wonder if the minister of Finance can—can at least consider our proposals.

Mr. Chairman, the government proposals under which a single person's income up to $1,500 and the income of married persons up to $2,850 is to be tax free do not meet the people's requirements. The government itself admits there must be at least a $3,000 minimum, in order that people may live or at least exist.

We ask, as my colleague from Bellechasse (Mr. Lambert) did this afternoon, tax exemptions of $3,500 for single persons and $5,000 for married persons. We, members of this House, have tax-free expense accounts up to $8,000. I have yet to see a Liberal say in this House or in his constituency that it was inflation in his pockets. Everybody thinks it is all right. And for ordinary workers, millworkers, plant workers, farm people the exemption is $2,850.

Mr. Chairman, we believe that all incomes under $3,000 for single persons and under $5,000 for married persons should be tax free. Let us establish in this country not what we call a welfare state but a state of social security, a state where people are provided with social security, where they feel free, where they are still human beings, where the individual can act by himself, not through the government's will or through any other organization the human being must be respected.

Mr. Chairman, the day we get that, Canada will be sheltered from outside attacks, revolts, revolutions, revolutionaries and terrorists. But until then, if the government members, the ministry and the other hon. members remain idle, before not too many years there will be in Canada terrible bloodshed as occurred in some countries in Europe or Asia.

If that is the kind of administration we want, all we have to do is to let things go. But if we want something else, we should assume our responsibilities. I call upon the Liberal members, who are holding a caucus tomorrow morning, to tell the Prime Minister. The Prime Minister, the federal cabinet, the government should be told such things. Hon. members should assume their responsibilities. We are the silent majority. If we do not act, the revolutionary minority will crush us as it crushed the people in Russia, Poland, Hungary and China. This is not what we want. We want a Canada that belongs to us, to which we can contribute. Therefore, we should pull together, not as members of this or that political party, but as Canadian citizens determined to save their country, Canada.

Some hon. Members: More! More!

• (9:20 p.m.)

Mr. La Salle: Mr. Chairman, after the various speeches made today, I would like in turn to give my opinion on those most important clauses.

I admit that this bill is important because it is bringing a number of changes which I think are necessary. As a member of Parliament it is my duty to express my opinion on sections 109 and 110 which, I think, are far from meeting the needs of Canadians.

Many people before me have informed the minister and the government of their claims and have asked their representatives in Parliament to unite so as to convince the Minister of Finance (Mr. Benson) that the exemptions of $1,500 and $2,850 are inadequate.

All we need is to compare with the social security pensions which allow a $3,060 exemption for people aged 65 or more. If we want to justify our positions it is quite easy to prove that a couple or a much younger family has greater needs and this $1,500 exemption for a single person or $2,850 for a married couple is inadequate. I think this is self-explanatory.

This is why I want to draw the attention of the House and of all government members who will have the opportunity, as stated earlier by the Social Credit leader, of discussing this question with the ministers and the Prime Minister.

I would request their greatest consideration to the "inadequate minimum".

We referred to a $5,000 yearly minimum for married people and one of $3,000 for a single person. No member of this House could say that a person earning $60 per

week should be taxed. I do not believe either that a couple earning $100 per week should be subject to any tax.

We are all aware of the increase in the standard of living and I believe it is only fair to claim a much higher exemption than that suggested by the minister.

I recognize the difficulties that this creates for the government. I also recognize willingly that it will cost more to the government. However, the government must find a way of providing for that minimum living wage. I believe that every member considers $5,000 for a couple and $3,000 for a single person as a necessary thing. No member of this House would dare deny that we can afford to tax people with such an income.

The first reply we will get will be that it is difficult to change the estimates since it would complicate the drafting of the bill. Other comments will be made about those citizens who do need that vital minimum.

Since we are still considering sections 109 and 110 I would invite all hon. members to speak on those sections and say in plain words who is right.

I am convinced that it poses some difficulties to the government but I think that in the present circumstances no government should hesitate to provide the vital minimum resulting from a basic exemption much greater than the one proposed in this bill.

Of course, this is an improvement that goes back to 1947 since it is not often that amendments are introduced to tax legislation. As far as I remember, the changes brought into the tax legislation go back to 1947, since it is always very difficult for the government to alter substantially its tax policy. It is all the more important that we seriously consider the amendments of clauses 109 and 110 because I have the strong impression that they will be in force for many years to come.

With reference then to all the speeches that were made in this House and to all the arguments which were submitted, I take the liberty once more to urge hon. members and the members responsible for the government to adopt a straightforward attitude which would be far more attuned to the just society which is desired not only by liberals but by all hon. members alike.

We long for that just society as much as those who promised it but, nonetheless, endeavours are necessary. I am under the clear impression that we do not take that great step when setting the exemptions at $1,500 or $2,850. In fact, we would be in a better position to conquer or at least obtain the confidence of the people if, through a positive gesture, we were to set the exemptions at $3,000 and $5,000.

I do not think that I am exaggerating. A while ago, the leader of the Social Credit (Mr. Caouette) drew a parallel with the non-taxable $8,000 allowed to hon. members. I am not entirely in agreement with him, because I think that the workman who might discuss the $8,000 exemption surely does not know what is involved in an hon. member's duties.

The argument used by the leader of the Social Credit is indeed not serious. However, his observations were perfectly justified, like those of the member for Champlain (Mr. Matte) this afternoon, and should be taken into consideration by the vast majority of members.

Mr. Chairman, I close on those words, hoping that the government will amend clauses 109 and 110, thus proving to the Canadian people that it is seriously endeavouring to achieve a more just society.

[*English*]

Mr. Aiken: Mr. Chairman, I rise to say a few words—and they will be few—on behalf of the many parents of university students who are sending their children through university and paying their tuition fees, their board and lodging and their incidentals which may run as high as $2,000 or $2,500, and who receive no tax exemption or deduction whatever. All they are allowed is what is set out in various parts on section 109 for a child over 21 years of age who is attending university, and the maximum there is $550.

Mr. McCleave: Not enough.

Mr. Benson: But we are paying half the cost.

Mr. Aiken: I would be glad to accept the minister's question, Mr. Chairman.

Mr. Benson: I am sure my hon. friend understands that half the operating costs of post-secondary education are paid by the taxpayers of Canada.

Mr. Aiken: Mr. Chairman, I think the minister interrupted me too soon. I am trying to draw a little equity into this situation and perhaps he will see my point in a moment. Those parents who pay the full amount of their children's tuition are taxpayers and presumably they are paying an income tax on that $2,000, if we take a round figure, of between 20 per cent and 50 per cent. It is therefore costing such a parent not only the $2,000 actually paid out but also the tax he pays on top of that.

I am trying to compare this situation to that of a student who is sent to university on a bursary or scholarship, who must borrow money under the scholarship plan, or who in some way or other gets the money from a source other than the parent. In such a case there is no tax attracted to the money that is paid for tuition. I am trying to point out the unfairness of the situation to the same group of people who are paying most of the taxes of this country, the people in the middle-income bracket, the people who are sending their children to school, the people who are paying their way through life and in the result get stuck with income tax whereas other income attracts no tax and there is no benefit to the federal treasury.

This question has been put to me many times by parents who are laying out a great deal of money and getting no tax reduction. I agree with the minister that this money comes from taxes in any case to pay for university education. But I do not feel that it is a fair distribution when those who are making an effort and paying, when the student cannot get work during the summer—as many have not during the last couple of years—end up paying a premium on whatever their income tax rate is for the right to send their children to university on top of the expense incurred in sending them there. The point I am trying to make is that there should be some deduction in order to create equity in taxation for the parent.

• (9:30 p.m.)

I shall not move an amendment at this point. We have had rulings on amendments which seek to raise exemp-

tion levels, so I will not waste my time or the time of the committee in moving such an amendment. Despite the many efforts to get around the difficulty, all such amendments have been ruled out of order. I am merely bringing this matter to the minister's attention and asking him to give serious consideration to the tax to be imposed on a person who is trying to put his children through school. Many people will make that effort even though they cannot afford it. They will do that rather than ask for a bursary or a student loan for the child.

In many cases the circumstances in which a student loan is given are very narrow and the situation is most unfair. When a student gets a government loan under the student loans program, no tax is attracted; however, if that narrow line is crossed and the student does not get a loan, then not only must the parent pay the penalty but he must pay tax in addition. This situation is most unfair and in many cases applies to the middle-income person who is trying to pay his way—not depend on the government, not draw sustenance from other people but who is trying to do the right thing. In doing so, not only does he get stuck with the cost but he pays income tax in addition which can run as high as 50 per cent. For these reasons I think the minister should give this matter serious consideration and see if some equity cannot be introduced into this situation.

[*Translation*]

Mr. Fortin: Mr. Chairman, due to the importance of clauses 109 and 110 of Bill C-259, I feel it is my duty to take part in this debate to put forward some arguments which may perhaps prompt the government members to review their position concerning those exemptions.

I would like to base my arguments on two particular points: The increase of poverty in Canada and the efficiency of means to control it. In conclusion, we will see that we are before a dilemma or a problem with two possible solutions, either true socialism or Social Credit.

First, I should like to make a brief summary.

This government proposes, in clauses 109 and 110, to increase personal tax exemptions to $1500 for single taxpayers and to $2850 for the married ones. This, according to the Minister of Finance (Mr. Benson), so as to give these people a greater hope for a just society. According to him, this would mean that these people would be more fairly treated by federal taxation.

Mr. Chairman, I shall not go through the scientific calculations of my colleagues, but it happens that this tax mess proposed by this government does not, in fact, amount to a difference of more than $50 a year, which is finally a swindle and does not reduce poverty in Canada.

On the other hand, the Minister of Finance—the Minister of High Finance—has already stated that, starting from a certain date, 750,000 Canadians would be totally exempted from income tax. And he boasts about this as if it were good news. This does not make anybody happy in our party.

If 750,000 Canadians do not have to pay any income tax, it means that 750,000 Canadians do not have enough income to make them liable to the tax according to the government's rates. So, the government deserves no credit for removing some people from the tax rolls, because, even if it wanted to compel them to pay taxes, they would no longer be able to do so because they have had to tighten their belts too much at the government's request.

It is now proposed to increase basic exemptions. This is the same argumentation, the same spirit, the same principle and the same administrative philosophy which would have us believe that this is a step forward.

Mr. Chairman, as my colleagues of the Social Credit party of Canada, I pretend that this is administrative hanky panky which settles nothing. Increasing the exemptions to $1,500 or $2,850 will not solve things any more than the elimination of income tax for 750,000 Canadians will solve their problems, allow them to take part in production and increase their purchasing power.

To be fully understood, these remarks must be placed in a general context; for example, we offer retraining courses to workers. It is an indirect and disguised way of providing them with social welfare allowances. Retraining courses have become for the federal government an indirect means to intrude in the area of social welfare which, in some provinces, is exclusively the latter's responsibility. In fact, 50 per cent, if not more, of those who benefited by the training programs sponsored by the federal government are people living below the poverty level.

Mr. Chairman, I will be told that exemption of these people from income tax might solve their problems. That is wrong, just as those training programs did not solve them. I will be told that increasing the amount of their basic exemptions will solve their problems; that also is not so.

• (9:40 p.m.)

And to support my assertions and make the hon. members opposite well aware that the proposals contained in Sections 109 and 110 will not be efficient, I would like to refer them to the 8th Annual Review of the Economic Council of Canada issued in September 1971, and more specifically to page 97, where the following can be found:

> We are constantly striving to bring the policies of the Department within the reach of the underemployed and the working poor ... Of 301,000 adults trained last year, some 50 per cent were below the poverty line.

That means, Mr. Chairman, that 50 per cent of the 301,000 adults in training receive an income below the poverty line, that is less than $3,000. Will their removal from the income tax lists solve their problems, Mr. Chairman? Not at all, since they had no income on which to pay income tax anyway, because they were already being retrained or unemployed.

Therefore, Mr. Chairman, the problem is not solved. It might perhaps be said that that training will solve it, but let us ask ourselves the question. I will then refer my colleagues to page 116 of the same Annual Review, Table 6-3 entitled Pre- and Post-Training Annual Earnings Distributions, 1969, which deals with the program that is doing wonders, according to the federal government. This table indicates that of the 301,000 Canadians who took a course, and who cannot pay income tax because they are below the poverty level, 78.4 per cent in each class, before undergoing training, had an income of less than $5,000, $4,999, it says here. Before the course, 78.4 per cent had an income of less than $5,000. Therefore, their margin over the poverty level is $2,000 only. Moreover, the family must be small! After these so-called effective courses provided

by the federal government, which are disguised social welfare, 73.1 per cent of these people could not find employment and are still under the $5,000 level.

So, Mr. Chairman, in order to achieve that just society and this small mathematic calculation is ample proof, the government invented various programs. To the aged, it gives old age pensions. To children, it will give family allowances; recently we messed around with that. To the penniless, it gives welfare benefits with the tip of its fingers, a pittance, after both provocating and humiliating tests. To the unemployed, it gives unemployment insurance, and even then the individual has to fill out oodles of forms before being eligible. Those who are left over, when the rate of unemployment is too high, receive training courses and, finally, as I have just demonstrated, nothing is solved.

All those programs, as my hon. colleague for Témiscamingue pointed out, cost billions each year; they cost a mint. Any wonder they represent the major item in the federal budget; that is what raises personal income tax. The people whom the government is concerned with in clauses 109 and 110 do not have, even before exemptions, the means to pay their income tax. Is the government doing them a favour? No way! On the contrary, it is only messing about further in their almost empty pocket book, even though it may hold $50 more a year.

Such is, Mr. Chairman, the just society! This is why we object to clauses 109 and 110. We maintain that the lot of the people affected by those provisions will not be improved. This is why we are again urging the government to increase those basic exemptions to $3,000 for single persons and to $5,000 for married couples.

There is nothing more logical than the figures which I have just given you in connection with the retraining courses. Indeed, I stated that before attending those courses, 78.4 per cent of the 301,000 individuals in each group had an income lower than $5,000. They were attending courses to improve their lot, because their income was inadequate. If the government recognizes that it is necessary to improve their lot by providing courses for them, could it not much more easily solve most of the problem with a total tax exemption, at $3,000 for single taxpayers, and at $5,000 for married people?

My colleague, the hon. member for Champlain (Mr. Matte) even told the government, this afternoon, and the same argument applies in the field of old age security pensions—when both husband and wife are drawing the maximum, that is $255 a month or $3,060 annually, establishes a sufficient minimum income, not to live, but to subsist. People who are the least fortunate in our society, the unemployed, the aged, children, the crippled, the widows, are precisely those who must pay the most for housing, clothing and food. These three essentials of live are precisely the most expensive items, judging from the increase in the cost of living and the tables of Statistics Canada. Consequently, the less favoured are the first hit by the increase in the cost of living and the government's failure in its fight against inflation.

Of course, if the government considers that $3,060 is enough as a minimum income ensuring the bare subsistence of the older person, supposing that both the husband and wife receive the guaranteed income supplement, our argument is all the stronger when we ask the government to grant the same amount to the people who, as my colleague from Champlain has stated, are not 65, but 60, 40 or 30.

I have already shown that people who receive less than $5,000 per year cannot make ends meet. That is why they are registering for retraining and that they make use of government programs. They have no other choice.

Mr. Chairman, when old people are asking for an increase in their old age security pensions it is because they cannot make both ends meet. Furthermore, if the government is aware of that, is it not willing to increase basic exemptions from $1,500 to $3,000 for single people and from $2,850 to $5,000 for married couples?

Mr. Chairman, if the head of a family of two or three children receives a $5,000 income, it represents only $1,000 a year per person, less income tax. Because the government is refusing to increase these exemptions, these people will have to pay taxes. This is sheer nonsense. If that is what we call the just society, Mr. Chairman, living conditions were better under the old system of 1867. At least, at that time people were not annoyed with tons of documents and with the administrative flimflam of incompetent Public Service employees. At least they could manage with their axe and make a living.

• (9:50 p.m.)

How is it that in those days, people could do without degrees, education, social welfare, old age pension, retraining programs, the just society. Indians and Englishmen managed to live. Today, billions of dollars are spent on old age pensions, family allowances, unemployment insurance benefits, retraining courses, scholarships. Now, Mr. Chairman, one hand will give a scholarship and the other will take taxes from the recipient. How brilliant!

Mr. Chairman, as my colleague from Témiscamingue (Mr. Caouette) said, that is really serious. If the government does not wake up and smarten up and if it continues to have bats in the belfry, it will very soon face a revolution in Canada.

It seems to me it is high time to get out of the clouds and come down to earth and look at the problem where it is. The problem of poverty is increasing in Canada. How can we explain that with all this fine government programs promoted with such ability, they have not succeeded in getting rid of ½ per cent of poverty in Canada? On the contrary, it keeps on increasing. Would it be that these programs are inadequate?

Mr. Chairman, this does not make sense and we cannot swallow this fact. That is why my colleagues and I, following our devoted leader, the hon. member for Témiscamingue, stand up and protest against these schemes, these proposals. This bill of 710 pages, designed to tax our fellow citizens, which does not remove the least bit of poverty and solve any problem, is only an example of administrative tinkering that civil servants are fond of. It justifies their salaries.

Mr. Chairman, I must protest. I address my protest to the Minister of Finance (Mr. Benson) who will not even listen to what we have to say, preferring to joke and "swing". Mr. Chairman, I am compelled to urge that he increase the basic exemptions so that our fellow citizens

in Lotbinière and throughout Canada may have at least a semblance of subsistence and no longer depend on governments.

That goes with governments, Mr. Chairman. That is what the Economic Council of Canada say in their Eight Annual Review, which I invite my hon. colleagues to read. They speak of government and decision-making, of political implementation of development of human resources. There can be no further development of human resources, they are being crushed, frustrated, forced to sign application forms, on all fours before civil servants to obtain their hand-outs.

That is not the way to develop human resources. Let us implement the social security program mentioned by the hon. member for Témiscamingue in order to safeguard individual freedom instead of crawling before tipsy officials. In that way, we will begin to set up some sort of just society at least.

Then, let us stop giving with one hand and taking away with the other. If we go to the universities and tell the students "Long live the just society!" they will answer: "Is that the just society when you give us a scholarship with one hand and take it away with the other through taxes? Moreover, we cannot find jobs during the summer." Mr. Chairman, those young people are not all "lousy" and revolutionaries. They want to build Canada. Those young people want to work, as the hon. member for Témiscamingue told the House. Those young people are not heartless; they want to participate.

Mr. Chairman, if we grant single people a basic exemption of $1,500, while a year at university costs them $2,500 and if, moreover, they end up on the unemployment market—we cannot talk of the labour market any more in Canada—it is hard for a father to teach them the value of authority, it is hard for any authority, at any level, to say to those young people: "Help your country, get involved, get into the game!" The young man will reply: "Help me first of all to make use of my degrees which are lying on a shelf, then we will talk about politics."

People—those in my constituency as well as those in the constituency of the Prime Minister (Mr. Trudeau) or any other member—want to participate, but let us quit messing around!

If, on the one hand, the maximum old age pension awarded is $3,060 a year, it means that the government is conceding that the minimum for subsistence is $3,000. Why not then grant basic exemptions of $3,000 for single people and $5,000 for married couples?

Before resuming my seat, I would like to ask the Minister of Finance, who did not listen to a word of what was said, to at least reveal his own thoughts on the bill.

The Deputy Chairman: Order, please. I must unfortunately interrupt the hon. member to remind him that his time has expired.

[*English*]

Mr. Danforth: Mr. Chairman, I interject at this moment merely to ask a question for clarification. I have in mind section 110 (1) (c) (xii). In this regard rulings are made with due and just cause—but we only receive rulings, never an explanation. Subparagraph (xii) provides:

for any device or equipment, not described in any other subparagraph of this paragraph, of a prescribed kind, for use by the taxpayer, his spouse or any such dependant as prescribed by such a medical practitioner—

Let me give an example of what I have in mind, for the information of the minister and his parliamentary secretary. I know of a gentleman who has unfortunately been struck with a serious and incurable disease which necessitates his using a wheel-chair to travel from his place of residence to his business. In order to do this it was necessary to instal handrails and a ramp at his home as well as special controls in his automobile.

As outlined in this section, this type of equipment must be prescribed by a medical practitioner. As a matter of fact, the devices were prescribed by this man's doctor who advised him on the manner in which they must be installed and how they should be used. His doctor also helped to obtain the necessary equipment for the automobile. On making application to have the costs of these things deducted from his income, this man found they were disallowed and he asked me to make an appeal on his behalf. I did this, but the ruling was not in his favour.

I know the department looks at these matters very carefully, but I am unable to understand why they disallowed what I considered a very fair and just deduction in accordance with the wording of the act. I am wondering whether an explanation can be given.

Mr. Benson: Mr. Chairman, under the existing law the only things that can be deducted are those defined in the act. Under the act as it will be when this bill is passed, I hope very soon, the Minister of National Revenue will have the power to decide on the new things that should be allowed as deductions, such as equipment, and so on. I cannot say whether it will cover such things as ramps, hand-railings and that sort of thing. We are allowing wider discretion to the Minister of National Revenue in order that he can hear cases and make changes rather quickly without having to come to Parliament each year in order to make small changes.

Mr. Danforth: Perhaps I might be permitted to ask the minister another question. The minister has just stated that this is a new provision and is a modification of the act. The minister is familiar with the problem I have outlined, but is it his understanding that under the terms of the new act such a deduction will be allowed, in terms of the bill now before us?

Mr. Benson: I cannot say that. Certain things are prescribed in the act and the Minister of National Revenue is given certain latitude in determining those things which may be additionally prescribed. I should not like to prejudge decisions which will be made in this regard.

Mr. Haidasz: May I ask a question, Mr. Chairman?

The Deputy Chairman: Order, please. Unless the hon. member has unanimous consent, the responsibility of the Chair is to indicate that we have now reached ten o'clock and unless otherwise directed by the committee I must report progress.

Some hon. Members: Agreed.

The Deputy Chairman: If it is agreed that I do not see the clock for a few moments, that is fine, otherwise the committee must abide by the rules of the House.

Mr. McCleave: Mr. Chairman, I think there might be agreement to get through these two sections, and I ask whether it is understood that we will be dealing next with sections 4 to 8 inclusive.

Mr. Benson: Yes, Mr. Chairman.

Mr. Fortin: Mr. Chairman, we are trying to reach an agreement on an experimental basis between parties and, so that members of other parties can keep their word, why not carry on before the agreement has been reached on what is now proposed? We gave our word of honour and we shall keep it.

The Deputy Chairman: It is not a matter of knowing what sections will be dealt with tomorrow, but rather of finding out if the Committee is allowed to sit past ten o'clock or whether the Chair should call it ten o'clock.

Mr. Fortin: Mr. Chairman, we do not agree. We shall use the rest of the evening preparing ourselves for a good day's work tomorrow.

• (10:00 p.m.)

Mr. Benson: Mr. Chairman, perhaps I could suggest that we answer one question which has been raised and that tomorrow we proceed with sections 4 to 8 which are very wide ranging. I should think if the Chair wanted to indicate that we would accept one question, we would be pleased to do so, but without additional debate. If there is no consensus among members opposite to deal with these two sections tonight, then of course we cannot deal with them.

[*Translation*]

Mr. Fortin: Mr. Chairman, we disagree. This is like when we ask the minister to study Social Credit and his answer is no.

[*English*]

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

REGIONAL ECONOMIC EXPANSION—ATLANTIC PROVINCES—ASSESSMENT AND REVAMPING OF DEPARTMENTAL PROGRAMS IN LIGHT OF CRITICISMS—LONG-TERM TARGETS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, on October 20 last, as recorded at page 8856 of *Hansard*, I raised the question of evaluating and assessing the program of the Department of Regional Economic Expansion because of the criticisms levelled at that department at a recent meeting of the Atlantic Provinces Economic Council. Those who attended that meeting are not opposed to the purposes for which the Department of Regional Economic Expansion was set up. What they are saying is that a department which is now 2½ years old and which has become one of the major spending departments, spending in the order of $330 million a year, with 2,000 employees, needs to be evaluated to see whether Canadian taxpayers are getting value for their money and whether the programs are accomplishing the objectives for which DREE was set up.

The criticisms from those who attended this meeting of APEC were three in number, in the main. First, the programs of DREE seemed to lack long-term planning and co-ordination. Mr. Guy Henson of Dalhousie University put it very well. The press report states:

—he chided the government for its failure to produce an imaginative concept; a clearly definable long-term strategy similar to those developed for the Tennessee Valley scheme and a regional development program in northern Norway.

Instead of a long-term concept, Ottawa had produced ad hoc plans couched in all the right phrases and clichés and with an appearance of high competence, which amounted to no more than narrow development of tools.

APEC itself, in its annual report, criticized the DREE program and said that rather than working closely with the provincial governments and municipalities to plan an infrastructure, DREE has simply lunged forward with a whole series of what can only be described as public works thinly disguised as regional economic expansion.

The second criticism had to do with the fact that the long-term objectives that the Department of Regional Economic Expansion was established to pursue have been short-changed in the interest of short-term political expediency. It seems that increases in the programs are determined by the political complexion of the region rather than by the economic needs of the area. The original concentration of certain carefully selected regions for development has been submerged in the cross-currents of political pressures. For instance, the area for federal incentive grants has now been extended to the point where half the labour force of Canada now lives in designated areas. The result has been to dilute the effectiveness of the incentive programs.

The third criticism which seemed to come out of these discussions was that the government's regional development policies have been undermined by lay-offs in firms which have received grants to establish plants in slow-growth areas. An instance was pointed out the other day of Canadian Ingersoll-Rand starting to lay-off some 300 workers in Sherbrooke, Quebec, although the firm received a grant of almost $200,000 from the Department of Regional Economic Expansion in 1970. The minister of the department said yesterday, according to a report from Montreal, that there is nothing abnormal about lay-offs in subsidized firms. I take this to be an admission that regional development policies have little hope of success when the national economy is faltering and employment is dropping.

DREE often talks about the national-regional trade-offs that are necessary to bring about balanced growth throughout the country, but what can the national economy spare for the slow-growth regions when apparently it can do so little for itself? I think this was summed up very well by the former deputy minister of DREE, Mr. Tom Kent, who said at the same conference, as reported in the *Globe and Mail* of October 20:

"It is impossible to expect" that a program conceived on the assumption of an expanding national economy would be successful when economic growth rates declined.

It seems to me that in light of these criticisms and in light of the growing concern which is being felt in many areas, the time has come for the minister to give us an evaluation and an assessment of these programs. I think it was summed up very well by Mr. T. N. Brewis of Carleton University who said the following at the conference, as reported in the *Globe and Mail* of October 20:

—there is need for a greater public evaluation by DREE of its efforts. What assessment has been made in ministerial statements has been unsatisfactory and he accused the department of supporting its arguments with "phony" figures.

In view of the money which is being spent, in view of the desirable objectives which this department was set up to achieve, I think the time has come when Parliament has a right to expect from the minister of this department a statement as to the extent to which it has accomplished the goals set out for it, whether or not the programs being carried on have brought about the results which were required and whether the Canadian people are receiving value for these expenditures.

• (10:10 p.m.)

Mr. James Hugh Faulkner (Parliamentary Secretary to Secretary of State): Mr. Speaker, I am pleased to reply on behalf of the Minister of Regional Economic Expansion (Mr. Marchand) as follows: The report of the Atlantic Provinces Economic Council has been received and carefully read. It contains a good deal of useful information and analysis of a number of interesting suggestions. For this reason it will receive intensive study in the department. The report also contains a number of criticisms of departmental programs. To the extent these are constructive, or so intended, they are welcomed. To some extent, however, they seem to be based on misconception or lack of perspective.

The hon. member undoubtedly knows that many of the department's programs are based on a joint planning process that is dependent on a close working relationship with provincial governments. The department is engaged day in and day out in a planning exercise with its provincial counterparts and this exercise is now generating in each of the areas in which the department functions with a comprehensive development strategy. The programs of the department are subject to continuing evaluation, but if changes are considered necessary they will be made. No such changes, however, are contemplated at the moment.

POST OFFICE—STEPS TO IMPROVE SERVICE AND AVOID EXORBITANT COST FOR MAILING LETTERS

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, on October 20 I directed a question to the Postmaster General (Mr. Côté) with respect to a statement that had been made in the city of Winnipeg by one of his officials, supported by the hon. member for Winnipeg South Centre (Mr. Osler), to the effect that if efficiency did not increase in the Post Office Department in the immediate future, Canadians would be paying 26 cents to mail a letter.

In recent months discussion of the Post Office service has been somewhat quiet compared with what it was immediately following 1968. We have a new Postmaster General and I think hon. members have been waiting to see how he handles the mounting problems of Post Office service. It now appears that the pattern that took shape in 1968, with services decreasing and costs increasing, is still present in the postal service of Canada.

Tonight I would like to ask whoever will speak for the Postmaster General some very specific questions. When this Postmaster General took over he said he would be adopting a more humane and understanding approach to Post Office problems. We accepted this at face value because, after all, postal service is the basic and most important communications service in any country. I suppose it was the first government service to be established as a public utility for that purpose. But the volume of mail handled by the Post Office still continues to decrease as a result of rather exorbitant increases in rates, along with a declining service. For example, by January 1 of next year the cost of mailing a letter in Canada will have increased by 100 per cent since 1968.

I want to deal specifically with protests that have been raised by the Letter Carriers Union in their publication "The Courier" of September-October, 1971. They point out that there has been a 30 per cent reduction in postal service in recent years. Obviously, there is dissatisfaction among letter carriers. I think it goes without saying that if you are to have an efficient postal service you must have a happy work force.

I would like the comments of the government spokesmen on this point. There can be, and there have been reforms. There was the assured mail delivery reform which was supposed to guarantee 24-hour delivery service to the major cities in Canada. This is not actually an improvement because Canada has had air mail delivery for 20 years. In the ordinary course of events, were it not for the decrease in efficiency over the past three years we should have expected the service to be substantially improved by assured air mail.

Recently there was the announcement of the all up overseas rate which provides air service to all mail originating in Canada at the rate of 15 cents per ounce. This is a five-cent increase on an overseas air letter because the air mail form is no longer used. I understand there has been such a log jam of air mail destined for overseas that there is now a considerable delay, mainly because no reciprocity has been achieved for this service with countries in Europe and other parts of the world. This is one of the matters put forward as an urgent necessity when the Postmaster General originally made his announcement in the House. Now we are to have the zip code which is supposed to bring the dawn of a new age in postal efficiency. It could, if the Canadian public accepts the mechanization of the post office service.

I want to specifically get the answer that I tried to get the other day. Is it the policy of the government to insist on a profit in this basic communications service? This seems to be the thought behind the various changes in operation and direction of the Post Office over the past three years. They say the Post Office is losing money. I would remind hon. gentlemen on the treasury benches that the CBC loses $200 million in public funds, we are spending $70 million to launch a Canadian satellite, and railroads and other basic means of communication all lose money. Why does the Post Office Department, why does the Postmaster General, why does the government

insist that this basic means of communication realize a profit?

Even in this Parliament we maintain parliamentary mailing privileges to ensure maximum communication between representatives and constituents. We have come a long way from the penny Post Office and I hope that the prognostication made in Winnipeg the other day, of 26 cents to mail a letter within nine years, will not be realized. Tonight I should like to hear how the Postmaster General intends to avoid this very undesirable situation.

[*Translation*]

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, I wish to thank the hon. member for Brandon-Souris for raising this question. Unfortunately, when he did so, the minister was not allowed to reply in the House because of certain allegations. But I can assure the hon. member that it is my pleasure to reply tonight since the minister and his parliamentary secretary are not in attendance.

I would like to advise the hon. member that the Post Office Department has of course no idea of how much it will cost to deliver a first class letter within the next nine, 10 or 20 years.

The amount of 26 cents has been mentioned. Perhaps we shall reach this amount but probably not for many years.

But I would like to point out to the hon. member that there is a huge difference between what it costs the Post Office for the handling of a letter and the proportion of that cost that will eventually be paid by the user. The government's present policy—I insist upon that—does not imply that the Post Office will necessarily pay its way. The honourable member emphasized that point. We may be sure the department does not necessarily intend to pay its way.

I do not know what will be the government's policy in 1990, Mr. Chairman, but last year the Post Office implemented measures to prevent an excessive increase in costs and consequently in the deficit. The first of those measures is of course the Postal code and the mechanization programme which Mr. Fultz referred to the other day in his Winnipeg statement.

The mechanization programme will help to reduce mail handling thereby reducing the cost of such handling. We hope that the use of the postal code will be general by July, 1974. The guaranteed postal delivery program also will reduce expenditures while easing the pressures being exerted on the postal services during peak hours, as well as ensure a better use of both personnel and facilities. Besides, expect the creation of new postal facilities in Toronto, Winnipeg and Montreal, when these are entirely automated, costs will be maintained at a reasonable level.

The work to be done in the field of commercialization, which has been mentioned so often, will boost postal revenues in encouraging the use of the "postpack", promoting the philatelic service sales and developing the small parcels service and the use of containers, thus reducing handling costs.

• (10:20 p.m.)

[*English*]

I should like to assure the hon. gentleman with regard to the other point he raised in his presentation. I will certainly bring this matter to the attention of the minister and he will take care of it in due course.

Mr. Dinsdale: Just keep the cost down. That's the thing that worries me.

AGRICULTURE—FARM MACHINERY—FEDERAL ASSISTANCE TO PRAIRIE PROVINCES IN TESTING PROGRAM

Mr. Rod Thomson (Battleford-Kindersley): Mr. Speaker, yesterday I asked the Minister of Agriculture (Mr. Olson) this question:

In view of the fact that the three prairie governments are co-operating on a farm machinery testing program, as recommended by Professor Barber, have those three provinces approached the Minister of Agriculture for assistance in this regard? If not, what will his answer be if they do approach him?

The minister answered to the effect that there have been a number of discussions about this. I suggest that it is not enough to appoint a royal commission that has done a wonderful job. I suggest that there comes a time when you must do something about the recommendations that the commission has made to the government. If the Minister of Agriculture intends to do anything about those recommendations, he is surely taking his time.

We can see that the provincial governments are considering co-operating in this regard. I ask the minister this evening whether the federal government will contribute any money towards a farm machinery testing program, as recommended by Professor Barber. May I read a small excerpt from Professor Barber's report. His royal commission was a creature of the federal government. In that sense I think he speaks with authority, the authority of the government. I read as follows from page 3 of the report of the Royal Commission on Farm Machinery:

With farming much more highly mechanized, the farmer has also found himself more vulnerable to the effects of machine breakdown during his busy seasons—in particular during seeding operations in the spring, during the haying season, and at harvest time.

At page 10 the report reads:

Yet as machines become larger and more expensive, a farmer's machinery-investment decisions become increasingly critical. It is for this reason that this report includes a recommendation for an evaluation and testing unit that could supply farmers with much more reliable and comprehensive information to help them make their decisions on machinery investment and replacement.

A little further on Professor Barber suggests that people who are in a position to judge farm machinery are under pressure from farm machinery companies. He was thinking of newspapers and universities which receive advertisements and grants from farm machinery companies. That is why they are not in a position to make known critical evaluations of how farm machinery works. Professor barber suggested that logically the government ought to set up a unit to look into this particular problem. The Barber report says at page 495:

In an earlier section of this report . . . it was pointed out that the benefits that had been derived from improvements in farm machinery technology in the past were extremely large. Indeed,

over the period from 1926-66 it was estimated that the net benefits obtained were probably of the order of from $2 to $3 billion annually and might well exceed those derived from all other agricultural improvements.

This is one of the reasons in support of the suggestion that there should be evaluation of machinery. The following is one of the recommendations of Mr. Barber:

Accordingly it was recommended that the Canada Department of Agriculture set as its short term goal to be reached by 1980 the allocation of 10 per cent of its social research budget to supporting improvement in farm machinery.

It seems to me, as a farmer, that the system of testing agricultural machinery operated in Saskatchewan in the past received almost universal approval. I have in mind the reports of the Agricultural Machinery Administration. One heard farmers quoting the AMA reports as to what certain machines could do or could not do. Many people were critical when the program was dropped, but consideration is now being given to re-establishing it.

I should like to know whether the government intends to do anything. Professor Barber recommended that something be done. In view of the success of the program in Saskatchewan, is it not time to consider again the advantages which were derived from a project of this kind? It is not only farmers who benefit. It has been suggested that we might provide testing facilities for Canadian farm machinery manufacturers which are small by world standards and which do not have the means or the facilities required to carry out elaborate testing on their own. As a result they may not have been getting their share of the farm machinery market.

If we could do something to improve the technology of our home-made farm machinery, so to speak, we might not only be able to supply a larger share of our home market but also sell more abroad. I suggest to the government and to the parliamentary secretary that what I am suggesting would be of advantage to all Canadian farmers, not just to prairie farmers. Imagine a machine shut down at harvest time for lack of a 25-cent seal! It is not a good thing to happen but it has happened. These machines should be tested thoroughly before they are put on the market; it would save the farmer and the country a lot of money. Mr. Speaker, we have procrastinated long enough and I believe it is time we did something. I want to know what the government intends to do.

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, on behalf of the Minister of Agriculture (Mr. Olson) I am pleased to inform the hon. member for Battleford-Kindersley (Mr. Thomson) that under the auspices of the Canada Committee on Agricultural Engineering discussions were held as late as September 22-24 among the federal government, provincial governments and the universities on the subject of the Royal Commission on Farm Machinery.

As to the question raised concerning assistance from the federal government, I must say that up to now we have received no requests from provincial governments concerning present programs. At the moment a committee within the department is studying the practical application of some of the recommendations contained in the Barber commission report and I can assure the hon. member that these discussions within the department and between the provinces and the federal government will be continued. I am sure that very good results will flow from these discussions. We may be in a position in a short time to announce interesting programs and progress which might help to solve the difficulties raised, quite properly, by the hon. member.

Motion agreed to and the House adjourned at 10.33 p.m.

HOUSE OF COMMONS

Wednesday, October 27, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

ENVIRONMENTAL AFFAIRS

TABLING OF CANADIAN WILDLIFE SERVICE REPORTS ON ECOLOGICAL AND ARCHAELOGICAL VALUES, SUFFIELD MILITARY RESERVE

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, pursuant to Standing Order 41(2) I wish to table two reports prepared by the Canadian Wildlife Service on the ecological and archaelogical values of national interest in the Suffield Military Reserve in Alberta.

* * *

EXTERNAL AFFAIRS

DECISION BY UNITED STATES TO PROCEED WITH AMCHITKA NUCLEAR TEST

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, members of the House will be aware that the United States has just announced President Nixon's decision that the underground nuclear test at Amchitka will take place on or shortly after November 3.

Some hon. Members: Shame!

Mr. Sharp: The government deeply regrets this decision and shares the widespread concern of the people of Canada as expressed in the resolution of this House of October 15.

I need not remind the House that the government has both publicly and privately made clear to the United States Canada's firm and consistent opposition to the continuation and escalation of nuclear weapons testing, and our specific concern about the threat the Amchitka test poses to the North Pacific environment that we share with them, with the Russians and the Japanese.

Our ambassador in Washington was notified of the President's decision this morning shortly before it was made public. I at once took steps to contact Mr. Rogers, the American Secretary of State, and have conveyed to him that this action on their part can only result in a deep sense of disquiet among Canadians.

The hard fact is that in the end the United States government has the legal right to carry out this test. Presumably it is doing so in accordance with what it perceives to be the national interest of the United States. We have also never suggested that this test involves a high element of risk, but no one denies that risks exist.

Canada and other nations threatened will necessarily hold the United States responsible for any short or long-term effects of this test.

To conclude, Mr. Speaker, I would like to remind the House that our specific objections to this test are wholly consistent with Canada's opposition to nuclear weapons testing of all kinds and by all nuclear powers.

• (2:10 p.m.)

Mr. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I am sure that in view of what the Secretary of State for External Affairs has just said the House will be pleased to give unanimous consent to a motion I intend to propose under Standing Order 43, if unanimous consent is granted, relative to a matter of urgent and pressing necessity, namely, today's announcement by the Atomic Energy Commission in Washington that the United States will proceed with the Amchitka nuclear test on November 3.

I move, seconded by the hon. member for Peace River (Mr. Baldwin):

That this House do direct the Prime Minister to undertake a personal and direct contact with the American President to express the opposition of the Parliament and the people of Canada to the Amchitka nuclear test and further—

Mr. Speaker: Order, please. I apologize to the Leader of the Opposition but it seems we are proceeding somewhat irregularly now. My understanding was that after the statement on motions had been made by the Secretary of State for External Affairs spokesmen for the opposition would be given the opportunity, as provided under the Standing Orders, to comment if they wished on behalf of their parties. It was my impression that the Leader of the Opposition would be doing this subject to his right of course, after these comments had been heard from the different parties, to make the motion which he is proposing. Perhaps the Leader of the Opposition would take that into consideration.

Mr. Stanfield: Mr. Speaker, I simply felt I was co-operating, as I always wish to co-operate, with the members of the government—

Some hon. Members: Oh, oh!

Mr. Guay (St. Boniface): We can take a joke.

Mr. Stanfield: —in presenting this motion at this time, and I hope it will receive the unanimous consent of the House.

Mr. Speaker: Before the motion can be put we have to proceed in accordance with the Standing Orders which require that representatives of the opposition parties be given an opportunity to comment on the statement made by the minister. The Chair will now recognize the hon. member for York South.

Amchitka Nuclear Test

Mr. David Lewis (York South): Mr. Speaker, one of my colleagues was also considering moving a motion on the same subject, but I do not see the value of it now in view of the debate that took place the other day.

I want to say on behalf of our party, and perhaps on behalf of most if not all Canadians, that the news which the Secretary of State for External Affairs has given us now makes this day a very sad one. The President of the United States has shown himself entirely insensitive to the needs of the world. He has decided to ignore the concern of Canadians in that area and, indeed, the concern of all people throughout the world that this kind of nuclear arms race should continue unabated.

I cannot help but say shame to the administration of a big and strong power that has so much to do with the welfare and peace of the world ignoring world opinion and ignoring the facts of the situation. This cannot help to produce a greater feeling of warmth or friendship toward the administration of that powerful country.

In my reading of the situation, Mr. Speaker, there are a good many scientists and military strategists who have pointed out that the test is militarily of doubtful value, if not useless, and that the Safeguard system which it is supposed to serve cannot be supported by so huge a bomb as that which will be exploded on or about November 3. I cannot help but feel that President Nixon has yielded to a desire to establish the prestige of the United States in a race that threatens the peace of the world and, indeed, the very existence of this world.

I hope, Mr. Speaker, that even at this late date the strong expression of opposition which the Secretary of State for External Affairs has made—I say without hesitation that I congratulate him for his statement and am pleased he made it so clear and so strong—and the expression of opposition by the members of this House may still persuade President Nixon to get off this course of danger and the threat to humanity, to the ecology of the northwest and in general to the morality of the modern world posed by this atrociously unnecessary and atrociously dangerous test.

[*Translation*]

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, my colleagues and I highly commend the firmness shown by the hon. Secretary of State for External Affairs (Mr. Sharp) in notifying the United States government of Canada's opposition, not only on the part of the government, but also of Parliament and the people of Canada, to these nuclear tests to be carried out by the Americans shortly after November 4.

It is astounding to see what short shrift the United States government gives to nations which in the past have co-operated with them in many areas, completely ignoring our representations when we ask them to spare Canada and other countries consequences which can only be disastrous.

I now understand why representatives and citizens of the United States are not so very welcome in most of the countries I have visited, precisely because of their disregard for other nations. The Canadian government has made some representations but the American government advises us that it is not important.

[Mr. Speaker.]

Mr. Speaker, the Americans will entirely bear the onus of their decision. We strongly object to the nuclear test which will be held in Amchitka and I join my colleagues in congratulating the government for the firm stand it has taken with the American authorities.

[*English*]

Mr. Speaker: Order, please. My understanding is that the Leader of the Opposition might want to propose at this time the motion he referred to a moment ago.

DECISION BY UNITED STATES TO PROCEED WITH AMCHITKA NUCLEAR TEST—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O.43

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, in putting this motion I wish to make it very clear that I am not accusing the President of the United States of shameful conduct or immorality. If I get the unanimous consent of the House I would move, seconded by the hon. member for Peace River (Mr. Baldwin):

That this House do direct the Prime Minister to undertake a personal and direct contact with the American President to express the opposition of the Parliament and people of Canada to the Amchitka nuclear test, and further that the Prime Minister make this direct contact an absolute and immediate priority.

Mr. Guay (St. Boniface): Talk to McIntosh.

Mr. Speaker: Order, please. The House has heard the motion proposed by the Leader of the Opposition. Under the terms of Standing Order 43 this motion requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent.

An hon. Member: Who said no?

An hon. Member: The Prime Minister.

Mr. Hees: The Prime Minister said no and I heard him.

* * *

MANPOWER

TABLING OF DETAILS OF LOCAL INITIATIVES PROGRAM AND MANPOWER TRAINING ELEMENTS OF SPECIAL EMPLOYMENT PLAN

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, under Standing Order 41(2) I wish to table the details of the local initiatives program and the manpower training elements of the special employment plan.

* * *

[*Translation*]

CANADIAN NATIONAL RAILWAYS

CANCELLATION OF CERTAIN TRAINS—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O.43

Mr. Pierre De Bané (Matane): Mr. Speaker, under the provisions of Standing Order 43, I would like to ask the

unanimous consent of the House to move a motion on an important matter requiring urgent consideration.

The Canadian National Railways have announced their decision to discontinue the service of trains Nos. 122 and 123 in eastern Quebec. The decision constitutes an infringement of the spirit of the agreement concluded by the government of Canada and the government of Quebec about the eastern part of Quebec, which is obviously a matter of national concern. It is a unilateral decision in which the population had no part whatsoever, it will jeopardize the development of our region and it denies the principle of participatory democracy.

Therefore, seconded by the hon. member for Rimouski (Mr. LeBlanc), I move:

That the House invite the government to make strong representations to the Canadian National to make them cancel their plan to discontinue trains 122 and 123 and undertake real consultations with the people of eastern Quebec.

• (2:20 p.m.)

I believe that my colleague would like to put in a word.

[*English*]

Mr. Speaker: The hon. member has proposed a motion under the terms of Standing Order 43 requiring the unanimous consent of the House.

Is there unanimous consent?

Some hon. Members: Agreed.

An hon. Member: No.

Mr. Speaker: I might say that it is difficult for the Chair to determine whether there is unanimity.

Some hon. Members: Agreed.

Mr. Speaker: I have heard a number of yeas but I am not sure whether other sounds could be interpreted as nays.

An hon. Member: Let the government House leader say no, if he dares.

An hon. Member: No.

Mr. Speaker: There is not unanimous consent and the motion cannot be put.

Mr. Hees: Some dirty Liberal said no.

Some hon. Members: Shame!

* * *

GRAIN

LETTERS TO PRODUCERS FOLLOWING PAYMENTS UNDER TEMPORARY WHEAT RESERVES ACT—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Cliff Downey (Battle River): Mr. Speaker, I rise to request the unanimous consent of the House to propose a motion on a matter of urgent and pressing necessity. This matter concerns the conduct of the minister responsible for the Canadian Wheat Board in connection with payments recently received by prairie grain producers under the Temporary Wheat Reserves Act.

Some hon. Members: Shame.

Mr. Downey: If I have the unanimous consent of the House I propose to move the following motion, seconded by the hon. member for Vegreville (Mr. Mazankowski):

Whereas, in letters dated the 20th October, 1971, and addressed to and received by prairie grain producers on the same day or shortly after the producers received payments lawfully made under the Temporary Wheat Reserves Act, the minister responsible for the Wheat Board deliberately and incorrectly stated that the government had been forced to withdraw its proposed prairie grain receipts stabilization program although the minister knew the bill was and is on the order paper of this House under government business; and—

Mr. Speaker: Order, please. The hon. member is making a speech. He knows that this cannot be done. He should indicate what the motion is.

An hon. Member: He is reading the motion now.

Mr. Speaker: I am not sure whether he is reading the motion now but if he is that should be brought to the attention of the Chair.

Mr. Downey: I beg your indulgence, Mr. Speaker. I am coming to the point. I continue:

Whereas the minister deliberately and untruthfully stated that the courts would have been in an awkward position in hearing a case under the Temporary Wheat Reserves Act while Parliament was debating the repeal of that act although the Minister is fully aware that this House debated and passed a Bill to repeal the Surcharge on Imports Order, now chapter 18 of the 1963—

Mr. Speaker: Order, please. I feel I must take exception to the kind of procedure now being followed by the hon. member for Battle River. I suggest to him, and I have had occasion to remind the hon. member for Battle River of the very same point, that the purposes of Standing Order 43 do not permit argument and do not permit one to engage in debate in circumstances where no opportunity is provided under the terms of the Standing Order for anyone to reply to the motion proposed by the hon. member. The only way in which the matter can be handled, in so far as the hon. member is concerned, is for the hon. member to indicate the urgency of the matter and propose the motion. He cannot argue, as he is now arguing, his case in support of the motion. He should indicate what the motion is and then the Chair will ascertain whether there is unanimous consent. But there should not be unilateral debate of the type in which the hon. member is now engaged.

Mr. Downey: Mr. Speaker, I was only trying to show the precedents with regard to the case we are now reviewing which involves the Wheat Board. I will briefly finish, if I may, Mr. Speaker.

Some hon. Members: Oh, oh!

An hon. Member: Propose the motion.

Mr. Downey: In essence, Mr. Speaker, with regard to the stabilization program that has been before the House I move:

Correction in Hansard

That this House holds that the minister responsible for the Canadian Wheat Board is unworthy of continuing to answer for the Wheat Board.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I have to bring to the attention of hon. members that all motions are not automatically accepted because they are moved under the terms of Standing Order 43. Motions made under the terms of Standing Order 43 are subject to exactly the same rules as other motions. I have very serious doubts whether this motion is acceptable and I propose to take it under consideration before it is put to the House.

Mr. Baldwin: Mr. Speaker, will the Chair also take into consideration the fact that the same minister a few minutes ago tabled certain documents under Standing Order 41(2) with respect to which he should have made a statement in the House so that other hon. members could have had a chance to reply?

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. The hon. member for Peace River may have a valid point. Perhaps the minister will want to take that under consideration.

Hon. members will appreciate that I do not want to create difficulties in any way, but I feel that motions made under Standing Order 43 ought to respect all the rules in the same way as all other motions. Perhaps I have been guilty of giving the impression to the House and hon. members that any motion made under Standing Order 43 is automatically in order and should be put. However, there are some motions which, even if they were to receive the unanimous consent of the House, in theory should not be put if, according to the views of the Chair, they are not consonant with our practices and with the rules of the House.

I have serious doubts about the hon. member's motion. Basically, I think it is a privilege motion, and the hon. member knows how that kind of motion has to be proposed. That is my impression at first blush. I do not want to be unfair to the hon. member and I will look at the matter very seriously before I make a ruling.

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HOUSE OF COMMONS

CORRECTION IN OFFICAL REPORT OF DEBATES— PROCEDURE FOR MEMBERS

Mr. Joseph-Philippe Guay (St. Boniface): Mr. Speaker, I wish to make a correction in *Hansard*.

Some hon. Members: Oh, oh!

Mr. Baldwin: From the sublime to the ridiculous.

Mr. Guay (St. Boniface): Mr. Speaker, you can see who is making all the noise. I hope they will wait until they hear the correction. On October 14, Mr. Speaker—

Some hon. Members: Order!

Mr. Guay (St. Boniface): —at page 8691—

[Mr. Downey.]

Some hon. Members: Order!

Mr. Guay (St. Boniface): I just want to change one word.

Some hon. Members: Order!

Mr. Speaker: Order, please. I thank hon. members who with billowing voices are asking for order, but that is the responsibility of the Chair.

Some hon. Members: Hear, hear!

Mr. Guay (St. Boniface): It is only a matter of one word, Your Honour.

Mr. Hees: Is it a four letter word?

Mr. Guay (St. Boniface): The word "there" should be changed to the word "tears". I was speaking to the Leader of the Opposition (Mr. Stanfield). The sentence should read: "How is the heavy water tears, Bob?"

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

An hon. Member: It isn't Hallowe'en and you are being funny already.

Mr. MacInnis: I rise on a point of order, Mr. Speaker, in order to seek the guidance of the Chair. Am I to understand that a precedent has been established today and that we can now go back two weeks and bring up a question such as the hon. member has just raised?

Mr. Speaker: Order, please. The point raised by the hon. member is well taken, but he and all hon. members will appreciate that the Chair has to wait until the point has been made. I certainly disagree wholeheartedly with any suggestion that hon. members can rise on motions and correct *Hansard* of two weeks ago.

Some hon. Members: Hear, hear!

• (2:30 p.m.)

Mr. Speaker: The hon. member is right. No precedent has been set. I have, in any event, indicated to hon. members on many occasions that changes to *Hansard* should be made in the normal way simply by calling the Editor of Debates, thus saving the House a good deal of time. This applies to all hon. members.

I appreciate that on some occasions mistakes which might have been made in the report could lead to difficulties affecting individual members. In such circumstances there is, I think, a responsibility on the part of the House to hear an hon. member who wishes to correct the record immediately. In other circumstances I do not think it is in accordance with the spirit of our rules to change the record or to seek corrections on motions, or at any time, except where there is a very serious change to be made. And that should be done immediately, not ten days or two weeks later.

Some hon. Members: Hear, hear!

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

GRANTS UNDER OPPORTUNITIES FOR YOUTH PROGRAM

Question No. 1,449—**Mr. Mazankowski:**

1. How many grants have been made to date under the Opportunities for Youth Program?

2. What is the name and province of residence of each successful applicant?

3. What amount (a) was requested (b) was granted?

4. What grants are presently under consideration?

5. What is the name and province of residence of the applicants?

6. What amount is being considered and when will the grant be awarded?

7. How is the initial payment to be made to the successful applicant?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. Opportunities for Youth had made approximately 2,304 grants as of May 31st.

2. A report is being prepared for public release containing the names of the successful applicants. Approved projects, by province, have been announced in periodic press releases.

3. At best, the total amount requested was awarded. However, many amounts requested were adjusted in accordance with Opportunities for Youth criteria and the relative funds available. (a) The target was set at $1,000 salary per student, per summer (i.e. for a three month period). (b) Minimum overhead costs were funded where absolutely necessary.

4. It is impossible to retrace the exact number of grants that were under consideration as of May 19th, but by May 31st 2,304 grants had been awarded.

5. See (2).

6. No applicable.

7. Each successful applicant received a contract outlining the terms of agreement under which he would carry out his project. After he had signed the contract and returned it to Opportunities for Youth he received a photocopy of the contract now bearing the signature of the Secretary of State, Under Secretary of State or Assistant Under Secretary of State. The first payment, a percentage of the whole amount, was then forwarded to him either from the Opportunities for Youth office or directly from the M.P. of his riding.

[*English*]

PROJECTS APPROVED UNDER OPPORTUNITIES FOR YOUTH PROGRAM

Question No. 1636—**Mr. Coates:**

1. How many projects were approved under the Opportunities for Youth Program and what was the total financial commitment of the government to these projects?

2. What was the total number of persons involved in the Opportunities for Youth Programs?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. Under the Opportunities for Youth Program, 2,312 projects were approved. The total financial commitment of the government was $23,117,585.32.

2. The total number of jobs created through the Opportunities for Youth Program was 27,832, apart from a considerably larger but undetermined number of persons involved. The figure indicating the number of participants directly or indirectly affected by the projects will not be available until all final reports have been received from the projects.

[*English*]

PROJECTS APPROVED UNDER OPPORTUNITIES FOR YOUTH PROGRAM—BREAKDOWN BY PROVINCE

Question No. 1,637—**Mr. Coates:**

1. What was the total number of project applications received under the Opportunities for Youth Program and what is the breakdown by province?

2. Of the total number of applications received, what was the total number approved and what is the breakdown by province?

3. What was the total financial involvement of the government under the Opportunities for Youth Program and what is the financial breakdown by province?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. Total number of project applications received under the Opportunities for Youth Program was 11,303.

British Columbia	943
Alberta	503
Saskatchewan	214
Manitoba	539
Northwest Territories	18
Ontario	3,276
Quebec	4,276
Nova Scotia	662
New Brunswick	471
Prince Edward Island	196
Newfoundland	205

Duplicate submissions received for some projects are not included.

2. The total number of approved projects was 2,312.

British Columbia	298
Alberta	141
Saskatchewan	106
Manitoba	87
Northwest Territories	11
Ontario	585
Quebec	785
Nova Scotia	129
New Brunswick	68
Prince Edward Island	33
Newfoundland	52
National	17

3. The total financial involvement of the government under the Opportunities for Youth program committed to date is $24,567,585.32.

British Columbia	$2,373,286.54
Prairies and N.W.T. (Alberta, Saskatchewan, Manitoba, and Northwest Territories)	$3,636,347.22
Ontario	$4,889,772.23
Quebec	$9,092,321.22

Questions

Atlantic Region (Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland	$2,758,131.11
National Projects	$ 367,727.00
Estimated administrative overhead	$ 800,000.00
Evaluation costs	$ 200,000.00
Information	$ 150,000.00
Workmen's compensation fund (administered by the Department of Labour)	$ 300,000.00

[*English*]

CANADA MANPOWER TRAINING PROGRAM

Question No. 1,687—**Mr. Rowland:**

1. What were the federal expenditures on the Canada Manpower Training Program in each of the fiscal years since 1967-68, together with the estimate for 1971-72, for each of the five regions of Canada?

2. How were these expenditures in each of the five regions distributed among (*a*) purchase of full-time training from the provinces (*b*) allowance payments to trainees (*c*) purchase of part-time training from the provinces (*d*) administrative costs incurred by provincial and municipal governments (*e*) apprenticeship-training (*f*) training-in-industry?

3. What were the total administrative costs in each of the four fiscal years, incurred by the Department of Manpower and Immigration in connection with the Canada Manpower Training Program?

Hon. Otto E. Lang (Minister of Manpower and Immigration): 1. Federal expenditures on the Canada Manpower Training Program:

1. Federal expenditures on the Canada Manpower Training Program

$ 000

	1968–69	1969–70	1970–71	1971–72
Atlantic	25,867	37,574	45,667	training
Quebec	66,323	90,631	99,758	purchase
Ontario	61,769	67,299	83,070	negotiations
Prairie	27,509	34,136	40,755	with the
Pacific	8,498	15,400	20,327	provinces are not
Canada	189,966	245,040	289,577	yet completed

2. Expenditures by Region

$ 000

	(1) Full-time Training	Allowance Payments	Part-time Training	Adm. Costs	Apprentice Training	Trg-in-Industry
	(a)	(b)	(c)	(d)	(e)	((f)
Atlantic						
1968–69	8,239	13,543	Data not	Data not	2,390	658
1969–70	13,525	20,044	available	available	1,731	739
1970–71	16,606	23,698			2,707	904
Quebec						
1968–69	24,783	35,354			5,436	520
1969–70	36,982	46,275			6,485	708
1970–71	40.873	55.693			2.112	1.066
Ontario						
1968–69	16,561	35,814			5,696	2,191
1969–70	21,934	37,935			4,376	2,819
1970–71	30,895	44,703			5,931	1,159
Prairie						
1968–69	9,030	13,274			2,561	1,064
1969–70	8,682	15,120			6,558	1,852
1970–71	11,150	18,907			6,206	1,348
Pacific						
1968–69	2,661	4,374			614	34
1969–70	6,110	6,472			2,171	82
1970–71	8,205	9,707			1,430	339

The figures in any one year may reflect training supplied in another year since payments are based on estimated costs which are then subject to audit and adjustment.

3. Departmental accounts are not structured to reflect the administrative costs because referral of clients to training is only one of the tools used in the ultimate matching of clients to occupations. Therefore, the administrative costs for the Canada Manpower Training Program are very closely interwoven with other administrative costs and any apportionment of costs on an estimated basis to the Canada Manpower Training Program would now have to be done arbitrarily and thus be misleading.

Note (1): Includes Part-time training since separate breakdown not available.

RIDING MOUNTAIN NATIONAL PARK—PURCHASE OF COTTAGES

Question No. 1,703—**Mr. Stewart (Marquette):**

Have any cottages been purchased by the government at Wasagaming in Riding Mountain National Park and, if so (a) how many (b) what was the total cost of the cottages (c) what will the land be used for?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Yes. (a) two; (b) $16,000; (c) Parking facilities.

GRANTS TO INDIAN STUDENTS

Question No. 1,734—**Mr. Godin:**

Does the government subsidize the Indian students who are educated outside of their reserve and, if so, what amount is granted in each province to students (a) at the primary level (b) at the secondary level (c) at the college level (d) at the university level?

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): Yes. (a) and (b) In most cases, the amount is negotiated by means of joint school agreement with the Province concerned. The amount in dollars paid to, or on behalf of, students may vary owing to regional disparities in the cost of living, the negotiated tuition fees and grade level of the student, the number of books he requires. (c) and (d) At these levels, the students receive training allowances to cover the costs of tuition, books and supplies, board and

room, transportation and clothing. The allowance rates are similar to those paid under the Occupational Training for Adults program of the Department of Manpower and Immigration.

PEI—APPLICATIONS FOR LOANS

Question No. 1,757—**Mr. McQuaid:**

1. For the period January 1, 1971 to August 31, 1971, how many applications were received from the Province of Prince Edward Island for loans under the (a) Farm Loan Board Act (b) Farm Improvement Loans Act (c) Fisheries Improvement Loans Act (d) Small Businesses Loans Act?

2. Of the applications received, how many were approved and what is the amount of the loan in each case?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Farm Credit Corporation and the Department of Finance as follows: 1. (a) Thirty-two applications. (b), (c), and (d) Data is not available concerning the number of applications received by chartered banks and other lenders under these three Acts.

2. (a) Twenty-two approvals in the amount of $542,500 and six applications are under consideration.

NOTE: The Farm Credit Act (SC 1959, c. 43, proclaimed on October 5, 1959) established the Farm Credit Corporation as successor to the Canadian Farm Loan Board established in 1929. The Corporation, which is a Crown agency, reports to Parliament through the Minister of Agriculture.

(b), (c), and (d) The following table shows loans granted in P.E.I. for the period January 1, 1971-July 31, 1971. (Figures for August 1971 are not yet complete).

Act	No.	Amount
Farm Improvement	410	$993,881
Fisheries Improvement	72	$119,219
Small Business	7	$ 43,302

ALBERTA—LAND FORECLOSURES

Question No. 1,778—**Mr. Mazankowski:**

1. Have any land foreclosures been made in Alberta due to the unsatisfactory discharge of mortgages provided for by the Farm Credit Corporation in the years 1969-70, 1970-71 and April, 1971 to the present time and, if so, how many in each period?

2. How many farmers in Alberta held Farm Credit mortgages as of (a) September 30, 1971 (b) September 30, 1970 (c) September 30, 1969?

3. How much money does this represent in each of the above years?

4. How many farmers are in arrears in Alberta by (a) one year (b) two years (c) three years (d) four years?

5. (a) How many actions for foreclosure have been commenced in Alberta, up to the period ending September 30, 1971 (b) in those actions commenced, have stay of proceedings been granted by the courts and, if so, how many?

6. Has the Farm Credit Corporation undertaken to pay property taxes on farm lands in arrears in Alberta and, if so (a) how many in the years 1969-70, 1970-71, April 1, 1971 to the present date (b) how much money does this represent in each of the years?

7. In the case of foreclosures, how is the land disposed of and what is the total net loss or gain in each case?

Hon. H. A. Olson (Minister of Agriculture): The Farm Credit Corporation advises as follows: 1. 1969-70, 3; 1970-71, 8; 1971-Sept. 30, 9.

2. (a) 15,983; (b) 15,982; (c) 15,702.

3. (a) Sept. 30, 1971, $289,396,944; (b) Sept. 30, 1970, $285,315,625; (c) Sept. 30, 1969, $270,389,221.

4. (a) 1,992, (b) 682, (c) 204, (d) 85.

5. (a) 85 for the period April 1, 1960 to Sept. 30, 1971; (b) Yes, 20.

6. (a) (1969-70) 22; (1970-71) 16; (1971 to Aug. 31/71) 9. (b) (1969-70) $33,200; (1970-71) $20,909; (1971 to Aug. 31/71) $13,461.

7. When land is acquired by foreclosure it is advertised publicly and sold for cash or on terms to the party making the best offer acceptable to the Corporation. Net loss for the period April 1, 1969 to Sept. 30, 1971 was $14,975.03.

SPECIAL EMPLOYMENT OFFICES FOR STUDENTS

Question No. 1,801—**Mr. Godin:**

1. During the last school holidays, how many special employment offices for students were opened by the Department of Manpower and Immigration (a) in Canada (b) in each province?

2. (a) What was the address of each office opened in the Province of Quebec (b) for what period did these offices provide such services?

[*Translation*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): 1. During the 1971 vacation period for students the Department of Manpower and Immigration operated Canada Manpower Centres for Students as follows: (a) in Canada a total of 119; (b) in Nova Scotia, 4; New Brunswick, 4; Prince Edward Island, 1; Newfoundland, 1; Quebec, 43. (N.B.: The Canada Manpower Centre for Students at 239 Queen Street, Ottawa, was set up to serve all students in the Ottawa-Hull area so that, in effect, there were 44 points of service for students in the province of Quebec.) Ontario, 56; Manitoba, 2; Saskatchewan, 2; Alberta, 3; British Columbia 3. (N.B.: The Canada Manpower Centre for Students at 729 West Hastings Street, Vancouver operates year round.)

2. (a) The addresses of the Canada Manpower Centres for Students in the Province of Quebec were:

Amqui	95, rue de l'Arena
Bonaventure	École des Métiers
Carleton	École Polyvalente
Chateauguay	159, boul. Maple
Chibougamau	3e rue
Chicoutimi	23 est, rue Racine, suite 303
Donnacona	Polyvalente Tardivel
Dorval	1335, Bord du Lac
Granby	150, rue Lansdowne
Jonquière	200, rue St-Dominique
La Sarre	500, rue Principale
Laval	955, rue St-Martin
Longueuil	945, chemin Chambly
Matane	159, rue St-Pierre
Matapédia	Boul. Perron
Montréal	244 est, rue Sherbrooke
Montréal	1430, rue St-Denis
Montréal	1179 Bleury
Montréal	3800 est, rue Sherbrooke
Montréal	7000, rue Marie-Victorin

Questions

Montréal	6400, 16e avenue
Montréal	9155, rue St-Hubert
Montréal	350, rue Selby
Montréal	535 Viger
Montréal	2111, rue Centre
Montréal Nord	4255, Place de l'Hôtel de Ville
Pierrefonds	Aréna, boul. Pierrefonds
Québec	310, boul. Langelier
Québec Protestant High School	945 Belvedère
Rimouski	60 ouest, rue Évêché
Rivière-du-Loup	9, rue Dollard
Roberval	Boul. St-Joseph
Rouyn	425, rue Gagné
Sainte-Foy	2700, boul. Laurier
Saint-Félicien	270, boul. Sacré-Coeur
Saint-Hyacinthe	454, rue Hôtel-Dieu
Saint-Romuald	Rue Commerciale
Sherbrooke	321, rue Dufferin
Trois-Rivières	3500, rue Courval
Vaudreuil	Cité des Jeunes
Verdun	4400, rue Champlain
Ville La Salle	13, rue Strathyre
Ville St-Laurent	1375, Ch. Côte Vertu.

2. (b) As in the past the Canada Manpower Centres for Students were open for varying periods of time according to the needs of the student population in each area served. Those in areas with large numbers of post secondary students were usually open for a longer period than were those in areas where secondary school students were in the majority. The average period for which the student Centres were open was three to four months.

[*English*]

AID TO INDUSTRIES IN SCIENTIFIC ACTIVITIES

Question No. 1,803—**Mr. Thomson (Battleford-Kindersley):**

1. Does the Minister of State for Science and Technology intend to encourage industries through aid in research and development and, if so (a) what type of industries will receive aid (b) what criteria will be used to decide which industries will receive aid?

2. Does the Minister intend to involve the Canada Development Corporation in providing practical application to scientific development?

3. To what extent will the Department be involved in aid to new companies who are attempting to make practical application of new technological ideas such as the laser?

Hon. Alastair Gillespie (Minister of State for Science and Technology): 1. Responsibility for aid to industries continues to be that of the Department of Industry, Trade and Commerce and other concerned departments and agencies. The Minister of State for Science and Technology will assist in the development of policies in that regard.

2. The Canada Development Corporation is an independent Crown Corporation. The Ministry will of course develop close liaison with that agency in relation to the science and technology aspects of its activities.

3. The Ministry will be concerned with government policy in relation to new technological ideas.

PURCHASE OF SCULPTURE CALLED "TRAFFIC"

Question No. 1,822—**Mr. Hales:**

1. What department approved the purchasing of the sculpture called "Traffic" which is situated in the park beside the National Arts Centre?

[Mr. Lang.]

2. How much was paid for this sculpture?

3. Who was responsible for signing the purchase order for this work?

4. Was this sculpture purchased after it was built or was the Laarrtist commissioned to make a sculpture for the park?

5. What department and vote covered this purchase?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): I am informed by the National Museums of Canada as follows:

1. The National Museums of Canada on behalf of the National Gallery of Canada, which is a component of the National Museums, is the agency which approved the purchase of the sculpture called "Traffic".

2. It has been the long established policy of the National Museums of Canada not to divulge the prices paid for works of art.

3. The Director of the National Gallery of Canada.

4. This work was commissioned from the sculptor Ed Zelenak who lives in West Lorne, Ontario, near London, on the basis of a full size maquette in lighter, thinner plastic.

5. The National Museums of Canada Vote 100—Program Expenditures.

[*English*]

QUESTIONS PASSED AS ORDERS FOR RETURNS

CITIZENSHIP COURTS

Question No. 1,673—**Mr. Alexander:**

1. What was (a) the total amount (b) the individual amounts per court expended for administration of Citizenship Courts for the years 1965 to 1970 inclusive?

2. How many Citizenship Courts are there and where are they located?

3. How many applications for Canadian Citizenship were received in the years 1965 through 1970 inclusive and how many were ultimately processed and refused in each year?

4. Have any studies been made of Citizenship Courts or related institutions in Commonwealth countries and the United States and, if so, when were they made and which countries were involved?

5. Has a study been made of the efficacy, administration and function of Citizenship Courts and, if so, when was it completed and who made the study?

6. How many applications for Canadian Citizenship were received at the Citizenship Court in Hamilton from 1965 through 1970 inclusive and how many were processed and refused in each year?

Return tabled.

CANADA MANPOWER TRAINING PROGRAM

Question No. 1,688—**Mr. Rowland:**

1. How many persons commenced training under the Canada Manpower Training Program in each of the five regions of Canada, and in each of the last four fiscal years, in (a) full-time courses under the general purchase agreements (b) part-time courses under the general purchase agreements (c) apprenticeship courses under the apprenticeship agreements (d) training-in-industry?

2. How many of these persons (a) successfully completed their training (b) discontinued their training or were otherwise unsuccessful, in each of the four categories and in each of the four fiscal years?

Return tabled.

CANADA MANPOWER TRAINING PROGRAM—NUMBER OF GRADUATES

Question No. 1,689—**Mr. Rowland:**

1. Does the Department of Manpower and Immigration have knowledge of the effectiveness of the Canada Manpower Training Program in terms of how many graduates get jobs?

2. How many graduates from the general purchase portion (full-time) of the Canada Manpower Training Program were there in each of the fiscal years 1967-68, 1968-69, 1969-70, 1970-71 in each of the five regions of Canada?

3. How many of these graduates in each of the five regions of Canada and in each of the fiscal years (a) obtained jobs in occupations for which they were trained (b) obtained jobs in occupations related to their training (c) obtained jobs in occupations unrelated to their training?

4. What is the distribution of these graduates in these three categories according to (a) the time-lag between graduation and employment (b) the duration of employment?

5. How many graduates did not obtain jobs within the measured time-lag in each of the four fiscal years and the five regions of Canada?

6. How many graduates who did not obtain jobs re-enrolled in the federal program since its inception in 1967?

7. How many of the trainees under the general purchase agreements (full-time) re-enrolled in the federal program once, twice, three times, four times, five times, six times, more than six times?

Return tabled.

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM

Question No. 1,766—**Mr. Orlikow:**

Since the inception of the Industrial Research Assistance Program (a) how much money has been paid in each year under its provisions (b) what was the amount of each grant (c) to which companies were grants made (d) what evaluation was made of applications for grants (e) who made the evaluation (f) what evaluation was made of the effectiveness of grants (g) who evaluates the effectiveness of grants?

Return tabled.

Mr. Burton: Mr. Speaker, on September 29 I placed a starred question on the order paper which read as follows:

What is the authority or basis upon which the government acted in not making certain payments to the Canadian Wheat Board under the terms of the Temporary Wheat Reserves Act since August 3, 1970?

In view of the fact that the minister was able to move so promptly in sending out a letter to wheat farmers containing a false statement, I wonder why it has not been possible for the government to answer this straightforward and simple question in the same prompt manner.

Mr. Jerome: I have made a note of it, Mr. Speaker, but I do not know how the hon. member can say that a matter which occupied so much of the time of the House in acrimonious debate can be called simple and uncomplicated.

MOTIONS FOR PAPERS

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, would you be so kind as to call motions 140, 246, 252 and 255?

LIST OF BOOKS AND PAMPHLETS PROHIBITED FROM ENTRY INTO CANADA

Motion No. 140—**Mr. Orlikow:**

That an Order of the House do issue for a copy of the list of books, pamphlets, etc. prohibited from entry into Canada under Item 99201-1 Schedule C of the Customs Tariff Act on the grounds that they were of an immoral or indecent character.

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, there is no list of books, pamphlets, etc. which are prohibited from entering into Canada under tariff item 99201-1, Schedule C of the Customs Tariff. As stated in reply to question No. 2044, answered on Monday, October 5, 1970, no separate list of material prohibited under the tariff item is maintained nor does the department issue such a list.

Mr. Speaker: Is the motion dropped?

Mr. Orlikow: No, Mr. Speaker.

Mr. Speaker: Transferred for debate.

CORRESPONDENCE WITH PRAIRIE PROVINCES CONCERNING EXPECTED INVASION OF BERTHA ARMY WORM

Motion No. 246—**Mr. Skoberg:**

That an humble address be presented to His Excellency praying that he will cause to be laid before this House a copy of all correspondence entered into between the Department of Agriculture and the Government of each of the three Prairie Provinces, concerning the expected invasion of the Bertha army worm during 1971.

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, this motion is not applicable since there was insufficient early evidence to predict the serious problem with the Bertha army worm. While a larger than usual number of moths were observed at a few locations, these observations did not, in the light of current knowledge, warrant forecasting undue difficulties with the Bertha army worm. As soon as the situation developed, communication between officials of the Canada Department of Agriculture, provincial officials and others was conducted by telephone and by personal contact in order to avoid delays.

Mr. Skoberg: In view of the fact that the minister said, in reply to a question in the House, that there had been communication between his department and the provincial ministers, I should like to call for the question on this motion.

Mr. Benson: Haven't you heard of the telephone?

Mr. MacEachen: Transfer for debate.

Mr. Speaker: Transferred for debate.

CORRESPONDENCE RELATING TO ESTABLISHMENT OF SECOND NATIONAL PARK IN P.E.I.

Motion No. 252—**Mr. McQuaid:**

That an humble Address be presented to His Excellency praying that he will cause to be laid before this House a copy of all correspondence, telegrams and other documents exchanged between any federal department and any department or Minister

of the Government of Prince Edward Island concerning the establishment of a second National Park in Prince Edward Island.

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, this motion is not acceptable as negotiations are still in progress between the federal government and the government of Prince Edward Island regarding the creation of a second national park in that province. All documentation relating to this matter is therefore of a confidential nature. Under these circumstances I would ask the hon. member to withdraw the motion.

Mr. McQuaid: Agreed.

Mr. Speaker: Dropped.

Order discharged and motion withdrawn.

CORRESPONDENCE BETWEEN PRIME MINISTER AND SECRETARY OF THE TREASURY FOR THE UNITED STATES

Motion No. 255—**Mr. MacDonald (Egmont):**

That an humble Address be presented to his Excellency praying that he will cause to be laid before this House a copy of all correspondence between the Minister of Finance and the Secretary of the Treasury for the United States of America between August 1, 1971 and October 15, 1971.

Mr. P. M. Mahoney (Parliamentary Secretary to Minister of Finance): Mr. Speaker, there is only one document involved. A letter dated September 8, 1971, from the Minister of Finance to the Secretary of the Treasury has been printed as an appendix to the Minutes of Proceedings and Evidence for September 16, 1971, of the Standing Committee on Finance, Trade and Economic Affairs. The hon. member may wish to withdraw his motion.

Mr. MacDonald (Egmont): Mr. Speaker, I find it incredible that in a matter so important to the economy the parliamentary secretary can say there is no correspondence in addition to the document which is now available. Therefore I should like to have the question put.

Mr. MacEachen: Transfer for debate.

Mr. Speaker: Transferred for debate.

Mr. Skoberg: With regard to notices of motions Nos. 70, 75 and 76 of October 8, 1970, and particularly notice of motion No. 75 asking for research studies concerning transportation policy, can the parliamentary secretary say when we may expect replies?

Mr. Jerome: I am not able to do so at the moment but I have made note of the numbers to which the hon. member has referred.

[Mr. Speaker.]

ORAL QUESTION PERIOD

EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—SUGGESTED DIRECT CONTACT BY PRIME MINISTER WITH PRESIDENT NIXON—NOTICE OF DECISION PRIOR TO PUBLIC ANNOUNCEMENT

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Prime Minister whether he is now prepared to initiate direct contact with President Nixon in the hope of securing some reversal of the Amchitka decision? I ask this question particularly in light of the joint communiqué issued yesterday by the government of Canada and the government of the U.S.S.R. on the whole subject of nuclear testing and nuclear explosions.

Right Hon. P. E. Trudeau (Prime Minister): On the question of the authority which I might have in speaking to the President, it seems to me I could not be expected to exercise more than the unanimous vote—minus one Conservative—of the House of Commons. Therefore I do not see exactly what the Leader of the Opposition would want me to say to the President except that which he already knows, and knows more strongly, from the House of Commons itself.

I think there is a further question of practicability. I understand that the chairman of the Atomic Energy Commission of the United States, when he made the announcement that the test would proceed, also indicated that operations had begun which would make it impracticable to recover the device. It seems to me that the President's decision having been taken, and the operation having begun, it is really futile to think that further representations in addition to those already made, and which are matters of record, could be put forward successfully immediately the decision had been made known. Further representations would really be in the nature of grandstanding.

Mr. Stanfield: I do not quite understand why the Prime Minister should continue to downgrade the influence that the Prime Minister of Canada might have with the President of the United States, but I should like to ask the right hon. gentleman to tell the House whether his government was made aware of the substance of today's announcement in Washington prior to its public disclosure at the news conference held in the United States by the Atomic Energy Commission?

Mr. Trudeau: As to the first part of the question, it seems to me it is a novel approach by the official opposition to suggest I am downgrading the influence of the office of Prime Minister, but I do take note of that suggestion. As to the substance of the question, perhaps the Secretary of State for External Affairs could report.

Hon. Mitchell Sharp (Secretary of State for External Affairs): The answer to the second part of the question is that about an hour and a half or two hours before the public announcement was made, our ambassador was called in to the state department and informed of the decision of the President.

• (2:40 p.m.)

Mr. Stanfield: Following that indication to the government of Canada, did the Secretary of State for External Affairs communicate with the Prime Minister—I am not asking for the disclosure of any confidence—with a view to making additional representations to the President of the United States in view of the concern expressed in the House and in Canada?

Mr. Sharp: Yes, Mr. Speaker. It so happened that I was sitting beside the Prime Minister when I received the news from our ambassador in Washington and I immediately communicated, on the basis of our joint agreement, with Secretary Rogers and expressed our deep regrets and the great concern that the people of Canada would have at this decision of the President.

AMCHITKA NUCLEAR TEST—ADVANCE NOTICE OF EXPLOSION—PRECAUTIONS IN CASE OF TIDAL WAVE

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, may I ask the Secretary of State for External Affairs whether the Canadian government is expecting to receive any advance notice of the precise time and date of the Amchitka explosion, or will we have the approximately one and a half hours' notice that we have had in the case of the announcement of the decision to proceed?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the announcement that has been made indicates that they are planning for a date around November 3 or 4. I do expect, of course, that the United States government itself will be giving sufficient notice so that ships and others can be out of the way of danger when the explosion takes place.

Mr. Rose: I understand that Governor Eagan of Alaska is considering seeking from the United States government the stationing of ships along the coast as a safety precaution and for rescue purposes. Can the minister tell the House whether Canada has made any similar contingency plans for coastline protection, because all of us will recall the damage that the tidal wave caused the city of Alberni only a few years ago?

Mr. Sharp: Mr. Speaker, I do not know that I quite understand the purpose of the question. The preparations that the state of Alaska is apparently talking about concern the stationing of ships. I would not have thought that the stationing of ships would prevent a tidal wave.

Mr. Rose: Mr. Speaker—

Mr. Speaker: Order, please. Is the hon. member rising on a supplementary?

Mr. Rose: For purposes of clarification, Mr. Speaker. In the event that tidal waves cause difficulties in coastal cities in Alaska, I understand that the governor is requesting certain naval or marine safety precautions to be taken in case there are problems with flooding and damage caused by tidal waves. What I am asking is precisely whether Canada has considered any similar coastline protection for coastal cities and, if so, what is it?

Mr. Sharp: Mr. Speaker, the specific answer to that question is no, and I doubt very much whether, if there were a tidal wave of this proportion, anything more than warning could be given. This kind of warning has now been given. We hope it does not happen and the danger does seem to be very minimal, but if it does happen I just say "Let us pray".

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POWER

PROPOSED JAMES BAY HYDROELECTRIC PROJECT—POSSIBLE USE OF NUCLEAR BLASTING FOR EXCAVATION PURPOSES

Mr. Robert Simpson (Churchill): Mr. Speaker, I have a supplementary question related to the whole question of nuclear testing and nuclear blasts, and I direct it to the Secretary of State for External Affairs. Can the minister say whether he is aware of the statement made recently by Robert A. Boyd, commissioner of Hydro-Quebec, reported in the Ottawa *Journal* on October 23 last, in relation to the planned James Bay power project, that excavation using nuclear explosions is one of the many areas being explored by planners of the project, and what does the government plan to do in light of that statement?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, this is not a question that ought to be directed to the Secretary of State for External Affairs. I would suggest it be directed to one of my colleagues who is far more concerned with internal affairs.

Mr. Speaker: Order, please. The hon. member might redirect his question, but my impression is that with this supplementary we may have gotten away somewhat from the original question and I gather there are direct supplementaries that hon. members are seeking to put. Having asked the question the hon. member might be allowed to redirect it, and we will then return to the original subject.

Mr. Simpson: I direct my supplementary to the Minister of the Environment. Is the minister aware of the statement of Mr. Robert A. Boyd to which I have just referred, and has the government taken any action in light of this recent statement?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, I am not personally aware of this statement. I might add in respect of an earlier question that our scientists and seismologists have indicated that the chance of a tidal wave resulting from the Amchitka blast is extremely remote.

* * *

[*Translation*]

EXTERNAL AFFAIRS

SUGGESTED LETTER TO UNITED STATES SENATORS AND REPRESENTATIVES WHO OPPOSE AMCHITKA NUCLEAR TEST

Mr. Léonel Beaudoin (Richmond): Mr. Speaker, I should like to put a question to the Secretary of State for External Affairs.

Since the American government has not seen fit either to delay the nuclear test at Amchitka or to listen to the representations from the Canadian government, could the Secretary of State for External Affairs tell us whether he or some official from his department intends to send a letter of congratulations to those senators and representatives of the American government who have opposed this test?

[*English*]

UNITED STATES DECISION TO PROCEED WITH AMCHITKA NUCLEAR TEST—DIRECT CONTACT BY PRIME MINISTER WITH PRESIDENT NIXON

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, I have a supplementary question for the Prime Minister. After the Prime Minister had been informed by the Secretary of State for External Affairs of the formal reply of the United States administration to the Amchitka problem, did the Prime Minister attempt to get in touch with the President of the United States and, if not, why not?

Right Hon. P. E. Trudeau (Prime Minister): The answer to the question is no, I did not so attempt, Mr. Speaker.

Mr. Speaker: Order, please. The Chair will recognize a few supplementaries on this point but, as hon. members know, when we spend 15 to 20 minutes on the first question, toward the end of the question period a number of our colleagues do not get an opportunity to ask their questions. Yesterday I undertook to try to give an opportunity today to a number of members in the fourth and fifth rows who did not have a chance yesterday.

Mr. Nowlan: The silent majority, Mr. Speaker.

Mr. Speaker: Yes, the silent majority, as the hon. member says. Therefore I would hope that we might try to reduce the amount of time spent on the first two or three questions.

Mr. Nowlan: Mr. Speaker—

Mr. Speaker: Order. Is the hon. member rising on a supplementary?

Mr. Nowlan: After your admonition, Mr. Speaker, only in relation to the second part of my question, which was "if not, why not" and which, had it been answered, would have obviated the necessity for me again to take the time of the House.

Mr. Trudeau: Mr. Speaker, I thought the hon. member would appreciate that I was obviating the necessity to repeat what I had said a moment ago in answer to his leader, namely, that I did not see the utility of doing this and apologizing to the President that even though the House of Commons itself had tried to get a unanimous vote some Conservative was against such a move.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Egmont on a supplementary and then recognize the hon. member for York South on the next subject.

Mr. David MacDonald (Egmont): Mr. Speaker, I have a supplementary question for the Prime Minister. In view of the lengthy interest that has been taken in this problem for some weeks now and the recorded vote by the members of this House, and bearing in mind the normal contacts that exist between Prime Ministers of this country and Presidents of the United States, can the Prime Minister indicate whether he at any time expressed to the President the tremendous disquiet that exists in this country and the strong feelings registered from time to time in this House regarding the contemplated blast at Amchitka?

Mr. Trudeau: Mr. Speaker, I believe I have answered this question before. The answer is no. There has been some communication between the President and myself on other matters, but I repeat that I thought the vote of the House of Commons spoke for itself in this instance.

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TRADE

POSSIBLE CANADIAN CONCESSIONS TO HELP UNITED STATES SOLVE BALANCE OF PAYMENTS PROBLEM

Mr. David Lewis (York South): Mr. Speaker, I should like to address a question to the Secretary of State of External Affairs arising out of his brief broadcast over a United States network in which he said that we—presumably Canada—would like to help the United States get out of its balance of payments difficulties. I should like to ask the minister whether he, or any other member of the government to his knowledge, has indicated to the United States any specific ways in which Canada will try to help the United States with its balance of payments problem?

• (2:50 p.m.)

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the United States knows that we have complied with the requirements laid down by the President. In my broadcast I was indicating—and it seems the point was taken—that it is very difficult to settle the kind of problems now facing the world, economic and financial, if one is faced with ultimatums. In other words, the only way we will be able to deal with these problems is in a spirit of friendship and co-operation. I was indicating that if the United States were to approach us in the spirit and not by saying, "here is a surcharge which will remain on until you do such and such", then I thought we could make greater progress, and I hope that is the attitude the United States will subsequently accept.

Mr. Lewis: Mr. Speaker, that leads directly to an obvious supplementary. I would ask the Secretary of State for External Affairs or the Minister of Finance, whichever one can inform us, exactly what they would expect to give to the United States in respect of concessions and in what area? The minister said the problem can be solved in friendship and co-operation. I am asking him, as we have asked before, what areas of concessions is the Canadian government contemplating if the United States should be willing to sit down with the Canadian government and negotiate some reduction in the Canadian surplus in the balance of payments with the United States?

Mr. Sharp: Just in a general way, and I know the Minister of Finance would agree with this, we would like to settle the problems in an expanding economy and not in a contracting economy. In other words, we would like to see the trade surplus we now have with the United States reduced by an expansion of trade in which the volume of our imports went up reflecting an expansion of demand in Canada. That is the spirit in which generally we would like this problem to be settled. On the other question of what we could talk about specifically, the United States has not even indicated the subjects they would like to talk about.

POSSIBLE IMPOSITION BY UNITED STATES OF COUNTERVAILING DUTIES BECAUSE OF EMPLOYMENT SUPPORT ACT

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I have a question for the Secretary of State for External Affairs. On October 21 reports from Washington credited an official of the United States government with saying the Canadian government had been informed that countervailing duties would be imposed industry by industry if U.S. companies complained about the assistance given to Canadian industries under the $80 million Employment Support Act. I want to ask the Secretary of State for External Affairs if such information was conveyed to him either through the Canadian embassy in Washington or through the United States embassy here in Ottawa?

Hon. Mitchell Sharp (Secretary of State for External Affairs): No, Mr. Speaker. It has not been conveyed to the Canadian government at any level.

Mr. Stanfield: A supplementary—

Mr. Speaker: Order, please. The Chair will recognize the Leader of the Opposition and then go to the hon. member for Témiscamingue. We have not yet had the first round of questioning and have been going for 15 minutes.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, with regard to the reference of the Secretary of State for External Affairs to unilateral actions, positions and this sort of thing, may I ask whether it is in order for the government of Canada to unilaterally decide it can break an agreement with the International Monetary Fund with regard to floating our dollar and then protest about the United States taking some unilateral action?

Mr. Speaker: Order, please. It seems to me that the hon. member's supplementary is argumentative and is debate.

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[*Translation*]

MANPOWER

LOCAL INITIATIVES PROGRAM—AVAILABILITY OF APPLICATION FORMS

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I want to ask a question to the Minister of Manpower and Immigration.

He tabled today the local initiatives program. Are these application forms presently available at the various Canada manpower and immigration centres throughout Canada?

[*English*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, they have been mailed to all manpower offices. Many manpower offices may in fact have the local initiatives program application forms today and all the rest should receive them almost immediately. So far as the municipalities are concerned, the co-ordinators for each province are expected to mail application forms directly to the municipalities within their area and that includes the territories as well.

* * *

FINANCE

GOVERNMENT ACTION RESPECTING EXCHANGE LEVEL OF CANADIAN DOLLAR

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is for the Minister of Finance. In light of the answer of the minister on Monday that the Department of Finance had acted to support the Canadian dollar in the market over the last week, would the minister now tell us whether he can assure the United States authorities that the Canadian dollar is freely floating and therefore not running afoul or counter to the United States conditions for the application of the surcharge?

Hon. E. J. Benson (Minister of Finance): Well, Mr. Speaker, that was not the answer I gave.

Mr. Lambert (Edmonton West): Mr. Speaker, the minister did indicate that there had been government action to affect the value of the Canadian dollar and keep it below par with the United States dollar. If this is not action by the government, what is?

Mr. Benson: I said nothing of the kind, Mr. Speaker.

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THE CANADIAN ECONOMY

INQUIRY AS TO ANNOUNCEMENT OF STEPS TO STRENGTHEN

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I have a question for the Prime Minister. When may the House expect the government to announce—and I shall quote the minister's words—the "dramatic new moves" to strengthen the Canadian economy as mentioned by the MInister of Industry, Trade and Commerce in a speech to an audience at Montebello, Quebec, on October 18 in which he said the government is planning such moves at the present time?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, there is a question of dates here. Perhaps the minister had drafted his speech before the Minister of Finance made his announcement in the House.

Mr. Hees: No, Mr. Speaker. The speech was made five days after the minister's speech—four days after—and did not refer to that speech. Therefore I shall pose a supplementary question because the Prime Minister is not aware of these moves. They obviously are not dramatic.

Mr. Speaker: Order, please.

Mr. Hees: I would ask the Prime Minister whether the government has not been convinced by the latest Gallup poll that mere brave words are not impressing the Canadian people and that positive action along these lines is long overdue?

Mr. Speaker: Order, please.

* * *

MANPOWER

LOCAL INITIATIVES PROGRAM—REASON FOR AVERAGE WEEKLY WAGE CEILING OF $100

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I have a question for the Minister of Manpower and Immigration arising out of the statement he tabled today. In view of the fact that many, if not most, persons involved in the local initiatives program will have been relatively well paid industrial workers prior to being laid off, could the minister explain why a $100 weekly average wage celing has been established as one of the qualifying conditions for the program? I ask this question because the other part of the program, the manpower retraining aspect, has no such ceiling.

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, there are a whole variety of programs which may be more or less available for different groups of people. This is an average rather than a ceiling. It is the average upon which the limiting of the grant for employment under the program will be made. It does not limit additional amounts being put in by an organization in the right case. The objective, of course, is to do some preliminary sorting, in effect, among the many applications we expect and to indicate preference for support of a maximum number of programs putting the maximum number of unemployed people to work.

Mr. Speaker: The hon. member for Calgary North.

Mr. Lambert (Edmonton West): Mr. Speaker—

Mr. Speaker: Order, please. The Chair has recognized the hon. member for Calgary North. I bring to the attention of hon. members that I am trying—and I can only do this with the co-operation of hon. members—to move on because we are running short of time. This is why I am trying to reduce, if possible, the number of supplementaries.

Mr. Lambert (Edmonton West): Mr. Speaker, I am afraid you did not hear me. I am rising on a question of privilege with regard to the answer the Minister of Finance gave me a few moments ago. I went back to the record and I find that at page 8986 the minister indicated that the government did take action. The minister says he did not say that on Monday. The minister may have forgotten, but I do not want him innocently to mislead the House. The position must be made clear.

• (3:00 p.m.)

Mr. Speaker: Order, please. The hon. member knows very well that a member cannot raise, by way of a question of privilege, a debate as to what has or has not been said. I do not want to be unfair to the hon. member if he thinks that the point should be made, but I suggest to him and to all hon. members that it is not very useful, by way of a question of privilege, to try to determine what has been said and what has not been said previously. But having said that, if the hon. member feels that he has a case and would like to pursue the matter by way of a question of privilege it is my duty to hear him.

Mr. Lambert (Edmonton West): I am a little puzzled by the interpretation. I would like direction from Your Honour.

Mr. Speaker: The direction I would give the hon. member is that he should try to state the question of privilege as briefly as possible and, as I said, I would have to hear him and I will hear him.

Mr. Lambert (Edmonton West): My question of privilege concerns the answer given me by the minister in which he said that he had not said something, yet the record shows clearly what he did say, which was my interpretation of it. Surely the House is being misled and I am being misled. If that is not a question of privilege, may I respectfully point out that there must be some way of correcting it at this time.

Mr. Speaker: The hon. member has made a correction, but I have to rule that it is not a question of privilege. There are many precedents, which are well known to the hon. member, in support of my contention. In any event, the hon. member has made his point. The Chair will now recognize the hon. member for Calgary North.

[*Later:*]

Mr. Benson: Mr. Speaker, I rise on a question of privilege. The answer which I gave on October 25, 1971, appears at page 8986 of *Hansard*. Perhaps the answer did mislead the hon. member for Edmonton West. It should have read, first of all—

Some hon. Members: Order!

Mr. Speaker: Order, please. The hon. member for Edmonton West, the Minister of Finance and all hon. members will see where this kind of question of privilege can lead us. If hon. members take five minutes of the question period to say that what the minister said is not what he said, and the minister replies that what he said was what he thinks he said, we might go on for a long time. I do not think it is a question of privilege on the part of the hon. member for Edmonton West or on the part of the Minister of Finance.

EXTERNAL AFFAIRS

VISITS BY FOREIGN HEADS OF STATE—ARRANGEMENTS TO PROTECT RIGHTS OF PEACEFUL DEMONSTRATORS

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, my question is for the Prime Minister. It deals with the security of visitors to Canada, particularly in view of the imminent visit to Canada of President Tito. I put this question to the Prime Minister in all seriousness. In light of the fact that the federal government is the guarantor and ensurer of security of all foreign visitors, prime ministers and heads of state, as was the case with the recent visit of Premier Kosygin, what liaison, what instructions and what plans were worked out between this government, as part of its responsibility, the city of Toronto and other cities in Canada to safeguard and protect the civil rights of peaceful demonstrators and observers, particularly in the city of Toronto? I ask the question because this matter is the responsibility of the federal government.

Mr. Speaker: Order, please. I hope the minister will reply briefly because this appears to be a very general question. It seems to me that it calls for an answer which should normally be made on motions. If the Prime Minister can reply briefly, the Chair will recognize him.

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I can be very brief because I do not know the details of the arrangements which were worked out. I do know, of course, that there was contact. I can discuss the matter with the Solicitor General to see if there is anything further on which we can report to the House. But certainly the point of view of peaceful demonstration was foremost in everyone's mind, and wherever we were able to allow demonstrations to take place we certainly did not intervene. But we also had to be wary of what the Leader of the Opposition himself, on Monday of last week, termed the dangers of a breakdown in security and we tried to keep a neat balance between the two.

Mr. Woolliams: May I ask a short supplementary question. In light of the alleged brutality which took place by the Toronto police with reference to children and women, and the responsibility of the federal government in this respect—and I appreciate the Prime Minister's answer today—would he be prepared to make a statement at some future time informing the House who pays the city of Toronto and other cities for the security which they undertake?

[*Later:*]

Mr. Woolliams: In light of the fact that an interruption occurred when the Prime Minister was about to answer, may I put this question seriously to him. May I say, first of all, that I appreciate his courteous answer. Would he at some future time make a statement in the House on this matter and advise us what levels of government paid for the security for Premier Kosygin and will pay for the security of other dignitaries who may visit Canada at the request of this government?

Mr. Trudeau: As I said in my previous answer, I will certainly discuss this series of questions with the Solicitor General. It would seem to me that this is the kind of question which usually appears on the order paper. The hon. member might want to consider asking the questions in an orderly form on the order paper and we will give an answer in due course.

Mr. Woolliams: Mr. Speaker—

Mr. Speaker: Order, please. The hon. member might be allowed to ask a further supplementary question, but I have been trying for almost 40 minutes to invite hon. members to proceed a little more quickly in the question period because we are running short of time.

Mr. Woolliams: I appreciate that, Mr. Speaker. Before I put the question may I say that I think security is an important matter and questions concerning it should not be placed on the order paper. This is an important matter because women and children have been run over by police officers, as alleged in the newspapers. I ask the Prime Minister again, in light of the responsibility of the federal government would he check into this important matter with the Solicitor General and make a statement in the House?

Mr. Trudeau: I said in my answer that I would check into the matter. I did not undertake to make a statement in the House. I do not agree with the hon. member that if a matter is important it should not appear on the order paper.

* * *

CRIMINAL CODE

INQUIRY AS TO DEBATE ON ABORTION

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I have a question for the right hon. Prime Minister. In view of the fact that last year 1,649 Canadian women went to the state of New York to have abortions performed, will the government now—

Some hon. Members: Oh, oh!

Mrs. MacInnis: As usual, Mr. Speaker, we get the snickers. Will the government now consider honouring its promise of a year ago in the Speech from the Throne and set a date in this session for a debate on the abortion legislation in this country?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I have answered this question before. I can only repeat the answer in like terms, that in the Speech from the Throne a year ago last month or this month we said we wanted to deal with many things in this session which was supposed to finish at the end of June. We are now several months beyond that date. Since I cannot guarantee the way in which the House will meet all the problems that have been put before it, I cannot guarantee that we will have time to deal with this particular matter before the end of this session. It really depends on when the session ends and on how fast we deal with matters. I do admit that we made the commitment in the Speech from the Throne to deal with this and several other matters which have not yet come before the House, and if we do not deal with them it is because the opposition has not given us the time.

Inquiries of the Ministry

Some hon. Members: Oh, oh!

Mr. Hees: It is because you do not arrange your program.

Mr. Speaker: Order, please. May I point out to the Prime Minister that we are running short of time not only during the session but during the question period.

Mrs. MacInnis: Am I to infer from the Prime Minister's priorities that he is now resigned to a continental policy on abortion?

* * *

CAPE BRETON DEVELOPMENT CORPORATION

SUGGESTION THAT RESPONSIBLE MINISTER MAKE REPRESENTATIONS CONCERNING PRERETIREMENT OF PERSONNEL AND REHIRING PROGRAM

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, I have a question for the Minister of Regional Economic Expansion. In light of the information provided by the Minister of Supply and Services yesterday that on behalf of the government he had interfered directly in the management of a Crown corporation, Polymer, and as a result notices of termination of employment with that corporation had been cancelled, thus establishing a precedent, I ask the minister whether he would prevail upon the senior officials of the Cape Breton Development Corporation to cease their preretirement of personnel and also commence a rehiring program in the coal mines of Cape Breton where the unemployment rate is in the vicinity of 25 per cent?

• (3:10 p.m.)

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I think that Devco management have acted in accordance with the act adopted by this House and, as we all know, we spend millions of dollars a year trying to maintain employment in the coal mines despite the fact that the House had agreed that the size of labour force in general should be reduced.

[*English*]

Mr. Muir: May I ask the minister whether it is the intention of the government and the corporation to continue to phase down the coal mines and put people on the streets but not provide any other type of industry and employment for them as the legislation stated was to be done?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, to my mind, considerable effort has been made to find alternative solutions. Devco now has a new management; I have reason to hope it may find formulas or solutions the other did not, but I feel the hon. member is right. We were to find alternative activities and still hope to be able to do so.

[Mr. Trudeau.]

[*English*]

REGIONAL ECONOMIC EXPANSION

CHECKING OF GRANTS—REASON FOR GRANT TO STEP LITE MANUFACTURING LIMITED

Mr. A. D. Hales (Wellington): Mr. Speaker, I should like to address my question to the Minister of Regional Economic Expansion. Could he assure the House that his department checks closely the grants that are given to companies to establish in designated or depressed areas?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Yes, Mr. Speaker.

[*English*]

Mr. Hales: Could the minister advise the House and the taxpayers of Canada why his department gave a grant of $216,000 to a company whose principal was heavily in debt in the area which he left, who owes the income tax department money, who owes Ontario Hydro, who owes land taxes, who owes rent—

Mr. Speaker: Order, please.

Mr. Hees: He must be a Liberal.

Some hon. Members: Oh, oh!

Mr. Hales: Mr. Speaker, I rise on a point of order. I ask for an explanation from the minister.

Mr. Speaker: Order, please. That is hardly a point of order.

Mr. Hales: Mr. Speaker, I rise on a question of privilege. I have asked the minister a straightforward question on behalf of the taxpayers of this country—

Some hon. Members: Hear, hear!

Mr. Hales: —and I want to know why $216,000 was given to this firm.

Mr. Marchand (Langelier): Which firm?

Mr. Hales: I shall take it from a communiqué tabled today. The firm is Step Lite Manufacturing Limited which is going to locate in Renfew, Ontario. The principal of that firm is heavily in debt to the income tax department, Ontario Hydro and many other people. Why was that money given?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, the news release did not indicate that we had granted any money. Of course, we promised a subsidy, provided all the other conditions were—

[*English*]

An hon. Member: There is a difference.

Some hon. Members: Oh, oh!

Mr. Marchand (Langelier): Don't laugh; this is the way it proceeds. It has been proceeding this way all the time. I will inquire into the case and give the hon. member a more detailed answer tomorrow.

Mr. Hales: Mr. Speaker, the communiqué states that this company would receive—

Mr. Speaker: Order, please.

Mr. Marchand (Langelier): "Would."

Mr. Speaker: Order, please. The hon. member for Winnipeg North.

* * *

LABOUR CONDITIONS

UNEMPLOYMENT FORECAST FOR MONTREAL—SOURCE OF MINISTER'S INFORMATION

Mr. David Orlikow (Winnipeg North): Mr. Speaker, I would like to direct a question to the Minister of Finance. In light of the statement by the Minister of Regional Economic Expansion in Montreal on Monday that that city would have more unemployed this coming winter than all the maritime provinces, could the minister check with his colleague and get the source of that estimate and also find out whether there are any estimates for the rest of the country?

Mr. Speaker: Order. I have the impression that this question was asked yesterday or the day before by the hon. member for Sainte-Marie.

[*Translation*]

The hon. member could ask another question since I ruled out the first one. The hon. member may ask his question now.

QUEBEC—GOVERNMENT FORECAST AS TO UNEMPLOYMENT

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, since the question just asked by the hon. member was put yesterday while the minister was not here, would the latter be now in a position to answer, in order that we may know if the government had any extrapolations to the effect that unemployment would reach 12 per cent in Quebec next winter?

Since the minister was not here yesterday, the Prime Minister undertook to see that someone would answer in his place. Can the minister do it know?

[*English*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I am not sure, because I was not in the House yesterday, to what figures the hon. member is referring.

[*Translation*]

Mr. Valade: Mr. Speaker, I rise on a point of order.

Yesterday the Prime Minister told the House that he would refer this matter to the minister of manpower and pointed out that it had to do with the statement made in Montreal the day before by the Minister of Regional Economic Expansion. I think the minister should be aware of his colleague's statement and reply to that question.

[*English*]

FISHERIES

INCLUSION OF CONSERVATION OF OFFSHORE RESOURCES IN NEGOTIATIONS WITH SOVIET UNION ON NEW TRADE AGREEMENT

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct my question to the Minister of Fisheries. In light of the recent failure to reach an understanding with the U.S.S.R. on the conservation of offshore fisheries, is it the intention of the government to propose that a fisheries agreement be made part of the pending negotiations over a new economic agreement with the U.S.S.R. and, if so, when may we expect details of such an important agreement to be made public?

Mr. Guay (St. Boniface): Ask George Hees.

Mr. Hees: I know more about it than your boys do.

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, we have not failed to reach an understanding with the U.S.S.R. We have made various submissions. We hope we will be able to carry our points and get the U.S.S.R. to agree to our proposals. It would have been a help, however, if members opposite had been present to make representations at the external affairs committee when the Premier of the U.S.S.R. was here and attended the meeting.

Some hon. Members: Hear, hear!

Mr. Crouse: On a point of order, Mr. Speaker, as the member for South Shore I was present when Mr. Kosygin visited Canada and met with the minister and members of the external affairs committee.

Mr. Davis: Why didn't you speak up?

Mr. Crouse: Why didn't I speak up, the minister asks. The reason I did not speak up was that the whole meeting was entirely controlled by the Liberal chairman.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I do not think we should pursue this matter.

Mr. Crouse: Mr. Speaker, I request the right to finish that statement.

Mr. Speaker: Order, please. Is the hon. member rising on a question of privilege?

Some hon. Members: Oh, oh!

Mr. Speaker: May we have order, please. The hon. member should resume his seat, and also the hon. member for St. Paul's. We have reached the end of the question period; in fact, we did so a few moments ago. Again I must apologize to the many hon. members who after a fruitless day yesterday had the same experience today. I will try to do my best for them tomorrow, but now we have questions of privilege which should be heard.

Mr. Crouse: Mr. Speaker, the entire proceedings in the external affairs committee were under the direction of the

chairman of that committee. Members of the committee were only permitted to ask questions in order of rote; there was no opportunity for other Members of Parliament in attendance to ask questions. As a matter of fact, at twelve o'clock sharp the chairman of the committee informed all present that the period for asking questions was now terminated, and this robbed me and other members who were in attendance of the opportunity of asking questions with regard to negotiations. Frankly, Mr. Speaker, the Minister of Fisheries has a responsibility to look out for the interests of Canadian fishermen and he did not carry out his responsibility.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

• (3:20 p.m.)

Mr. Wahn: On the question of privilege, Mr. Speaker, it is untrue to state that the proceedings at that committee meeting were controlled by me.

Some hon. Members: Oh, oh!

Mr. Hees: Were they under control?

Mr. Wahn: The procedure at that meeting was agreed upon by the steering subcommittee of the external affairs committee and confirmed at a meeting of the external affairs committee. The number of members from each party to be called upon was agreed upon at both those meetings and it was not imposed by me. In point of fact, a number of members of the opposition parties were called upon in accordance with the decision made not by the Liberal chairman but by the steering subcommittee representative of all parties and the external affairs committee itself.

Some hon. Members: Hear, hear!

Mr. Hees: Untrue.

Some hon. Members: Oh, oh!

Mr. Speaker: Is the hon. member for Greenwood rising on a point of order?

Mr. Brewin: Yes, Mr. Speaker. I just want to say that the hon. member for St. Paul's is absolutely correct.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. Would the hon. member for Spadina kindly resume his seat? The question of privilege raised by the hon. member for South Shore contained an allusion to the hon. member for St. Paul's who, in fairness, was allowed to make his statement. However, I do not think that hon. members really want to pursue this discussion all afternoon. It seems to me it is rather pointless. Hon. members have made their points and I invite them now to return to the work of the House.

Mr. Ryan: On a question of privilege, Mr. Speaker—

Mr. Speaker: Order, please. The hon. member for Spadina rises on a question of privilege.

Mr. Ryan: This is on the same point of order, Mr. Speaker.

[Mr. Crouse.]

Mr. Speaker: Order. If the hon. member for Spadina wants to rise on a question of privilege or a point of order I will hear him, of course. But I suggest to him as I have to all hon. members, that there is not much to be gained by pursuing the matter.

Mr. Ryan: I will make it a question of privilege, then. I was present at the meeting. It lasted two hours, from ten o'clock to twelve o'clock, and it took Mr. Kosygin half an hour to answer the first question. It appeared to be a planted question, and nobody from then on—

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The hon. member for Battle River.

Mr. Downey: Thank you, Mr. Speaker, my question of privilege—

Mr. Speaker: Is the hon. member rising on a question of privilege?

Mr. Downey: Yes, Mr. Speaker. It arises out of the matter I brought forward under Standing Order 43 earlier this afternoon. I am sorry that the minister in charge of the Wheat Board has left the chamber. I refer to the letter that went out from the minister's office to prairie grain producers shortly after the producers received their payments under the Temporary Wheat Reserves Act. My question of privilege is, was this blatant attempt to influence public opinion paid for out of public funds—

Mr. Speaker: Order, please. It may be a question but that does not make it a question of privilege. I had hoped during the question period to recognize the hon. member because he had raised a matter under Standing Order 43. Rightly or wrongly, in such circumstances I always try to give an hon. member the opportunity to ask a question and I fully intended to recognize the hon. member for Battle River. The question might be raised tomorrow, but I doubt if it can be raised now by way of question of privilege. Orders of the day.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, October 26, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

On clause 1—section 109: *Deductions permitted by individuals.*

The Chairman: When the committee rose last evening section 109 was before the committee. Section 110 has been grouped with section 109 for the purpose of debate.

Shall section 109 as amended carry?

Some hon. Members: Carried.

[*Translation*]

Mr. Rondeau: Mr. Chairman, we are still dealing with section 109 of Bill C-259. It is an extremely important section since its passage will change the tax schedule for millions of Canadians.

Mr. Chairman, before coming to the heart of my remarks on income tax, I should like to define the various economic systems in order to make it clear where the tax proposal of the Minister of Finance (Mr. Benson) is leading us.

I have here several definitions of socialism, communism, fascism, economic liberalism, the bureaucratic liberalism that we know, and capitalism, and I think that in this list of definitions, the Minister of Finance will recognize himself quite well.

Socialism means that if you have two cows, the government takes one away from you and gives it to your neighbour.

Under communism, if a citizen has two cows, the government takes them away from him and gives him back milk through a dropper.

Fascism means that if a citizen has two cows, the government takes them away and sells the milk to the people.

Nazism means that if a citizen has two cows, the government takes them away and shoots the man.

Democratic economic liberalism—and here, I believe that the Minister of Finance should listen—means that if a citizen has two cows, the government takes them away, kills one, milks the other and throws the milk away.

An hon. Member: Enough of that bull.

Mr. Rondeau: Capitalism means that if a citizen has two cows, he sells one and buys a bull.

Mr. Chairman, yesterday I had an opportunity as well as a good number of my colleagues, to hear most of the speeches made here.

In my opinion, the Minister of Finance has shown sheer arrogance during the debates by not even listening to the suggestions made by all hon. members who took the floor. I only witnessed this response from the minister: he kept the lower part of his body firmly in contact with his seat and looked very confident. He was thinking: Say whatever you want, suggest anything you want, I do not care, I will not change anything in this bill since I have with me a sufficient majority of members who have more wool on their backs than they have guts for reacting, for speaking their minds and state what their constituents want and would like their representatives to say in the House.

Before dealing with the clause itself I would say that I was shocked, two years ago, following questions asked by my hon. colleague from Roberval (Mr. Gauthier) regarding privileges granted to Canadian companies in the last ten years, to learn that Canadian companies had been exempted since 1958. Those figures, Mr. Chairman, are astronomical because they show that an amount in excess of $2 billion that the federal government had the right to collect was not collected from those companies. Instead of seeking to collect the taxes due by those companies the government in 1971 thinks it must seek revenge or impose new taxes on the Canadian taxpayers.

Bell Canada was exempted from the sales tax during ten years for an amount of $79,916,000; Northern Electric, $13,545,781; Distillers Corp. (Seagram), $23,613,000; Canadian Business, $10,463,000; George Weston, $23,078,000; Steel Co. of Canada, $149,736,000; Dominion Foundries, $101,617,000; Algoma Steel, $68,442,000; Ford Motors, $11,249,706; Chrysler Corporation, $69,340,398; Alcan, $149,774,404; Aluminum of Canada, $139,405,412;—

• (3:30 p.m.)

[*English*]

The Chairman: Order, please. I regret to interrupt the hon. member. I have listened to him with interest. I wish to address my remarks to all members of the committee. I am not here to beat hon. members over the head about the rule of relevancy, however, if we are to give orderly consideration to the bill I must impress upon all hon. members that we must be concerned about that rule. We are now dealing with sections 109 and 110 of Clause 1 of the bill. I have tried to find some link of relevancy between the hon. member's remarks and the contents of sections 109 and 110, but I cannot. Perhaps I am in error. If I am, no doubt the hon. member for Shefford will point out to me where I err.

[*Translation*]

Mr. Rondeau: I thank you for your comments, Mr. Chairman, but I must say that it is not my fault that the list of corporations which have been exempted from federal tax is that long and that a new tax legislation is now deemed necessary in Canada. It is perhaps that we have been unable to collect the federal sales tax owed by these corporations.

International Nickel Company of Canada Limited was exempted to the tune of $102,100,000; Cominco Ltd., $21,258,000, not to mention others. The total owed by six corporations, Mr. Chairman, adds up to $642,632,000. A sum total of approximately $2 billion was not been collected by the federal government.

I would like, with the help of information supplied by accountants and economists, to draw a comparison between the Canadian personal income tax and that same tax in the United States. I do not draw this comparison with underdeveloped countries, but with our neighbours who have almost the same resources as Canada, to show the difference between the Canadian personal income tax and the same tax in the United States.

Before giving figures, I would refer to a speech made on January 30, 1970 by Mr. R. M. Fowler, president of the Canadian Association of Pulp and Paper Manufacturers, on the occasion of its annual luncheon meeting. He said:

During the last few years, the tax rate levied on Canadian companies has been allowed to exceed by 10 percentage points that applied to our American competitors.

I also have here the brief submitted to the Senate Committee on Banking, Trade and Commerce by the representatives of the Canadian Manufacturers Association who, after a comparison between the Canadian and the American tax, had this to say:

[*English*]

The increasing disparity between the United States and Canadian tax rates offers cogent reason for such action not only because

the U.S. rates are the best available measure of the reasonableness of those in Canada, but also because the extent of the disparity may well be decisive in the minds of able, highly-trained, mobile personnel seeking to exercise their talents in a more hospitable economic climate. The white paper acknowledges the importance of retaining Canadians with outstanding ability but of equal importance is that we continue to attract immigrants of the kind that can make a contribution to Canadian economic and cultural progress. The proposed tax increases on taxpayers earning more than $9,000 is a move in the wrong direction for they neither encourage desirable immigrants nor the retention of Canadians which the country cannot afford to lose.

[*Translation*]

Mr. Chairman, the figures that I will quote were taken from the U.N. Yearbook of National Account Statistics.

[*English*]

The U.N. Yearbook of National Account Statistics indicates that Canadian per capita income in 1967 was 37 per cent below that of the United States in the same year.

[*Translation*]

Mr. Chairman, even if the per capita income in Canada is 37 per cent lower than in the United States, our personal income tax, according to the figures I shall quote, is double that which the Americans have to pay.

I would like to refer to studies made by a firm of chartered accountants, Price Waterhouse & Company. Here is what those tax experts had to say about the Canadian and the American income taxes.

[*English*]

Canadian taxpayers have long suspected that they pay more in personal income taxes than taxpayers in the United States at similar income levels . . . few Canadians realize just how large the difference is between the effective rates of Canadian and United States personal income taxes on employment and professional income . . . But some valid comparisons . . . show that . . . middle-income bracket Canadians may well be paying up to twice as much personal income tax as their counterparts in the United States at the same income level.

[*Translation*]

Mr. Chairman, if, apart from the fact that the Canadian per capita income is 37 per cent below that of the United States, Canadians must in many cases pay twice as much tax as Americans, it is not surprising that a lot of Canadians want to emigrate to a country where taxes are twice as low as in Canada.

That is why the chartered accountants who made a tax research had this to say:

[*English*]

A materially unfavourable comparison might be a factor both in inducing talented Canadians to leave Canada, taking with them their abilities and their capital, and conversely, in inhibiting the immigration of skilled newcomers from other countries into Canada. The United States is the logical country with which to make such a tax comparison, because of its proximity to Canada, its similar standard of living, and the frequent movement of its residents to and from Canada.

• (3:40 p.m.)

[*Translation*]

Mr. Chairman, I have here figures taken from page 274 of the 1970-71 Canada Yearbook. They show that in the last five years, 226,465 skilled Canadians with degrees have left Canada to go and live south of the border because they had to pay twice as much income tax as people in the United States.

[Mr. Rondeau.]

Now I would like to give comparisons between underprivileged people in Canada and in the United States. I am still referring to the study I mentioned earlier, because if I quoted figures computed by Créditistes, you might not believe me. Here, then is what the experts say:

[*English*]

—we have concluded that in many cases skilled Canadian personnel would find themselves paying anywhere between 50 per cent to 100 per cent more personal income taxes because they live in Canada rather than in the United States. If the comparison is between two taxpayers at similar levels who own their homes, the Canadian counterpart may quite likely incur double the personal income tax burden of the United States taxpayer—

[*Translation*]

Mr. Chairman, here are the figures: the difference between a Canadian living in Ontario and an American living in the state of Ohio is that, if the Canadian is earning $8,000 in Canada or in the United States, he must pay $1,044 in income tax to Canada while he would have to pay only $416 in the United States, a difference of $628. This means that income tax in the United States if 60.15 per cent less than in Canada. The Canadian levy on an income of $12,000 amounts to $2,327, while it would be $1,007 in the state of Ohio, which means that the $12,000 man in the United States is better off by $1,320 than his Canadian counterpart, a difference of 56.73 per cent. Or an income of $15,000 the United States tax is $1,884 less than in Ontario. On an income of $25,000, the tax is $3,946 less in the United States; on an income of $50,000, it is $7,995 less, a difference of 40.73 per cent.

Judging by the conclusions of the study:

[*English*]

The United States home owner has an additional advantage over his counterpart in Canada in the same income bracket, because the United States taxpayer is permitted to deduct his home mortgage interest and property tax payments in computing his taxable income for United States tax purposes.

[*Translation*]

Mr. Chairman, in the United States both interest and taxes on property are deductible. I am not saying that the American taxation system is tops, that it cannot be improved, but I use this as an example to show the Minister of Finance that there is room for improvement in Bill C-259.

I will make a comparison between the taxpayer in Ontario and his counterpart in the state of New York: on an $8,000 income in Ontario, the annual rate is $1,044, while in the state of New York the levy is $473, a difference of $561 per year or 54.69 per cent. On $15,000 it is $1,598 less and, on a $50,000 income, the difference is $5,683.

Mr. Chairman, to speak only of mere tenants, in Canada as in the United States, who do not benefit from deduction of interests for real estate taxes, an income of $8,000 in Canada involves payment of $1,044 in taxes, whereas in the state of Ohio it would be only $500, or $544 less. Taxes on an income of $8,000 are $1,044 in Ontario and $569 in the state of New York, or a difference of $475, in terms of percentage, 45.5.

To summarize the difference between personal income tax in Canada and in the United States it can be said that on an income of $8,000, American or Canadian, a citizen pays 29.55 per cent less in taxes in the United States than

in Canada. On an income of $12,000, he pays 28.88 per cent less in the United States than in Canada. On an income of $15,000, he would pay 27.7 per cent less in taxes in the United States. On an income of $25,000 American taxes are 23.28 per cent less than in Canada.

Then the Minister of Finance will not find a solution? In fact, he thinks that there is no room for improvements in his bill—

[*English*]

The Chairman: Order, please. The hon. member for Montreal-Bourassa is rising on a point of order.

[*Translation*]

Mr. Trudel: Would the hon. member allow me a question?

Mr. Rondeau: Yes.

[*English*]

The Chairman: The hon. member knows he may ask a question with the consent of the hon. member who has the floor. I take it there is such consent.

[*Translation*]

Mr. Trudel: Mr. Chairman, I carefully listened to the hon. member and his party leader. Since he does not trust any economist, I would ask him to kindly tell us where he gets his statistics, because I believe that in all the tables he mentioned, there are certainly some figures that are inconsistent.

Mr. Rondeau: Mr. Chairman, it is with great pleasure that I shall give to the hon. member the figures he is asking for, but I don't understand how he can ignore them, because they have been sent to him as well as to me. This proves that he is more or less informed, and that all he is waiting for is to vote for the bill, the effects of which he cannot measure.

Mr. Chairman, in answer to my hon. friend, I say that these surveys were made by Price, Waterhouse & Company, a firm of chartered accountants he must have heard of, because it is very well known. These accountants based these figures on the findings contained in the UN Yearbook of National Account Statistics.

[*English*]

The U.N. Yearbook of National Account Statistics indicates that Canadian per capita income in 1967 was 37 per cent below that of the United States in the same year.

[*Translation*]

Mr. Chairman, I thank you for having given me the opportunity to answer my hon. colleague, and I hope that with those references, he will take at least a few minutes to consider the recommendations of that responsible firm of accountants which gives extremely interesting figures.

Before resuming my seat, Mr. Chairman, I am quite pleased to put an amendment for the information of my colleagues. I therefore move:

That the tax rate applicable—

Mr. Trudel: Mr. Chairman, I rise on a question of privilege.

I wish to point out to the hon. member that I examined the figures he quoted before he put his amendment. We now know where he took his figures! He should at least speak his mind, be honest with himself and quote the entire report, which would surely alter his statement.

Mr. Rondeau: Really, I did not quite get his question, or rather I did not understand it at all. So, as I am not in the habit of talking through my hat, I will let the matter drop. Here is my amendment:

That the tax rate applicable to personal income in clause 109 of Bill C-259 be reduced by such a percentage as to bring the basic exemption to $3,000 for single persons and $5,000 for married persons.

• (3:50 p.m.)

[*English*]

The Chairman: Order. The hon. member for Shefford has read the amendment which he filed with the table. I shall not take the time of the committee by inviting argument on the question of procedural acceptability of the amendment. It seems to the Chair, with great respect, that the amendment is clearly out of order on two counts. First, it is contrary to rulings already made in committee during this debate by the Deputy Chairman and by myself—rulings made with respect to other amendments of a similar type. In the second place, the amendment is drafted in general terms: it is the statement of a proposition; it is not drawn so as to amend a particular portion of the section. Having said this, I shall not deprive hon. members of an opportunity of making submissions if they wish to do so, though I am quite satisfied I cannot accept the amendment.

[*Translation*]

Mr. Fortin: Mr. Chairman, will you let us comment on the acceptability of the amendment, or is your decision final?

An hon. Member: It is final.

[*English*]

The Chairman: The Chair has to be frank and say it really cannot be persuaded that the amendment is in order. I have made a ruling on similar amendments, as has the Deputy Chairman, and these rulings to my mind are binding. Then, as I have indicated, even if there were no other reasons for rejecting the amendment it is out of order because it is a statement of a general proposition, and on this ground alone it cannot be accepted.

Mr. Haidasz: Mr. Chairman, in rising to take part in the committee stage discussion of Bill C-259, an act to amend the Income Tax Act, I would like to make a few pertinent points in connection with medical expenses which may be deducted from personal income as set out in section 110(c)(iii) to (xv).

The federal government's proposals in this section, as in many others, will alleviate the tax burdens of more than 1.75 million Canadian taxpayers. This is most commendable. Another aim of a tax reform bill is to plug loopholes and eliminate ambiguities and unfairness in our tax legislation. Many complaints and representations from constituents involve tax decisions made by officials of internal revenue who base their decisions on tax legislation. It appears that tax legislation is often ambiguous, unclear, incomplete or unfair in particular circumstances. We could eliminate much of this difficulty if we were to

legislate tax reforms that are clear. I believe some of the points in the section to which I have referred deserve further clarification.

In addressing myself to the subject of medical expenses I should like to draw to the attention of the Minister of Finance the fact that many people in our country are still being treated unfairly. There still exists in Canada discrimination against people who reside in provinces such as Ontario and Alberta, as well as in other places, where provincial governments have determined that they will make no contribution, or only a minimal contribution, to the medical premium which is payable by the citizens in those provinces even though the federal government pays 50 per cent of all hospital and medical costs.

Some people work for employers who under a collective agreement or voluntarily pay for part of their medical care premium. Such contributions made by employers are then added to employees' incomes. Again, any payments which workers make themselves for medical coverage are in no way deductible for income tax purposes. These taxpayers are treated unfairly, and I hope the Minister of Finance will give serious consideration to rectifying this unjust situation.

The second point I wish to raise today concerns the necessity of bringing relief through tax reform to taxpayers who are burdened with heavy medical expenses in respect of special treatment either for themselves or for their dependants. I refer particularly to those with dependants suffering from perceptual or learning disabilities and those who are afflicted by paralytic diseases.

Included in the expenses they have to bear is the cost of transportation which in many cases is enormous, especially where treatment or care is not available in Canada. What is unjust is the attitude of provincial medical or hospital agencies which refuse to recognize such expenses as insured items. I therefore ask the Minister of Finance to provide that transportation expenses, whether incurred inside Canada or outside Canada, be allowed as deductible items when they are associated with an illness under the care of a physician or by referral.

The other representation I wish to make concerns medical expenses incurred in rehabilitation centres or nursing homes and services rendered by paramedical personnel. I believe such expenses and services should also be tax deductible. Canada's national health cost would be greatly reduced if these services could be rendered at home or outside a hospital specially equipped for the treatment of acute cases. In Toronto, for example, occupancy of a bed available for the treatment of acute cases costs between $50 and $99 per day. This is a great expense, not only to the province but to the federal government. If we could encourage people to seek treatment in rehabilitation centres, nursing homes and similar places I believe our national health costs would diminish.

• (4:00 p.m.)

Mr. Dinsdale: Mr. Chairman, I should like to take a few minutes of the time of the committee to ask a question for the purpose of clarification. Last evening a discussion was initiated by the hon. member for Kent-Essex with respect to section 110(1)(c)(xii), which reads as follows:

—for any device or equipment, not described in any other sub-paragraph of this paragraph, or a prescribed kind, for use by the taxpayer, his spouse or any such dependant as prescribed by such a medical practitioner—

[Mr. Haidasz.]

I take that section to mean that if a medical practitioner prescribes the use of a special device or equipment in connection with a severe disability or illness, automatically it is deductible for income tax purposes. The reason I raise this point for clarification is that, as reported at page 9068 of *Hansard* for yesterday, the minister said during the debate:

Certain things are prescribed in the act and the Minister of National Revenue is given certain latitude in determining those things which may be additionally prescribed. I should not like to prejudge decisions which will be made in this regard.

The Chairman: Order, please. The minister is rising on a point of order.

Mr. Benson: Mr. Chairman, perhaps I can clarify the situation for my hon. friend. What the act provides is that certain items are to be prescribed by the Minister of National Revenue. If such items are then prescribed by a doctor for individual patients, then they will be deductible. However, they must be allowed for in the legislation. Doctors are not given free rein to prescribe anything and everything, which is then deductible. If over a period of time different devices are required for the treatment of certain patients, previously we would have had to change the law each time. What we are now providing is that the Minister of National Revenue will be able, following submissions to be made, to prescribe the items that are deductible, and this will be done by Order in Council.

Mr. Dinsdale: Mr. Chairman, that does clarify the point I wished to make. May I make one further point with which I am sure the minister will agree; indeed, it has already been emphasized by the hon. member for Parkdale. One of the most crippling financial burdens is chronic illness or severe disability. I hope that the situation under the old act, where it was almost impossible to get the government, the department or Minister of Finance to be flexible in these matters, is not going to be repeated in the new act. This is why I want it expressed in quite specific terms at this time that if a medical practitioner does prescribe, in accordance with the provision to which I have just referred, a device or piece of equipment which is not in the allowable list at that particular time, there will be reasonable flexibility in making this device available.

Mr. Benson: Mr. Chairman, there will be a great deal more flexibility. The Minister of National Revenue will recommend to the Governor in Council that specific items be put in without his having to come back to the House and introduce tax legislation, which normally is only done four or five times a year when we have budgets.

[*Translation*]

Mr. Fortin: Mr. Chairman, yesterday evening I spoke on sections 109 and 110 grouped together for discussion purposes, and my colleagues introduced on several occasions many amendments which were ruled out of order and which were intended to increase basic exemptions.

Our arguments have to be replaced in their context if we are to be clearly understood.

We maintain that the basic exemptions provided, offered or suggested by the government are inadequate to allow thousands, perhaps even millions of Canadians to rise above the threshold of poverty, to have a decent or a minimum standard of living.

We maintain that the proposed exemptions are not only inadequate to allow those persons to be more independent from the public sector, but that they will contribute to increase the poverty of these people, their dependency on public assistance and, consequently, the tax burden because the government will have to tax people more in order to make these social welfare payments.

This is why we insist and repeatedly urge the government to increase the basic exemptions to $3,000 for a single person and $5,000 for married couples.

One must know how to be practical. A $3,000 basic exemption for a single person means that if that person has an income of $3,000 or less, he will have no income tax to pay.

I know one person in Victoriaville, which is my municipality, who has very skilled hands and makes all kinds of small objects he sells at moderate prices to people of the city. His profit ranges from $2,000 to $2,500 a year. This same man helps here and there, doing housekeeping chores to the extent his health allows and earns $500, $600 or even at times $1,000 more during the good years, although much less at times. He is single, 45 years old and crippled. He asked for welfare but was told this: If you did not earn anything, if you stayed home, both feet up on a hassock, if you did not try to manage on your own, if you did not have more than $200 in the bank, if you took it easy, we could help you. But because you try to earn a living, to manage on your own and to improve your lot, we cannot help you. So, the man has no choice. He does not want to stay idle. He has no choice; he must earn his living. Consequently, he works despite his incapacity, runs about, wears himself out working in order to obtain a maximum income as ridiculous as $3,000 per year.

• (4:10 p.m.)

Through this tax revision, the purpose of which is to create the just society, the government is saying: We shall grant him a $1,500 exemption and he will pay income tax on the difference. This same individual, Mr. Chairman, cannot be helped through government programs because he is helping himself and, for that very reason the federal government will make him pay income tax on $1,500. Such is the just society that section 109 will establish. If this person remained idle, if he did not help himself, did not try to improve his lot and to find some income by racking his brains in order to meet his essential needs, he would not earn $1,500, therefore he would be exempt from taxes and the government would say: How generous we are! But of course, since that man does not earn more than $1,500 a year. However, the wheeling and dealing social welfare officials could say: We can help you, provided you first spend your $200 bank savings. When you are broke and without a place to live, come and see us and we shall perhaps help you.

Such is the situation for this Canadian. That is what we are protesting against. That is why, Mr. Chairman, we will fight to the bitter end. It is illogical in 1971 for the federal government not to admit that the minimum income a single person needs, not to make ends meet but to get three poor meals a day, must be at least $3,000 a year. What is most expensive for this individual, my friend from Victoriaville whose sad story I told you? Clothing, food and housing. Housing and food costs continue to climb. It is rather strange since the farmer's income is constantly decreasing. The cost of clothing is still going up, which is rather strange since our market is flooded with Japanese textiles at bargain prices. In the meantime Canadians are unemployed and Victoriaville can be cited as an example. These are the three costliest factors, they are the three essential factors of the spiraling cost of living.

The fight against inflation by the Trudeau government was aimed at these three essentials of life. The government appointed the Young Commission to stop inflation, in order to stabilize prices and incomes. As it turned out the chairman of the commission stated: It is a complete flop; no use going on, nothing can be done without new measures; it is a vicious circle. This, Mr. Chairman, is the result of the struggle. I beg you for some understanding. When the government decided to create that commission, it was because the problem of the high cost of living for low income earners was well understood. Of course, the rich, the high income earner who can pay thousands of dollars in income tax has no worries about accommodation, food or clothing.

However, the poor, the sick, the blind, mothers and others who fall into the category of low income earners cannot fight the high cost of living. They are the first victims. And although they are the main victims of the high cost of living under the present crazy economic system, the federal government says it cannot grant single persons a basic exemption of more than $1,500, as that would cost too much and make us lose too much revenue. Because the government refuses to raise the basic exemption for single persons from $1,500 to $3,000, it must collect a large part of its revenues from small taxpayers.

The federal government is unable to manage its budget except by squeezing to death the small taxpayers who make hardly any money at all. Incidentally, to make $3,000 nowadays is a joke! What can you possibly do with $3,000 a year? It is not even enough to pay for a year at university. What can we do with $3,000? The government says: $3,000, that is a lot of money. $1,500 is enough. We shall tax the difference.

Mr. Chairman, this means that the government governs at the expense of the small taxpayers, that it tinkers with our taxation system under the pretence of setting up a just society. But its only purpose is to get votes and finally it is a just society just for fun, for the big ones at the expense of the smaller ones. Secondly, it means that the government does not run the country in a responsible way and that it is not logical with itself in its fight against poverty.

If the government really wants to fight poverty, it must not bear down the poor but get them out of trouble. You can lead a horse to the watering-place, but you cannot force it to drink. If the government really wants to fight poverty, I urge the Minister of Finance to fight poverty and not the poor and, above all, I urge him to fight the causes of poverty. That would be much better and much more sensible too.

But no. The government says: We are going to deal with the poor and provide a basic exemption of $1,500 for a single person. In order to demonstrate to what extent this is sad and ridiculous, let us consider the case of a student who wins a scholarship of $1,500 and who sweats it out all summer and earns an additional amount of $500 to be somewhat better off the rest of the year. He would have, in the first place, to pay taxes on these $500. His scholarship being considered as an income he would have also to pay the relevant tax, which is absolutely ridiculous.

It means also that individual efforts to manage one's business are being discouraged. When you read the Treasury Board's pamphlet entitled "How is your tax dollar spent?", you find a beautiful coloured chart, since the government sees poverty in colours as does Mr. Castonguay in Quebec. This chart shows that 25 cents of each tax dollar are spent on social security. Why is that?

What are these social security measures for? They systematically create poverty.

I mentioned yesterday in the House, the eighth annual review of the Economic Council of Canada wherein it is said that of the 301,000 Canadians who have been following courses, 78 per cent of them have been unable to increase their income. What purpose do these courses, which cost millions of dollars, serve in the end? They are nothing but a social welfare measure.

Mr. Chairman, social security measures now cost us tremendous amounts of money and they do not stamp out poverty; on the contrary, they generate it. The government will reply that this is not true. If it is not, then let it prove that it is seriously fighting poverty and let it increase the basic exemptions.

I challenge the members opposite and all other members to think of and name a single member of their electorate who is able to live in decent affluence on a $3,000 a year income. Let them name a single Canadian citizen who can do it!

• (4:20 p.m.)

Yet, Mr. Chairman, I know several persons who do it. Several of my colleagues also know that. But is it enough to just look at them? Are we not here to pass legislation to held them? Are we here to give fish to the poor or are we not here to show the poor how to fish so they can manage on their own? Are we here to add to the legions of poor or to remedy the causes of poverty?

If we are here to remedy the causes of poverty, Mr. Chairman, there is no reason for this debate to go on in this House if we are sincere. Everybody should understand that this big thick bill is aimed at eliminating the causes of poverty. So let us increase the basic exemption for single persons.

One could say the same for married couples. What is $5,000 for a married couple, Mr. Chairman? In fact, once food, clothing and rent are paid—which are the three costliest items—that married couple does not have enough money to raise a family. That is where they stand. That couple breaks up because of financial difficulties. That couple cannot achieve its aspirations and its legitimate desires. Why? Because of financial difficulties. That couple cannot progress as it would like to do. The same goes for single persons, Mr. Chairman. Some people come up and tell us that Canada is a big country with large aspirations from coast to coast, that our country is very wealthy, that life is great under a liberal government in a "just society" with its "100,000 jobs".

Mr. Chairman, that can only last for a while. It is time for us to get serious in this Parliament, to roll up our sleeves and to stop our wishful thinking.

As for the just society, Mr. Chairman, it is not only through election promises which are never implemented that we want to see it, but we should be able to find it in books, in bills, in the government's political philosophies, which I find unacceptable.

That is why I speak, and I am not through yet on this subject, as well as my colleagues. That is why we are protesting. In our opinion, the poverty level is $3,000, and I challenge any member to prove that he is able to make ends meet with $1,500 or even $3,000 a year.

Mr. Chairman, when you have two or eight children, what can you do with a yearly income of $5,000? The statistics on poverty show that the poverty level is proportionate to the number of persons in a family, to its growth rate. This means that the larger the family, the more it is threatened by insecurity at the very time when the father finds himself jobless or when his income becomes inadequate.

Among the poor families, there are always large families. This does not mean they are unhappy, because they know what they have and appreciate it. What would a member say if he saw an individual going to the welfare office and wait "on all fours" in front of an official for an hour and a half to be told: We are sorry, but we cannot help you because your file has been mislaid; you are not eligible because you have $300 in the bank.

Such a situation is absolutely shocking. Then, the Prime Minister (Mr. Trudeau) faced with a crisis such as that of October last, will come with tears in his eyes and make a pathetic appeal for peace and reason to the Canadians, saying: Be calm, stay home, everything is under control.

Of course everything is under control; people are crushed by big finance. It is very easy to understand. That is why we said, at the outset, that we do not believe in this reform, because it makes no sense.

We want a monetary reform in depth, that will recognize that all Canadians, regardless of their political affiliations, race or religion, have the economic right to a decent living, to a share of the national output, although they may have been replaced by machinery, may not be trained to work, may be too old or too young to work.

How many hardship cases could we not mention today? The economic system should ensure security and freedom, not a system that crushes individuals to its own advantage.

Was money created to be served or to serve us?

Does Parliament exist to serve itself or to serve the Canadian people?

Mr. Chairman, when a new department is created with much ballyhoo in order to tamper with the administration, what does the government say? It says that more administration is required to deal with the situation and that another department should be set up.

So everybody applaud, discuss and finally the measure goes through. Why was a new department created? To provide better service to the people, to do this or that.

Has the department been created to serve the government or the population? We have to ask ourselves. If hon. members opposite recognize the merits of this reasoning in the case of an institution, whichever it is, they must also admit it in the case of the financial institution. The Bank of Canada is indeed an institution that is neither American nor European, but decidedly Canadian. What are we waiting for before we use it?

If for lack of revenue the government is unable to boost the basic exemptions from $1,500 to $3,000 for single people, and from $2,850 to $5,000 for married couples, the Minister of Finance should use the Bank of Canada to at least assist those people and provide them with the vital minimum. Of course the minister should stop laughing and get moving.

There is a damn limit!

If the government is unable to grant a larger basic exemption, let is say for what reasons. Naturally, the minister will answer that governmental administration is ever more costly, that our only sources of revenue are the taxes levied from the taxpayers and that each taxpayer, through some sense of national solidarity, must contribute to the fiscal revenue. If the federal government claims that there lies its only source of revenue besides funds borrowed from foreign countries, this means that it is not ready to admit it.

And if the government acknowledges the problem of poverty—

The Deputy Chairman: Order. I regret to interrupt the hon. member, but I suggest that his time has expired.

Mr. Lambert (Bellechasse): Mr. Speaker, I have a question for the Minister of Finance (Mr. Benson) in order to clarify a situation which is special to those who are dedicated to the administration of such public bodies as school boards and rural municipal councils.

The Minister of Finance has no doubt, as we have, received many representations in this connection, requesting that the new tax legislation take into account compensations granted to school commissioners and municipal councillors and also to mayors of rural municipalities.

Certainly, Mr. Chairman, in the case of all those people constantly dedicated to the service of their fellow-citizens it was quite normal that at some time the government should edict certain compensations to offset expenses incurred in order to attend meetings, and also the time they daily give to public service.

I can speak of this situation at first hand, Mr. Chairman as I was a school commissioner myself over a long period and have co-operated for many years with mayors and municipal councillors.

Every time they had to take a trip, the same remarks were heard: it is unfortunate that there is no law providing some small compensation for our expenses. So, the Quebec legislature passed such an act. I imagine that it is the same in the other provinces—I especially want to draw the attention of the House to what is going on in Quebec—and that some compensation has been authorized. I note, in the information given with regard to this bill, that a certain amount has been provided for this purpose. It may be that I do not understand the provision correctly, but the way I read it that amount is equal to about one third of their pay. So, if a mayor receives $300 annually, he would be allowed to deduct only $100. I want to assure the House that in rural municipalities the mayor spends $300 and more in the service of his fellow-citizens.

So, I wish we would go to the heart of the matter. That's what we are here for. We must be fair to those people and not discourage them. Even if legislation is presently under consideration in my province to abolish the positions of a great many school commissioners, I want to see the facts as they are, and deal with the present situation.

I consider that man has not been created for the state, but rather that the state must be at the service of man. This is what a great English prime minister, Sir Anthony Eden, said 30 or 40 years ago. This is still true; this proves that we, as parliamentarians, should understand clearly the scope of this thought: Man was not made for the state, but the state for man.

Under the circumstances, I would like the Minister of Finance to assure us that the bill will protect the group of persons I referred to at the beginning. A third, in my opinion, is not enough. I would therefore suggest to the Minister of Finances to amend his bill accordingly, so that in all rural municipalities—I am not referring to cities—at the school or municipal levels—the entire remuneration paid to school commissioners as well as to aldermen and mayors of rural municipalities be deductible for income tax purposes.

• (4:30 p.m.)

[*English*]

Mr. Benson: Mr. Chairman, the matter raised by the hon. member is covered in another section which is not presently under discussion. It is section 81(3), where he will find that the allowance which previously was given to elected municipal officials has been extended to include persons on school boards and so on. The expense allowance which was deductible for some elected persons and not for others has been extended in particular to cover school trustees.

The Deputy Chairman: Shall section 109 as amended carry?

Mr. Lambert (Bellechasse): On division.

Clause 1, section 109, as amended, agreed to.

The Deputy Chairman: The Chair will now put the amendment moved by the Minister of Finance, namely, striking out lines 3 to 9 on page 283 and substituting the following—

Mr. Knowles (Winnipeg North Centre): This is to section 110.

The Deputy Chairman: Yes.

(vi) for the care, *or the care and training* of the taxpayer, his spouse or any such dependant in a school, institution or other place that is specially equipped to provide care *and training* to persons who are physically or mentally handicapped and that admits for care, *or for care and training,* only persons who are so handicapped,

Shall the amendment carry?

Some hon. Members: Carried.

Amendment (Mr. Benson) agreed to.

The Deputy Chairman: I will now put the question on the amendment moved by the Minister of Finance which is meant to replace subsection 5 on page 286 by the following:

Where a taxpayer was, at the end of a taxation year of a partnership, a member of the partnership, his share of any amount that would, if the partnership were a person, be a gift made by the partnership to any donee, shall, for the purposes of this section, be deemed to be a gift made by the taxpayer, in his taxation year in which the taxation year of the partnership ended, to that donee.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I merely rise to ask if it should not be put on record that these are amendments to the proposed section 110?

The Deputy Chairman: It was meant from the beginning that section 109 had been adopted, and the only section now in front of the committee is 110. This was understood by the Chair. I believe hon. members also understood that the amendment was related to that section.

Mr. Knowles (Winnipeg North Centre): I know that, but up in the *Hansard* office they might wonder what happened.

Mr. McCleave: And down here, too.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Carried.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, may I ask the Minister of Finance to give us more details about that clause?

Mr. Chairman, you will understand it is not always easy to understand the general meaning of an amendment such as the one you just read. I am not the only person to feel this way, I think. Even if one consults people very knowledgeable in this field, they often find it difficult to clarify some points.

[*English*]

Mr. Benson: Mr. Chairman, we have carried section 109. This amendment to section 110 is inserted so that where a charitable donation is made by a partnership, the partners can each claim a portion of the charitable donation that is made. That, simply, is the purpose of the amendment.

Amendment (Mr. Benson) agreed to.

Clause 1, section 110, as amended, agreed to.

Mr. Benson: Mr. Chairman, I believe it has been agreed among the parties that we would now proceed with sections 4 to 8 inclusive, discuss these as a group and then carry the sections as amended. The group of sections 4 to 8 is to be open for discussion at this time.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, the minister has stated correctly the agreement that we reached. Perhaps I might spell it out in one further detail. I think the understanding was that from the chair you will call section 4 but the discussion will range over 4, 5, 6, 7 and 8, and at the end we will vote on them individually and put the amendments, just as we have done with sections 109 and 110.

The Deputy Chairman: Are there any other comments? Is the Chair to understand that there is agreement within the committee as to call section 4 but at the same time allow discussion on sections 5, 6, 7 and 8?

Some hon. Members: Agreed.

The Deputy Chairman: With the question put later, section by section?

Some hon. Members: Agreed.

On clause 1—section 4: *Income or loss from a source or from sources in a place.*

The Deputy Chairman: Shall section 4 carry?

Mr. McCleave: Mr. Chairman, I have several comments to make on these sections. First, this may seem to be a very technical matter but it is something which is very important because I hope I shall strike a blow for mamma and papa, that is, those family units which run the corner grocery stores in Canada. Mamma and papa have great difficulties; they are threatened by Dominion stores, Loblaws and all the other big chains. Also, I suggest that mamma and papa will have their heads beaten in by the legislation that we are being asked to approve.

• (4:40 p.m.)

I think I can illustrate this beyond any shadow of doubt. I know, since we are not expected to carry these five sections this afternoon, that the minister and his officials would want to look again at the matter and, hopefully, to achieve change. Where do mamma and papa get into difficulty under the proposed act? The story starts with section 6, subsection 8 on page 12, which on the face of it seems innocent enough. It provides as follows:

Notwithstanding anything in section 5 or this section, in computing the income of a taxpayer for a taxation year from an office or employment, there shall not be included any amount that is, by virtue of subsection 74(3), not required to be so included or that is, by subsection 74(4), deemed not to have been received by him.

Then we jump to subsection 74(3), page 178, which is not under discussion at this time, Mr. Chairman, but I have to put it on the record to make the point about the threat to mamma and papa and their little corner grocery store. It provides as follows:

Where a person has received remuneration as an employee of his spouse, the amount thereof shall not be deducted in computing the spouse's income and shall not be included in computing the employee's income.

The next paragraph deals with the situation where a partnership exists. I shall not belabour the point by putting that paragraph on the record because I think I have established enough for the minister and his officials to see the problem that mamma and papa are up against. It is true that much of this proposed law is carried forward from the act which we are being asked to replace. If it was unfair before, I suggest it is even more unfair now.

Let us take mamma and papa in their purest form. They simply operate the corner grocery store without having gone through the legalities of setting up a partnership or

incorporating. Although mamma may sit there for 16 hours a day and papa may be out doing something else for part of the time, all the income received from that operation is taxed in the husband's hands. If the store were incorporated, the wife would be taxable on her salary and she would be permitted one thing that is an important benefit under this new act, that is, a deduction for child care expenses. This means if mamma and papa operate the store on their own and the child has to be looked after outside, there is no way under the proposed legislation that any benefit can attach to papa taxpayer.

All this could apply to other types of business, Mr. Chairman, but the corner grocery store is recognized as an institution and for which perhaps we all feel something should be done. Maybe I can reach the hearts and heartstrings of the government by concentrating on it rather than on a small garage or specialty shop. In any event, put mamma and papa to the expense of incorporating, probably several hundred dollars, and lo and behold the magic of the act takes over and they are entitled to child care expenses.

I do not think this was intended. Indeed, I am sure it was not, because no madman would intend to achieve a result like that. None the less, suddenly we find that technicalities are creating an injustice. It is part of our job in this chamber, when dealing with awkward technicalities, to do our best to see that injustices do not happen, particularly to people who are hanging on by the skin of their teeth in the face of competition, people who work long hours for little return. However, I think anyone who runs out of bread on a Sunday, or sends his child out for a bottle of milk, will be using the corner store operated by mamma and papa. I think I have made the point sufficiently for it to be studied by the parliamentary secretary and his officials. Before we get through these sections I hope some heed will be paid to my complaint.

I have four other points, also of a technical and, I think, important nature. The first point concerns those parts of section 6 which deal with automobiles. Some questions were presented by the Canadian Chamber of Commerce in its submissions of September, 1971. On page 21 of their booklet they ask:

> Is it the purpose of these provisions to place a minimum on the amount of any benefit taxed in the hands of the employee or shareholder?

That refers to the use of the automobile, the company car.

> The phrase "exclusive personal use or otherwise" used in both taxing sections is not clear. Does it mean exclusive use as opposed to use by several persons? Clarification is also required as to what elements go into "cost" in these circumstances.

These are technical questions, perhaps as interesting to many Canadians as to mamma and papa because there are a lot of people who enjoy the automobile, such as travelling salesman. There is the question of dividing its running expenses between the operation of the employer and the personal use of the salesman. I present this question for the consideration of the parliamentary secretary.

The third element, which is perhaps not so much a technical one as a question of policy, concerns employee insurance benefits. Under section 6 (1) (f) it is proposed to tax all of the profits under the plan if it is supported by the employer. I suggest this is a little too sweeping. The employee may pay part of that insurance and, if so, I suggest that only part of the proceeds should be taxable or the employee should have a specific deduction for his share of the premium. I hope the parliamentary secretary will deal with that question.

I ask whether strike pay is to be taxed. My understanding is that it is not, but that unemployment insurance benefits are to be taxed. I think the niceties there escape most of us and warrant some elaboration from the minister. Finally, Mr. Speaker, I raise another point which comes from the brief presented by the Canadian Chamber of Commerce. This relates to section 7, dealing with employee stock options. Their comment is:

> We suggest that a benefit under this section, at least to the extent that the benefit represents an increase in the value of shares held under option subsequent to the date of grant, should be taxable as a capital gain.

• (4:50 p.m.)

That point is made on page 21 of the submission by the Canadian Chamber of Commerce. I continue:

> In the alternative, it is recommended that consideration be given to allowing a deduction for the employer equal to the amount of the benefit which is taxed to the employee.

That is a reasoned point and I suggest it should be given a reasoned answer in this chamber.

Those are the points that I wished to raise as we move in our consideration from section 4 to section 8. However, I come back to the point I began with concerning the mamma and papa small business operations of this country. I think there is an element of unfairness in the way this particular group would be treated under the legislation as it is at present. I know we do not intend to treat them unjustly and I hope we will be smart enough to see that this group suffers no injustice.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, although the matters dealt with in these five sections, sections 4, 5, 6, 7 and 8, are specific, which ought to make your task a little easier than it has been up to this point, nevertheless, since there are a great many of them you will not be surprised if in our remarks on them we seem to jump around. There are many different things we could talk about and still keep our remarks relevant to something that is found in these five sections. I propose at this time to raise just three things that are to be found in this group sections. One of them I welcome, another I want to ask a question about, and the third is a matter I think ought to be improved tremendously.

The proposal I welcome is found on pages 11 and 12. It is subsection 6 of proposed new section 6, which is now before us. I shall make my remarks about it brief because at some point my colleague, the hon. member for Comox-Alberni, will no doubt get into the debate and have something favourable to say about the battle that he has been waging for many years finally being won. The part I refer to on pages 11 and 12 makes it possible for workers who have to be away from home in logging camps, on constructions sites, and so on, to receive allowances for living away from home or allowances for travel and for those amounts not to be included as taxable income. This is a welcome change in the income tax law, and I am happy to say so. I will leave further expressions of appreciation to the hon. member for Comox-Alberni. If there are short-

comings in this part, you can count on it that he will underline those as well.

The second item I wish to refer to is found on pages 18 and 19. I am looking at subsection 11(10) of section 8—that ought to confuse you, Mr. Chairman. It has to do with trade union dues being allowed as an income tax exemption. I confess that despite the reasonable amount of homework I have done on this bill, I have not checked to see whether the wording here is exactly the same as it was in the previous act. My concern—and at this point it is a question—is whether the wording that we now have will permit as a deduction for income tax purposes the full amount of dues that a trade union member has to pay to maintain his membership in a trade union. There is no difficulty in determining what a trade union is, because the act is clear. A trade union is one that meets the definition of section 3 of the Canada Labour Code or of any provincial statute providing for the investigation, conciliation or settlement of industrial disputes.

The issue that has arisen, however, since we first won this provision more than 20 years ago, I believe, is this: when union dues are allowed, in many cases it is not the full amount that members have to pay which is allowed but only that portion of dues which the government, by regulation, has decreed as being really necessary. To be specific, there are occasions when there are special assessments because of a strike or because of a building project. Things of this sort frequently are not allowed. As I read the tax bill before me, I do not see any reason why they should not be allowed.

What the law would allow is the annual dues to maintain membership. Well, if one is a member of a trade union and the trade union makes, in addition to its normal assessment, a special assessment, the member has to pay that special assessment just as he must pay the normal assessment in order to maintain his membership in that union. I know that almost every year at income tax time I hear from secretaries of local unions or from individual union members, and particularly from those who belong to unions for which the dues are rather substantial. They express this concern, that although they may have paid $100 of $150 during the year as trade union dues, only $40 or $50, or some such figure, is allowed. I just pulled those figures out of the hat.

I should like to know whether the plain, ordinary meaning that one gets from looking at this tax bill actually shows the way this part will operate. It is clear that the taxpayer gets a deduction for income tax purposes with respect to annual dues to maintain membership in a trade union as defined. I do not see any qualification which gives anybody the right to "chisel" on that clear statement. I hope at some point we can hear a definitive answer. I hope the answer will be satisfactory. If it is not, we shall see if we cannot bring forward an appropriate amendment. Mr. Chairman, that completes my remarks on two of the things about which I wanted to speak at this time.

The third matter I want to raise is found on page 15 in proposed new section 8(1)(a)(i). I am referring to the new provision that was first unveiled in the white paper, and it has been included here just about as it was unveiled. It has to do with a deduction to be allowed to taxpayers in respect of their expenses on the job up to either 3 per cent of the taxpayer's aggregate income or $150, whichever is the lesser. If I may put that in other terms, Mr. Chairman, it means that one gets an exemption of up to 3 per cent except he cannot go higher than $150 in a year.

• (5:00 p.m.)

We feel quite disappointed at the restrictions that the government has imposed on this provision. Workers who have special expenses that are attached to the job in a great many cases have a total of expenses much higher than $150. We think that figure should be more in the order of $500. I have no objection to the higher figure having attached to it a requirement of some kind of receipts or vouchers such as is done with charitable donations. In that connection, maybe the solution is to do the same. I hope the parliamentary secretary's interest means that he is thinking about it seriously.

With medical expenses, a taxpayer has the option of claiming $100 without bothering to put in any receipts. It applies to charitable donations, except that the total for both is only $100. At any rate, the principle is clear. A taxpayer can put in receipts and claim a much larger amount. If he does not have receipts, he can claim $100. Possibly the workers could be told that if they do not have receipts, they will be allowed a $150 exemption, and if they have vouchers they can claim a higher exemption.

All that this amounts to, the way it now stands, is that a taxpayer with a taxable income of $5,000 a year or more, from any kind of employment, receives a flat additional exemption of $150. It is not a tax credit. If it were, I would be shouting hosannas at this point. But no, it is an additional exemption. For the low income person it means a small concession of 15, 17 or 20 per cent of that $150. To the wealthier person, the one in the higher bracket, it means a much larger amount because his marginal rate is much higher.

The parliamentary secretary knows I still regret that the government was not prepared to move from the tax exemption method to a tax credit method. I do not think the government needed to throw this in our faces by extending the exemption method in the way it has done. The government did not have this sytem before. There was no such thing as a consideration for the expenses of all workers. But this is not limited to industrial or office workers. Since there are no receipts or vouchers required, one does not have to be an industrial worker who has to buy certain kinds of clothing or tools.

Mr. Lambert (Edmonton West): The deputy minister gets it.

Mr. Knowles (Winnipeg North Centre): The parliamentary secretary gets it too, does he not?

Mr. Lambert (Edmonton West): Not the parliamentary secretary, the deputy minister.

Mr. Knowles (Winnipeg North Centre): I am being corrected. I am glad to accept the correction. Is there a prohibition against Members of Parliament getting this?

Mr. Mahoney: Perhaps I might explain, Mr. Chairman. Anyone who receives a tax free allowance of over $150 will not be eligible to claim this exemption. If, for example, a school trustee were paid a tax free expense allow-

ance of $100, he would only be able to claim an additional $50 against his regular employment.

Mr. Knowles (Winnipeg North Centre): I freely admit I missed that, Mr. Chairman. I am very glad to hear it. It was a little bit raw as it stood in the white paper for this exemption to be added to the other in all cases.

Mr. Lambert (Edmonton West): The deputy minister gets it.

Mr. Knowles (Winnipeg North Centre): As my parliamentary secretary to my right is reminding me, the deputy minister gets it. No one is saying no to that. In fact, the way the heads are nodding I assume it is true. At the marginal rates of some of these deputy ministers, that is pretty good. Really, it is a big joke. The government is making out that it is doing something for the workers of Canada. It is not doing anything. The government has just added a little bit more on top of an exemption level system that is already unfair and in the end it gives a special advantage to those at the top. One of the arguments the parliamentary secretary used in a retort to me—

Mr. Lambert (Edmonton West): The governor of the Bank of Canada gets it, too.

Mr. Knowles (Winnipeg North Centre): In this by-play over here I am being reminded that the governor of the Bank of Canada will also receive this exemption. He is an employee. In fact, he does fairly well.

I am not going to move any amendment at this stage. We have just started on this group of sections, 4, 5, 6, 7 and 8. They will probably be around for at least another day. I hope that another look will be taken at this provision. I suggest, again, the idea of requiring either receipts or vouchers so that it becomes genuine, provided the figure is a little higher. I suggest it should be $500 and the law should categorize the amounts so that the governor of the Bank of Canada, deputy ministers and some of these people will not get this additional exemption which means a great deal to them at their marginal rates.

I said I had just three things in this group of sections that I wanted to speak about at this point. Those are the three. I welcome the provision of an allowance for income tax purposes for workers who have to work at construction sites and logging camps away from their homes. I would like a precise answer about the extent to which trade union dues are deductible for income tax purposes. I hope the government will reconsider and put on a more rational basis this proposal for an extra exemption for workers' expenses.

• (5:10 p.m.)

[*Translation*]

Mr. Laprise: Mr. Chairman, during the debate on sections 4 to 8 of Bill C-259, one section among others held my attention, namely section 8. Subsection (1) introduces a new element in the act.

Here is the subsection in question:

8. (1) In computing a taxpayer's income for a taxation year from an office or employment, there may be deducted such of the following amounts as are wholly applicable to that source or such part of the following amounts as may reasonably be regarded as applicable thereto:

(a) a single amount in respect of all offices and employments of the taxpayer, equal to the lesser of $150 and 3 per cent of the aggregate of

(i) his incomes for the year from all offices and employments (other than the office of a corporation director)—

A while ago, we saw how, to some extent, representatives of corporations could be exempted.

I go back to the quotation:

—before making any deduction under this section—

Mr. Chairman, I do not intend to read the whole section, because it covers six pages, and that would be useless.

I shall then confine myself to subsection 8(i) which deals with a possible deduction for employment expenses and transportation costs between the employee's residence and working place.

This new provision of the Income Tax Act was granted following numerous requests from the public. But as in clause 109 that we have just discussed, I think the government was quite reluctant to grant Canadian workers this deduction.

I think that the department officials have set at 1,000 miles per year the maximum distance allowed for travelling between the individual's home and place of work. Thus the amount of $150 mentioned as the maximum deduction comes out to 15 cents a mile. So if I consider that some hon. members get a 16-cent-a-mile allowance for car expenses, I believe that 15 cents a mile is surely not excessive for workers.

That may seem fine at first blush, but far from it. Indeed it is not an amount of $150, but rather a deduction of $150 from his income. Now if a labourer is taxed at 11 or 14 per cent, it can easily be computed. The taxpayer will save $20 at the end of the year. Not more than that!

It is utterly ridiculous to see that the deduction granted to workers travelling to their place of employment is said to be something new, while in fact any professional, either a lawyer, a physician, an accountant or a travelling salesman, is entitled to deduct his travelling expenses in full.

Mr. Chairman, the same privilege should be granted to labourers, either lumbermen or others, who must travel long distances each year, to reach their place of employment.

Mr. Chairman, according to the provisions of subsection 8(1), we arrive at a distance of four miles a day. Anyone with some knowledge of the worker's movement toward their place of employment will admit that it is not four miles a day but rather 10, 16 and even in some cases 20 miles of travel a day.

Today a worker, may it be a lumberman, a construction worker, a miner, if he has no car, finds it difficult to hold a job. I believe that in some trades, like forestry or construction work for instance, the worker must own a car and travel rather long distances to get to his job.

In order to be logical and recognize such right to the worker a deduction must be granted, not a maximum one but a deduction of 15 cents a mile to any individual who can duly prove that to hold his job he had to travel between his home and his place of employment. A construction worker may sometimes have to travel five or ten

miles a day. At other times, if he has to go to another construction site, he may have to cover a distance of 20 to 25 miles a day to get there.

This reduces considerably his income. Therefore, he must be compensated for the distance he has to cover. If the Parliamentary Secretary listened to my remarks, he will understand, I think, the reason for my intervention and accept to move the required amendment. If not, I shall consider moving one myself.

[*English*]

Mr. McCutcheon: Mr. Chairman, I am proud to make a few comments at this time following the remarks of my hon. friend from Halifax-East Hants who discussed the matter of mamma and papa businesses. He raised a very sensible question.

As I understand it, a deduction is to be allowed for child care expenses in cases where both parents are wage earners. In my humble opinion there is rank discrimination here because, as my hon. friend pointed out, a man and his wife running a corner grocery store would not benefit from this provision. I can think of dozens of other situations where the wife in a small hardware store, a small garage or a small dry-cleaning establishment works for her husband.

I hope the parliamentary secretary will clear this point up, but as I understand it the only way in which these people can benefit from the provisions of the bill we are considering would be if they were incorporated. I would point out to the parliamentary secretary that if they could well afford to incorporate, the wife would not need to be working in the business. I hope the parliamentary secretary will give consideration to this point.

It seems to me the direction this legislation is taking is that the department just does not like individuals. I do not think the minister and the parliamentary secretary should be led by the nose down the garden path by bureaucracy which does not like to deal with individuals because it believes some individuals will be hard to trace. This is the reason given for not making this provision applicable to the ordinary individual. This is deplorable; it is rank discrimination against certain individuals in Canada. After all, it is the small family store, hardware business and dry-cleaning establishment that is the backbone of this country and the operators of these businesses should receive some consideration in this regard.

• (5:20 p.m.)

[*Translation*]

Mr. Godin: Mr. Chairman, as regards this clause, I quite agree that some improvements may be necessary. However, I would like to draw the attention of the Minister of Finance (Mr. Benson) to the abuses of some civil servants.

You will remember, for instance, that, according to the public accounts, the government had accepted a price of $12 for some CBC employees' meals. It was also reported that hotel rooms at $65 a day had been paid to CBC employees as well.

So, last spring the government was trying, through some local offices, to claim income tax amounts for certain revised years. A citizen of Portneuf received the following bill: 1968 revision—meal expenses, $750.

[Mr. Laprise.]

As it turned out, this man had been travelling between Portneuf and Montreal on 265 days in 1968. He had produced vouchers for the cost of his meals, namely $1.15 for breakfast, $1.65 for lunch and $1.75 for dinner. The total amount of meals he wanted to deduct from his income tax was $769. However, in November 1970, the Department of National Revenue, Taxation Division, sent him the following letter of warning:

Further to information obtained from your employer, we suggest that you revise your expenses as follows:

Year 1968	Previous figure $760
	Revised figure $500

Finally, Mr. Chairman, our man had claimed about $2.90 per day which was reduced to $1.70. That was what the department's local offices were prepared to accept.

Several truck-drivers of the province took it up to their member of Parliament. Others even entrusted lawyers to represent them before the offices although they knew that they were right.

I would like the Parliamentary secretary to indicate on behalf of the minister what will be the standards for the years to come. In the case of a person who leaves home for more than ten hours a day, and who must go, for instance, to Quebec City or to Montreal, does the bill provide that the local offices will be informed about that change so that the cost of the meals of that person be deductible?

In fact, as recently as last week, two truckers had to go to the Quebec city office to make representations and there was almost a squabble. The minister of National Revenue had to intervene to settle the matter.

Without a letter from a minister or the services of a lawyer, there is nothing to prevent an ordinary civil servant from the income tax to harass truck drivers whose work is already very demanding. They form a social class which has up to now contributed largely to the development of the country and which has not always been well paid for its work. In Quebec, for example, there are two ways of looking at it: if you earn $7,000 you are able to eat better than your neighbour who earns $5,000 because the province accepts these deductions in percentage form.

What I would like to know today is what the truck drivers of the province of Quebec can expect in the future, particularly concerning the accusations made against them in the past, some of which are not settled yet. In fact, I think that these accusations are completely unfounded when I compare the old legislation with the bill under study.

[*English*]

Mr. Ritchie: Mr. Chairman, I have a few comments on Sections 4 to 8. As far as employment is concerned, it seems to me there has been no recognition of losses that may occur. As the brief presented by the Canadian Bar Association points out, under section 5 (2) a person on salary or income computes his loss, if any, for the taxation year in which the loss occurs. In other words, there could be a penalty placed upon a person who might have little or no business or property income and who sustains a loss as a result, say, of having to pay moving expenses or something like that. There does not appear to be any provision for carrying forward a loss of that kind. I may be wrong, but that is my interpretation of this section. If

losses were allowed to be carried forward, the federal treasury would lose little or no revenue and I am sure this would prevent any inequities that might arise.

Further, under section 6(1)(a) an employer's contribution to a public health plan will be included in income. As I understand it, some inequities might arise here. In Quebec, for example, under provincial legislation the levy on the employer is regarded as an additional tax. Apparently this is not considered as conferring a so-called benefit to the employee. Under the Ontario or British Columbia schemes, at the present time the employee is considered to receive a taxable benefit. It seems to me that in each case it is a benefit to the employee and should be treated as such.

I should like to say something about the use of an employer's automobile. No matter whether an employee uses a vehicle for his personal use, he is considered to have acquired a value in the car by virtue of his use of it. As I understand it, under the present provision in the act an employee's income includes as a benefit the difference between the value he gets from the personal use of a car supplied by his employer and the amount he paid for its use. The determination of this value is often a matter of dispute. By introducing a stand-by charge the bill has fixed a minimum value to be placed on the personal use of such a car. The stand-by charge will be approximately 1 per cent per month of the cost of the car or, if it is a leased car, one-third the lease cost. This stand-by charge will be prorated on the basis of the number of days that the car was available to the employee.

• (5:30 p.m.)

The stand-by charge requirement means that employees having an employer's car available for personal use will have the minimum amount determined under the formula, minus any payment they make, included in income whether or not they use the car for personal reasons. The bill could result in a number of employees being assessed stand-by charges on the same car, because the car need not be available for the exclusive use of any one employee, although he could be charged for this.

There is one area which is of interest to me—I believe it is section 6 (1) (f)—where the employer makes a contribution to a salary continuation plan for an employee. This, I would presume, is the usual provision where the company, the taxpayer or employee pays into a fund which pays him in return a salary or income maintenance when he is unable to carry on his job. The way it is worded, it would appear to me that a portion of whatever benefits the employee had will be taxable. An amount is deducted from the amount the employer paid in a certain specified time previous to the employee receiving the benefit. This would seemingly create a situation in respect of an employee who has been temporarily disabled wherein he would do better than one who has been permanently disabled. This does not seem fair or reasonable.

This is probably a point which is not of great interest but I have a personal interest in it. Although I have no employer I, personally, have paid for salary continuation in the event of illness. As I understand this provision, it continues the present situation whereby a person who contributes to his own salary continuation plan in the event of illness is not entitled to have the premiums deducted from his income tax. These are the few remarks I should like to say on this section, Mr. Chairman.

Mr. Burton: Mr. Chairman I wish to raise two points at this stage of the committee's consideration. The first point may have been raised but I am not clear on it and wish the matter to be clarified. The parliamentary secretary and the minister will be aware that representations, by people who are handicapped, have been made from time to time for a special allowance or a special provision in order to enable them to cover the cost of transportation to and from work. I am sure the parliamentary secretary will appreciate that many of these people are capable of carrying on useful work but have the very obvious problem of getting to and from their work and must incur special expenses in retaining employment.

I am not sure whether this situation is covered in any way under the provisions or whether the idea of the government is that it is to be covered by the $650 special allowance to be provided for blind and disabled people as set out at page 285 of the bill. However, I should appreciate a comment from the parliamentary secretary as to whether any special provision has been made for these people, because I am sure he will agree that handicapped and disabled people face an unusual problem in carrying out employment for which they qualify.

Second, I should like to underline the remarks of my colleague, the hon. member for Winnipeg North Centre, concerning deductions for employee expenses or worker expenses as set out in section 8 (1) (a), page 15, where provision is made for an employment expense deduction of the lesser of $150 and 3 per cent. It seems to me this is another example of the type of tokenism I see in this bill—a small gesture that is made to the people of this country to get them to think something is being done for them while many other loopholes are left in our tax law.

Many other concessions are made which are of far greater benefit than this token measure. Within the scope of section 8 (1), if we look at all the various categories of deductions which are allowed to various categories of people we find discrimination. First of all, with regard to employees there is a very definite limit placed on the expenses allowed. Then if we turn over the page we find that if there are any expenses with regard to the collection of salaries or wages, whatever the circumstances may be, the legal expenses are deductible. I have no argument with this provision, but there is no limit placed on the legal expenses involved. In fact, some people may even suggest that there is advantage in the fact that there is no ceiling on such expenses. I do not wish to make any charges in this regard because obviously I am not in a position to substantiate them, but certainly this is an open-ended provision. There is no limit in respect of legal expenses which may be claimed as a deduction.

There is also special provision in respect of a clergyman's residence as provided by paragraph (c) on page 16. I have no argument with these provisions but, again, we find no limit imposed. I acknowledge that in respect of teachers' expenses related to their contribution there is a limit. However, if we turn over the page to paragraph (e) on page 17, in respect of expenses of telegraphers or station agents and the amounts they have to spend for meals and lodging while employed by a railway company

away from their residence we find they are entitled to reimbursement and to deduction of these amounts. Again, I have no quarrel with this provision but there is no limit imposed.

Then we have paragraph (f) in respect of a salesman's expenses. There is no limit placed on the expenses allowed to a salesman in carrying on his occupation. Of course, there are certain obvious problems and difficulties with regard to salesmen and I think some allowances have to be made for their situation. There is limitation, I suppose, in the act; no doubt the department clamps down on some situations. I have heard of various cases where they clamp down on unreasonable claims and I cannot quarrel with it. But there are no limitations written into the legislation.

• (5:40 p.m.)

With regard to transport employees' expenses, there is no limitation written into the act under paragraph (h) on page 18. So here we find a wide range of expenses allowed to various categories of people in carrying on their work. In many cases this is justified and a rational case can be made for this type of deduction. When we come to employees and the expenses which they have to incur in carrying on their work, such as the buying of tools and clothing, and so on—expenses which they have to incur themselves—there is a $150 limit imposed. Thus, it seems that we have here a clear case of discrimination with regard to employees who have to work for a wage and who often have to incur special expenses in order to gain a livelihood.

I sincerely hope, as has been stated by other members, that the government will reconsider this section. The hon. member for Winnipeg North Centre made a perfectly reasonable suggestion providing for a higher amount provided receipts are supplied. I would have no quarrel with such a suggestion. There are various formulas that might be arrived at which would provide a reasonable basis for allowing a deduction for employees expenses.

I recognize that there are, of course, administrative and practical problems involved in carrying out any provision such as this. There will be people who will try to stretch the claims they make and who will find various ways of putting in unreasonable claims. These will have to be dealt with as they occur and legislation must be framed in such a way as to allow the Department of National Revenue to administer the law in a reasonable and effective way. I have no quarrel with such an approach, but it seems to me that after making allowance for the practical considerations involved in dealing with a problem such as this there is no rational basis for deciding on the ceiling proposed with regard to employees' expenses.

I hope that the minister and his parliamentary secretary—I see the parliamentary secretary in the front row and the minister in the second row, and I am not sure whether the pecking order has been reversed—will take this matter under advisement and will give serious consideration to the many reasonable requests that have been made for an adjustment in this provision. I suggest to the government that it would be to their credit to make reasonable adjustments in this regard.

In some ways, I suppose, I should not be asking the government to make such changes because if I wanted to deal with this matter in a partisan way I could say a word or two on it and then allow the matter to slip by, following which I could point this out to the people I might be visiting. I am attempting to be responsible and to bring about reasonable changes in this legislation because the minister and the parliamentary secretary seem to be in a benevolent mood today. I am not sure that this applies every day, but we are not far from Christmas and they might find it in their hearts to make a few reasonable, small changes in this bill which would mean something to a great many Canadians. These changes might make the legislation more meaningful to many people because, as I suggested during the consideration of a previous section of the bill, I am afraid there will be a great deal of disillusionment across Canada when the legislation goes into effect.

People will find that some of the benefits claimed for this bill by the government and its supporters are only an illusion and there will be a great deal of disillusionment as people see the many special concessions and benefits in the legislation for some of the privileged interests in this country. So when a reasonable suggestion is made for a change in the bill such as has been made with regard to this provision, I hope the government will take it under consideration and accept it in order that there can be a greater measure of justice for the working people of this country.

I hope that my representations have reached the minister and his parliamentary secretary and that we will hear some favourable words from them.

Mr. Aiken: Mr. Chairman, I have a point to raise. It is essentially on section 8, the matter of deductions; it also refers to section 6. In my riding there are a number of railway and transportation employees who have constant trouble with the income tax department concerning travelling expenses and away-from-home allowances. The trouble is compounded by the fact that there seems to be an uneven hand involved in making these allowances. I think it is more a case of neglect, or of not looking into it one year and making a detailed examination in the next year.

The railway employee has to make a certain number of trips away from home. Many of these people over the past years have kept track of the number of trips they make, the days they are away and the mileage that they travel. In the past many have been able to take a flat figure based either on mileage or trips; this figure goes through year after year and they are allowed their deductions for these away-from-home expenses. Then suddenly after four or five years they are refused the allowance on the old basis. They are asked for receipts for their hotel bills, restaurant accounts, and so forth, and of course they cannot produce them. There is a great problem there and a good deal of confusion among these employees as to exactly what criteria the department is using to establish away-from-home travelling allowances.

• (5:50 p.m.)

It is a fact that in some cases railway workers may sleep in the caboose and eat their meals from a lunch-box in order to save the few dollars they might otherwise spend. Sometimes they do, sometimes they don't; but I think it

has been fairly general that they receive their allowances on a mileage or trip basis. However, this has never been established and it is a constant problem for me and other members who have railway and transport workers in our constituencies.

I ask whether section 8(g) indicates any more reasonable or definite basis for an even ruling on this type of claim. I think it is largely an administrative matter, but in various explanations that I have been given the act has been quoted and for one reason or another people have been turned down after, as I say, several years of acceptance. That is the first point, whether this legislation will help in this situation.

The second point concerns people who work away from home all week, who are not transportation workers and do not come under paragraph (g) but probably come under paragraph (h) with respect to a normal taxpayer. These people have not previously been covered for working away from home and returning at weekends. I think it is a very unfair situation. For example, people who are in logging, lumbering or construction may be required by their employers to work at a fairly distant place. They do not come home during the week but they come home on the weekend to spend some time with their families. Of course, they do not spend money on room and food while they are at home. They return home rather than pay expenses while away. This, again, is a situation that has arisen several times: people in this type of activity are refused a travelling allowance to return home at the weekend on the basis that they could very well stay away and eat elsewhere.

I would like to know whether section 8(h) will permit a broader interpretation of the law for this type of person, specifically the one who is forced by his employment to live away from home during the week, who returns home at the weekend and goes back to work on the Sunday night or Monday morning. It seems to me that under those conditions it is reasonable that he should be allowed travelling expenses.

I do not think any government should be heartless enough to say that a man can stay away from home if he wants to get his travelling expenses. That is an unreasonable attitude. A person who is working a reasonable distance from his home should be allowed to come home on the weekend and have his expenses deducted, because he is working under conditions that are not normal. Perhaps my question can be answered when the minister or the parliamentary secretary reply. I want to know if the new section will broaden the interpretation for these people and allow a little better exemption for those who have to work and live away from home.

Mr. Howe: Mr. Chairman, I would like to add my voice to that of the hon. member for Lambton-Kent and of the hon. member for Halifax-East Hants in making a plea for the small businessman or small farmer whose wife becomes an integral part of his business. She works just as hard as he does in promoting the welfare of the business. She is often there early in the morning and looks after the store while he is at lunch. These small operations are such that a wife can help make a tremendous success of them.

My riding comprises a great many small urban centres. I can think of 20 of more stores where the wife has contributed a tremendous amount to the success of the business. If she had not pitched in and helped, the business would not be such a success and would not contribute so much to the welfare of the community. It has always been a sore point with many small businessmen that they could not have their wife's salary deducted as an expense, whereas they can hire other people and take their salary off their income tax as a deductible expense.

The other point I would like to make concerns paragraph (viii) on page 7 where the allowance for voluntary firemen is listed as $300. This is a figure which was established around 1958. I well remember when the Hon. Donald Fleming was Minister of Finance that he raised the amount from $150 to $300. I point out that there has been a great increase in the cost of living and in other expenses since that time.

I ask the Minister of Finance to take another look at this $300 allowance and see if he cannot raise it to $500. Volunteer firemen do a tremendous job of protecting homes and business places in their communities. They are on call at all times. They may have to leave their own place of business to fight a fire, to protect a neighbour's house, barn or store. They must go out in the clothing they are wearing when the fire siren sounds. The result is that they have expenses which we do not realize. I think this allowance should be increased to at least $500.

Progress reported.

At six o'clock the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Thursday, October 28, 1971

The House met at 2 p.m.

BUSINESS OF THE HOUSE

REQUEST FOR CONSENT BY MEMBER FOR BATTLE RIVER TO MOVE MOTION UNDER S.O. 43—RULING BY MR. SPEAKER

Mr. Speaker: Yesterday when the hon. member for Battle River proposed a motion under the provisions of Standing Order 43 the Chair declined to put the motion as proposed and undertook to study the circumstances and make a ruling. After careful consideration it seems to me that very little can be added to my comments as recorded at pages 9073 and 9074 of yesterday's debates.

I suggest to the House that the purpose of Standing Order 43 was never intended to permit an hon. member to launch a unilateral debate. It is my view that it is not in accord with the practices and proprieties of this House to use the Standing Order for such purposes when in effect it is intended only to suspend the notice requirement for a motion. It is my judgment that a member, when proposing a motion under Standing Order 43, should restrict his comments to the necessity or desirability of suspending the notice provision for a motion. It seems to me that any enlargement of that prior condition would end inevitably in great difficulty as the same Standing Order could be used from both sides of the House for the purpose of questioning the conduct of any or every member of the House.

As hon. members know, the House has developed well established and recognized procedures for the purpose of discussing the conduct of ministers and of members of the House. It is a prime duty of the Chair to safeguard the interests of all hon. members. Under the circumstances I cannot ask the House whether the hon. member for Battle River has the unanimous consent of the House to propose the motion to which he alluded yesterday.

ROUTINE PROCEEDINGS

INCOME TAX

TABLING OF FURTHER PROPOSED AMENDMENTS TO BILL C-259

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, under the provisions of Standing Order 41(2) I would like to table further proposed amendments to Bill C-259, and I would ask that these be printed, with the consent of the House—

Mr. Woolliams: How many amendments this time?

Mr. Benson: A few. I would ask that these be printed in *Votes and Proceedings.*

Mr. Speaker: Is this agreed?

• (2:10 p.m.)

Mr. Knowles (Winnipeg North Centre): On a point of order, Mr. Speaker, may I raise a question? Yes, we get these amendments one way or another, but in view of the fact that we are, in right of the House, dealing with Bill C-259 in committee where amendments are moved, would it not be better for the minister to present those amendments when we are in committee? It seems to me this is a bit of an abuse of Standing Order 41(2).

Mr. Benson: Mr. Speaker, really what I am trying to do under Standing Order 41(2) is to inform the House of amendments that may be made as we move through the subsequent sections. I thought it best to present them to the House so members will know what we are going to do.

Mr. Speaker: Is it agreed?

Some hon. Members: Agreed.

An hon. Member: It does not follow that we will know what you are going to do.

* * *

EXTERNAL AFFAIRS

DECISION BY UNITED STATES TO PROCEED WITH AMCHITKA NUCLEAR TEST—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Frank Howard (Skeena): Mr. Speaker, I seek, pursuant to the terms of Standing Order 43, to obtain the unanimous consent of the House to propose a motion for the purpose of discussing a matter of urgent and pressing necessity, namely, the decision by the President of the United States to proceed with the Amchitka blast. As a result of the announcement yesterday and the insensitive and offensive disregard by the United States of appeals to stop the irrelevant and unnecessary Amchitka Nuclear test, I move, seconded by the hon. member for Fraser Valley West (Mr. Rose):

That the government of Canada immediately initiate steps, with the co-operation of its allies in the United Nations, to have the matter of the Amchitka nuclear test raised in the Security Council.

Mr. Speaker: Hon. members have heard the motion proposed by the hon. member for Skeena which requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity; therefore the motion cannot be put.

* * *

AGRICULTURE

ANNOUNCEMENT OF PURCHASE OF TURKEYS BY AGRICULTURAL PRODUCTS BOARD

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, because of the questions that have been raised on this matter in the House, I am pleased to announce that the Agricultural Products Board has invited tenders for a total of 3,600,000 pounds of eviscerated turkey. The purchase price ranges between 33 cents and 40 cents per pound. Since these birds must be of current kill it is anticipated that the purchase will have a favourable impact on producer returns immediately.

Mr. R. E. McKinley (Huron): Mr. Speaker, I thank the minister for the announcement he has made about the government's purchase of turkeys. I hope it will bring about a slight rise in price to the producers. There may be some difficulty because the Agricultural Products Board has stipulated that the turkeys have to be fresh killed rather than frozen even though there is an abundance of frozen turkeys in storage. A good deal of the product has gone to market and those who kill fresh turkeys have regular customers for whom they have to keep turkeys available. This may make it difficult for the program to be of as much help as it would have been if it had been announced sooner and if frozen turkeys had been included. However, for what has been done we are thankful and we hope it will be helpful.

Mr. Speaker: The hon. member for Fraser Valley West.

An hon. Member: Here is a real turkey.

Mr. Mark Rose (Fraser Valley West): Thank you, Mr. Speaker. I heard a heckler suggest that I was a real turkey. I would like to point out that I am also tender.

Some hon. Members: Oh, oh!

An hon. Member: The member for Gander.

Mr. Rose: In responding to the Minister of Agriculture's announcement about turkey tenders, Mr. Speaker, I am reminded of the broiler tender about three or four months ago. In that case it was felt that a number of provinces did not have a fair opportunity to bid because of the nature of the tender and the lack of adequate notice and information on the ultimate destination to the producer provinces concerned. I understand that this tender is to be applied to support the price of the product. Ultimately, whether it is exported by the government is another matter. I am certain this announcement will be welcome news to those provinces with surpluses. I am confident that the government will see fit to look at all the provinces that may have surpluses and give them each a fair and equal opportunity to bid on this tender call. I say that because I sincerely do not feel that this happened in the previous situation regarding broilers.

[Mr. Speaker.]

[*Translation*]

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, for once I wish to congratulate the Minister of Agriculture (Mr. Olson). Once is not too much. He just announced really good news for turkey producers. I am sure this contract will also have favourable effects on other categories of farmers.

The announcement of a sale of 3,600,000 pounds of turkey is indeed good news and I am convinced that the producers will greatly benefit from it and their income will increase substantially; I am very happy for all producers whether they are in the west or in the east.

In conclusion, I hope that similar transactions will be announced in the near future concerning the sale of pork meat, because hog producers are running into difficulties—

Mr. Speaker: Order. I take the liberty of interrupting the hon. member to remind him that comments following a statement by a minister should be restricted to the subject referred to by the minister. I am under the impression that we are discussing turkeys instead of hogs and I trust the hon. member will restrict his remarks to that major subject.

Mr. Lambert (Bellechasse): I stand corrected, but in view of our concern for all producers I express the hope in closing, that the same policy applies to other groups of producers.

Once more I congratulate the Minister of Agriculture.

[*English*]

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

WAGE AND PRICE CONTROLS—PRESENTATION OF SPECIFIC PLAN TO LABOUR AND MANAGEMENT FOR CONSIDERATION

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I should like to direct a question to the Minister—

Some hon. Members: Oh, oh!

An hon. Member: The new leader.

An hon. Member: Where is your leader today?

Mr. Alexander: Mr. Speaker, let the record show that we on this side of the House are quite happy with and enthusiastic about our present leader.

Some hon. Members: Hear, hear!

Mr. Benson: Who is he?

Mr. MacEachen: Where is he?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The hon. member for Hamilton West has the floor.

Mr. Alexander: Mr. Speaker, I should like to direct a question to the Minister of Finance regarding the government's pursuit of a policy with respect to restraints in terms of a contingency plan for wage and price controls. Although the Prime Minister said on Tuesday that the government has made no approaches for the application of a plan of wage and price controls, has the government decided to present a specific contingency plan to labour and management as well as to the provinces for their consideration?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, the answer is no, and I should like to welcome the new leader of the opposition.

Some hon. Members: Oh, oh!

Mr. Monteith: That's pretty weak, Ben.

Mr. Muir: That is as big a joke as your bill, Ben.

WAGE AND PRICE CONTROLS—ACCEPTANCE OF CRITERIA ADVANCED BY UNION RESEARCH DIRECTOR—PRESENTATION OF PLAN TO LABOUR BY MINISTER

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, since the Minister of Labour has apparently been holding discussions with the CLC and CNTU which seem to want to co-operate if five conditions are met, does the government accept the five criteria for a fair incomes policy that were stated recently by the research director of the Canadian Brotherhood of Railway, Transport and General Workers?

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, in answer to the industrial relations critic of the official opposition, let me say that I have been holding meetings with the labour movement, as I ought to as Minister of Labour, on a periodic basis over the last four months. The subjects of such discussions are confidential with respect to the trade union movement. As the Minister of Finance indicated, at no time has the basic subject matter of any of these meetings been the implementation of a specific plan of price and wage controls.

• (2:20 p.m.)

Mr. Alexander: I thank the Minister of Labour for his answer. I am not talking about an approach with respect to the application. In these discussions with labour, has the minister brought up the question of a contingency plan for wage and price controls and, if so, what has been the answer of labour, particularly when it is now noted that they are prepared to co-operate if certain conditions are met?

Mr. Mackasey: Mr. Speaker, I think the hon. member is quite unintentionally attributing to one particular person who is attached to the labour movement a role that is properly fulfilled by the Canadian Labour Congress. If he feels that he can interpret the Canadian Labour Congress' approach in the whole matter of wage and price control, then he knows more than the Minister of Labour. We have never discussed specific wage and price controls in our meetings. I am not at liberty to divulge precisely what we do discuss at these meetings.

Inquiries of the Ministry

MANPOWER

LOCAL INITIATIVES PROGRAM—CRITERIA TO BE USED IN ESTABLISHING PRIORITIES FOR PROJECT APPROVAL—FUND DISTRIBUTION—APPLICATION EVALUATION

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): I wish to direct a question to the Minister of Manpower and Immigration arising out of the data he filed yesterday respecting the LIP program. As there is a real possibility that the number of applications under the LIP program may exceed the financial resources available, what criteria are being set out to establish priorities for approving these programs? Is it to be on a first come, first served basis or are there other criteria? What are the criteria which the department will use?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, many of the criteria were set out yesterday. The objective will be to attempt to approve those applications which produce the best possible project results and also are most directed to putting people into jobs who are presently unemployed and seeking work. This will be a guideline. Applications will be considered and approved progressively so there will be approvals before all the applications are in. Therefore time is a matter of importance. In the initial stages, the most clearly desirable projects will be approved most quickly, and as the competition for the money becomes more apparent the more difficult decisions will be taken.

Mr. Douglas: As I am sure the minister desires, and certainly the House desires, to see that the $100 million is distributed fairly so that all areas in Canada get their fair share of the amount of money available, has the minister made any breakdown as to the amounts that will be distributed on the basis of provinces or on the basis of regions so there will be no suspicion that any area is being treated unfairly or any area is being given special consideration?

Mr. Lang: Mr. Speaker, the general guidelines were indicated at the time of the announcement of the over-all program by the government. The allocations with regard to the Local Initiatives Program are not completely rigid by any means, particularly because these can be used to balance some of the imbalances that develop in the other programs. Therefore decisions will be made from time to time. The over-all objective, of course, is to relate the programs as far as possible to the actual people unemployed and seeking work.

Mr. Douglas: Since applications by community organizations will be made directly to the local or regional Manpower offices and applications by municipalities will be made to the provincial governments, may I ask the minister whether the provincial governments will evaluate and pass on these applications or will they merely be postmen and pass them on to the Department of Manpower which will make the final decision whether or not the projects are acceptable?

Mr. Lang: Mr. Speaker, the final decision on projects to be approved is to be made by the Department of Manpower. Procedures have been set up for that purpose. The provinces, however, will certainly be able to indicate

which programs are inconsistent with their own notions of proper development from a municipal point of view, so they will have an important role to play.

* * *

[*Translation*]

INCOME TAX

POSSIBILITY OF ERRONEOUS INTERPRETATION OF ACT AFFECTING INVESTMENT BY NORANDA MINES IN QUEBEC

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a question for the Minister of Finance.

When he appeared before the Committee on Finance, Trade and Economic Affairs yesterday, the president of the Noranda Mines Company said that owing to an erroneous interpretation of the legislation, his company could have trouble investing $120 million in Quebec.

Is the minister aware of the situation and are the department or high officials in a position to clear it up so that the Noranda Mines Company may invest the $120 million?

[*English*]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I do not think there is any question about their continuing with the investment. A matter of interpretation was raised by the company and I am having it looked into.

[*Translation*]

Mr. Caouette: I should like to put a supplementary question, Mr. Speaker.

Has the minister undertaken negotiations with the president of the company? Is the entire matter settled? Can we rely on the investments of Noranda Mines?

[*English*]

Mr. Benson: I think the investment will go on. I would like to be in contact with them.

* * *

GRAIN

INQUIRY AS TO INTRODUCTION OF LEGISLATION TO ESTABLISH TWO-PRICE SYSTEM

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my question is directed to the hon. member for Saskatoon-Humboldt and minister of several departments. Would he say now, having regard to all the circumstances in western Canada, that the government is close to bringing in legislation to provide—here I shall consult my notes because I want to be sure of the precise wording—for the two-price grain system?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Any decision of the government in that regard, as in any other regard, will, of course, be made known when it is taken.

Mr. Diefenbaker: That is the reason I asked the question. The hon. member spoke in Assiniboia, an area in which an election is taking place, and he said on that occasion that we are very close to the two-price system. Was that fiction?

An hon. Member: No reply.

Some hon. Members: Stand up.

Mr. Monteith: Caught red-handed.

* * *

[*Translation*]

EXTERNAL AFFAIRS

GOVERNMENT PROTEST RESPECTING NUCLEAR TESTS IN SOVIET UNION

Hon. Martial Asselin (Charlevoix): Mr. Speaker, I should like to put to the Secretary of State for External Affairs a question concerning a subject which has been discussed yesterday and on which I have not had time to put a question.

Since the Soviet Union last month carried out a nuclear test similar to that soon to be made by the United States, would the minister say whether, during the visit of the Soviet Premier, he has voiced emphatic protests against nuclear tests in the USSR, as he has done for the nuclear test soon to be carried out by the United States.

[*English*]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Yes, Mr. Speaker.

[*Translation*]

Mr. Asselin: Mr. Speaker, a supplementary. Can the minister tell us what the Soviet Premier replied?

[*English*]

Mr. Sharp: Yes, Mr. Speaker. Premier Kosygin said that the matter of the adoption of a test ban was under discussion with the United States and that the Soviet Union was in favour of a test ban, like the United States. Of course, they differ among themselves, and with us, as to the modalities.

AMCHITKA NUCLEAR TEST—SUGGESTED CORRECTION OF RECORD RESPECTING CANCELLATION—RESPONSE TO CHURCH APPEAL FOR FURTHER PROTEST

Mr. David MacDonald (Egmont): I have a supplementary question, Mr. Speaker, related to the announcement yesterday concerning the nuclear test at Amchitka. It is unfortunate the Prime Minister is not present today. I wonder whether the Secretary of State for External Affairs would like to correct the record with regard to what was said concerning the impracticability of making any further protest against these tests in light of the announcement by the chairman of the Atomic Energy Commission in the United States indicating that the device could be made harmless at any time before the actual detonation some time next week. Further, is the minister in receipt of a telegram from the General Council of the United Church asking that a final appeal be made to the United States government by the Canadian government?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Yes, Mr. Speaker, I think the record should be altered. The information as to what had been said by the chairman of the AEC was incomplete at the time the Prime Minister spoke. The information that the hon. member referred to came in subsequently, so that to that extent I think the Prime Minister would want his answer altered. I do understand that there is an appeal from the United Church of Canada.

• (2:30 p.m.)

Mr. MacDonald (Egmont): Mr. Speaker, I wonder whether the minister could indicate what response will be made to this appeal and to the other appeals from the Anglican, Presbyterian and Roman Catholic Churches. In addition, in view of the proximity of this explosion to the borders of both Japan and the Soviet Union, as well as our own, is any consideration being given to some form of joint initiative that might be taken in order to avert this explosion?

Mr. Sharp: Mr. Speaker, the response that would be given to the appeals now being made would be the same as the answer given yesterday in the House, namely, that the government feels that the action of the House of Commons in expressing its opposition to these tests is the best and strongest representation that could be made of the views of this parliament and that the Prime Minister would simply be reiterating what the House has already expressed to the United States administration.

Mr. MacDonald (Egmont): A further supplementary, Mr. Speaker.

Mr. Speaker: The hon. member may ask a last supplementary and then we will move on.

Mr. MacDonald (Egmont): Mr. Speaker, since the minister has expressed an unwillingness on the part of the government to take any further action, is the government considering providing any form of escort for the *Greenpeace*, the civilian gesture being launched again from Vancouver, which will guarantee reasonable safety in its exercise of the right of innocent passage when it attempts to take its own action in regard to this test?

Mr. Sharp: Mr. Speaker, perhaps I ought to say that I do not agree with the first part of the answer that the hon. member gave to his own question. He asked me whether the Prime Minister was intending to make further representations and the answer to that question is no. However, in the United Nations today the hon. member for Coast Chilcotin, who is my parliamentary secretary, will be making a speech in the first committee—

Mr. Woolliams: He has already made it.

Mr. Sharp: Perhaps he has already made it—and will be bringing before the United Nations the views of the members of this House.

Some hon. Members: Hear, hear!

Mr. MacDonald (Egmont): A question of privilege, Mr. Speaker.

Mr. Speaker: Order. The hon. member for Egmont is seeking the floor on a question of privilege.

Mr. MacDonald (Egmont): Is it the idea of this government to send a boy to do a man's job?

Some hon. Members: Shame!

Mr. Speaker: Order, please. The hon. member for Oshawa-Whitby.

* * *

MANPOWER

RELATING OF GRANTS FOR ON THE JOB TRAINING TO OCCUPATIONS IN WHICH WORKERS ARE REQUIRED

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I have a question for the Minister of Manpower and Immigration. In his announcement yesterday he said nothing about relating the on the job training program to actual availability of jobs for men after they have taken such courses. Are steps being taken to ensure that the grants made to cover the cost of on the job training will be related to occupations for which there is clearly an anticipated market demand?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, that is the constant objective of manpower training programs of all sorts, and it will also be the objective of the on the job training program as far as that is possible.

Mr. Broadbent: If that is the case, then why was this not stated as being part of the general criteria on the basis of which grants would be made?

Mr. Speaker: Order, please. I suggest to the hon. member that that is argument.

* * *

UNITED NATIONS

CONDUCT OF CANADIAN DELEGATION ON EXPULSION OF TAIWAN

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Secretary of State for External Affairs. He may wish to take it as notice since I understand he was not, so to speak, on the spot. Was the Canadian delegation at the General Assembly in New York included among those delegations that were described by the United States administration as jumping with joy and undisguised glee at the diplomatic defeat suffered by the United States?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the Canadian government was not, of course, engaged in any such activities through its delegation in New York. Our representative expressed the views of Canada. Our delegation did not lobby, did not proselytize; it expressed what I believe is the overwhelming view of the Canadian people, that the P.R.C. should be represented as the government of China at the United Nations.

Some hon. Members: Hear, hear!

Mr. Sharp: It made its point and then cast its vote with the others.

* * *

AGRICULTURE

CORN—MEETING WITH PROVINCIAL MINISTERS OR INDUSTRY REPRESENTATIVES TO FIND SOLUTION TO DIFFICULTIES—GOVERNMENT APPROVAL OF PROPOSALS

Mr. H. W. Danforth (Kent-Essex): Mr. Speaker, I should like to direct my question to the Minister of Agriculture since it deals with the livelihood of many citizens. In view of the fact that the market value of the Canadian commercial corn crop has continued to drop by $1 million to $2 million per week, can the minister state whether he has invited the Ministers of Agriculture of the provinces involved or representatives of the industry to meet with him to submit a solution, and if any proposals have been made have they met with government approval?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I have had a number of meetings with representatives or people from the corn producing area. There are a number of proposals that we think are valid, and they relate in particular to programs to build more storage and elevator facilities. However, one other suggestion is that we impose a value for duty or surtax on corn, and the fact of the matter is that the Canadian price at the moment is some eight or nine cents per bushel lower than competitive United States corn in Montreal.

STUDY OF FEASIBILITY OF ESTABLISHMENT OF GRAIN HANDLING FACILITY ON LAKE ERIE

Mr. Mac T. McCutcheon (Lambton-Kent): A supplementary question, Mr. Speaker. Has the government agreed to launch a study as to the feasibility of establishing a grain handling facility in southern Ontario on Lake Erie in order to take advantage of water transportation from that area?

Hon. H. A. Olson (Minister of Agriculture): We have not agreed to launch a new study but some studies have been made in regard to a grain handling facility at Erieau, and the results of those studies, of course, are well known to the hon. member.

[*Translation*]

EXCHANGE OF CORRESPONDENCE WITH PROVINCIAL MINISTER RESPECTING DIFFICULTIES OF QUEBEC POTATO GROWERS

Mr. Roch La Salle (Joliette): Mr. Speaker, I should like to put a supplementary question.

May I ask the Minister of Agriculture whether his Quebec counterpart wrote to him with regard to the present problems of the potato producers?

Mr. Speaker: I doubt that the question is in order as a supplementary. I feel that it is not strictly supplementary; but the question having been put, perhaps the minister might be allowed to answer it immediately.

[Mr. Sharp.]

[*English*]

Hon. H. A. Olson (Minister of Agriculture): No, Mr. Speaker, not that I can remember, but I will check to see whether we have had such a letter.

* * *

HEALTH

SHORTAGE OF DOCTORS AND FACILITIES FOR TRAINING—GOVERNMENT ACTION

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I should like to direct a question to the Minister of National Health and Welfare having to do with the national health conference held last Friday. Dr. Evans, dean of medicine at McMaster University, has called for the immediate training of more Canadian doctors and the building of more medical schools so that Canada will not continue to deny her qualified young people the opportunity of becoming doctors, and has stated that we should stop trying to plug the gap by relying on foreign trained doctors. In view of this statement, is the minister now prepared to act on this evidence presented by Dr. Evans and other experts, and earlier by the Canadian Medical Association, by building more medical schools in Canada and operating them on a year-round basis instead of only nine months in the year?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, we are spending several millions of dollars on building new medical schools. With regard to some of the other recommendations referred to by the hon. member, such as keeping our established medical schools and the very expensive facilities in the new ones that we are building open year round, and enlarging classes in terms of the number of people taught, these are all matters that should be looked into very closely by the medical schools and the provinces. Dean Evans would be an appropriate person to implement policies of that kind.

• (2:40 p.m.)

Mr. Rynard: Mr. Speaker, I should like to know whether the minister believes or does not believe there is a shortage of doctors?

Mr. Speaker: Order, please.

Mr. Rynard: I want an answer.

Mr. Speaker: Order, please. The hon. member is inviting the minister to indicate whether in his opinion he believes there is a shortage of doctors, and I do not think that question is in order.

Mr. McCleave: Mr. Speaker, I rise on a question of privilege. The hon. member, who is one of the most respected members of the House, has tried for five days to be recognized in order to ask this question. He has asked the government whether it recognizes that there is a crisis in respect of a shortage of medically trained people in this country and he is entitled to an answer.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. I appreciate that the hon. member, like every hon. member, is a very respected member of this chamber.

Some hon. Members: Hear, hear!

Mr. Speaker: The hon. member has asked a question and the minister has given a reply. The Chair has to exercise judgment, and when an hon. member asks a minister to indicate whether he believes such and such, obviously he is asking for an expression of opinion. I do not want to prevent the minister from replying. Taking all the circumstances into account, it might perhaps be easier to allow the minister to make a brief reply to the hon. member for Simcoe North.

Mr. Munro: Mr. Speaker, it is precisely because we do believe there is a shortage of medical and health manpower that we formed the federal-provincial task force on health costs. That task force recommended the establishment of all sorts of new categories of para-medical personnel to relieve members of the medical profession of a tremendous amount of routine work which does not require that sophisticated type of education.

Mr. Rynard: Mr. Speaker, I rise on a question of privilege. I suggest that the minister is just pussyfooting around and is not answering the question. This is the same type of answer the House has been getting for the last three years instead of action.

* * *

THE CANADIAN ECONOMY

LOAN PROGRAM TO CREATE JOBS—INFORMATION ON UNEMPLOYMENT BASIS AND METHOD OF CALCULATION FOR ALLOCATION OF FUNDS

Mr. David Lewis (York South): Mr. Speaker, I should like to refer again to the program designed to create jobs this winter in order to obtain certain information from the Minister of Finance or the Minister of Regional Economic Expansion. When we were given information regarding the $160 million forgiveable loan program to create work this winter we were given a breakdown as to provinces and amounts, and a statement was made to the effect that it was based on over 4 per cent unemployment. I should like to ask whichever minister has the information on what date the over 4 per cent unemployment figure was taken, and perhaps the minister could also table the precise method by which these allocations were calculated?

Hon. E. J. Benson (Minister of Finance): I would be very pleased to do that, Mr. Speaker. The figure was based on regional unemployment last winter, adjusted on the basis of what has happened since that time. I would be very pleased to table the information my hon. friend has requested.

ENFORCEMENT OF LIMITS ON TRAINING PERIODS IN ON THE JOB PROGRAM

Mr. David Lewis (York South): I should like to direct a supplementary question to the Minister of Manpower and Immigration. I note that in respect of the on the job training program there is a limit for training, if I remember correctly, between a minimum of three months and a maximum of 12 months. Will these limits be rigidly enforced or will it be possible for people who may not require as much as three months' training in a given area of upgrading, or those who may require 13 months or 15 months instead of 12 months—

Mr. Speaker: Order, please. It seems to me the hon. member is asking a rather extended supplementary question. As I have said from day to day, we are running short of time. Supplementary questions should be limited as much as possible.

Mr. Lewis: Now that the minister has my meaning perhaps I might briefly, rephrase the question. Will the time limit for training be rigidly enforced, or will training be completed with assistance from this fund once a trainee has started on the job?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I should not want to rule out the possibility of exceptional cases being dealt with in exceptional ways, but the ordinary pattern is expected to fall well within these limits. From an administrative point of view it is desirable to make the available money apply to training programs which lie within certain limits, and these are the limits which have been chosen at this point in time.

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[*Translation*]

CRIMINAL CODE

PRESENTATION OF LEGISLATION RESPECTING ABORTION

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I have a question for the Minister of Justice.

Is he now drafting a bill for the legalization of abortion?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I believe, as the Prime Minister has said on many occasions, that there will be a debate in the House on this sensitive subject.

* * *

[*English*]

EXTERNAL AFFAIRS

CANADIAN-SOVIET COMMUNIQUÉ—EFFECT OF EXCHANGE OF SCIENTIFIC AND TECHNOLOGICAL INFORMATION ON DEFENCE-SHARING ARRANGEMENTS WITH UNITED STATES

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, in the absence of the Prime Minister perhaps I should direct my question to the Minister of National Defence. It relates to the Canadian-Soviet communiqué released the other day in which there are at least six different references to an increase in the level of the exchange of scientific and technological information. Is the minister satisfied that such an extended level of exchange of this type of information will not impair our capacity to remain within the defence-sharing arrangement with the United States?

Inquiries of the Ministry

Hon. Donald S. Macdonald (Minister of National Defence): Yes, Mr. Speaker, I am satisfied that it has not been impaired in any way.

Mr. Forrestall: I welcome the minister's assurance. Can he also give the same assurance in respect of the level of the exchange of such scientific and technological information with the United States, pertaining particularly to defence and strategic planning?

Mr. Macdonald (Rosedale): Mr. Speaker, it is a little difficult to measure that exactly, although the level of exchange at the moment is very high.

* * *

AGRICULTURE

INTEREST RATE ON LOANS FOR EXPANSION OF AGRICULTURAL EXHIBITIONS

Mr. Len Marchand (Kamloops-Cariboo): I have a question for the Minister of Agriculture. Is he now in a position to adivse the House what interest rate will be charged on loans under the $10 million program for multipurpose agricultural exhibition expansion and, if not, when will he announce this?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I cannot give the exact figure because it will change from time to time in accordance with the amount the government is paying for meidum-term money, but I can assure the hon. member it will be very favourable in comparison with any other money that may be available for a 30-year term.

* * *

NATIONAL DEFENCE

STATUS OF VERNON MILITARY BASE

Mr. William Skoreyko (Edmonton East): Mr. Speaker, is the Minister of National Defence in a position to say when the Vernon air base will be declared surplus and announced as being for sale if that is the government's position, and when does his department intend to advertise the sale of that base?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I take it the hon. member is referring to the Vernon military base and the site of the cadet camp. Let me indicate that there is no present intention to phase this base out of its present activity as a cadet camp in western Canada. We expect to continue these cadet operations there for some years. Arrangements are being made with educational authorities in British Columbia to make some part of the site available for community college facilities when it is not being used as a cadet camp, but in terms of being declared surplus and being disposed of there is no present intention to do so.

[Mr. Forrestall.]

AGRICULTURE

SUGGESTED POLICY TO EXPAND DAIRY INDUSTRY

Mr. H. A. Moore (Wetaskiwin): Mr. Speaker, keeping in mind the lower cost of feed grains it is now obvious that dairy production is falling below domestic demands in this country. Is the government now considering a policy based on the expansion of this industry rather than the too restrictive policy which is in force at the present time?

Hon. H. A. Olson (Minister of Agriculture): That is a pretty broad question, Mr. Speaker, but in order that the hon. member can advise his constituents I should indicate that we have taken action three times this year to increase returns to dairy producers.

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UNITED NATIONS

CANADIAN INITIATIVE TO OBTAIN REPRESENTATION FOR TAIWAN

Mr. Elmer M. MacKay (Central Nova): Mr. Speaker, I should like to ask the Secretary of State for External Affairs whether Canada proposes at this time to take any initiative at the United Nations to obtain representation for the people of Taiwan? I ask this because I understand that universality of membership is a fundamental principle of the United Nations.

Hon. Mitchell Sharp (Secretary of State for External Affairs): So far as I know, Mr. Speaker, there has been no application or any consideration of the question of representation for the people of Taiwan. The government on that island claims to be the government of China as a whole.

* * *

• (2:50 p.m.)

EXTERNAL AFFAIRS

VISITS BY FOREIGN HEADS OF STATE—ARRANGEMENTS TO PROTECT RIGHTS OF PEACEFUL DEMONSTRATORS

Mr. Eldon M. Woolliams (Calgary North): Yesterday I asked the Prime Minister a question regarding the security of foreign visitors such as Premier Kosygin. He said he would refer the matter to the Solicitor General. Is the Solicitor General prepared to make a report now or at some later date regarding the alleged brutality that took place in Toronto and, second, whether the federal government intends to share the cost of security for foreign visitors in cities such as Vancouver, Edmonton, Toronto and Montreal?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): On the first part of the question, Mr. Speaker, this matter is obviously falls under the jurisdiction of the Attorney General of Ontario and if the hon. member so wishes, I could inform the House of the results of this inquiry when the Attorney General is kind enough to send me a report.

On the second part of the question, no one raised the issue of costs incurred for the safety of visitors in various Canadian cities.

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[*English*]

MANPOWER

LOCAL INITIATIVES PROGRAM—USE OF FUNDS BY LANDLORDS TO IMPROVE HOUSING UNITS—PREVENTION OF RENT INCREASES

Mr. S. Perry Ryan (Spadina): My question is for the Minister of Manpower and Immigration with respect to LIP. Will the minister undertake to ensure that the funds to improve substandard housing will not be used by slum landlords to improve their housing units and then substantially raise the rents to their tenants?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Needless to say, in the case of any application under the Local Initiatives Program the whole nature of the proposal and its impact on the community will be examined.

Mr. Ryan: Has rent control in this situation been discussed with the provinces or will it be?

Mr. Lang: Not in connection with this isolated situation by any means, Mr. Speaker.

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STATUS OF WOMEN

IMPLEMENTATION OF COMMISSION RECOMMENDATIONS

Mr. Andrew Brewin (Greenwood): My question is addressed to the Minister of State for Urban Affairs. I should like to ask him whether he is now in a position to make a statement to the House on the government's plans to implement the recommendations of the Royal Commission on the Status of Women, and will he do so soon?

Hon. Robert K. Andras (Minister of State for Urban Affairs): I expect that there will be some announcements in this regard before too long.

DISCUSSION WITH PROVINCES AND MUNICIPALITIES OF PROVISION OF DAY-CARE PROGRAM

Mrs. Grace MacInnis (Vancouver-Kingsway): May I ask the same minister whether he has plans in view for a conference with the provinces and municipalities to discuss the provision of a day-care program across Canada?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Not precisely for that purpose but there are heralded plans for discussion of many items with the provinces and municipalities and I have no doubt that this subject could be one of those discussed.

[*Translation*]

INDUSTRY

QUEBEC—MEASURES TO PREVENT CLOSING OF PLANTS

Hon. Théogène Ricard (Saint-Hyacinthe): Mr. Speaker, in the absence of the Prime Minister, I will direct my question to the Minister of Finance.

According to Statistics Canada, at least 229 plants in Quebec were closed these last two years while others have substantially reduced their working hours.

Could the minister indicate whether the government intends to take special steps to stop this tragedy which plagues our production?

[*English*]

Hon. E. J. Benson (Minister of Finance): Without agreeing with the statistics, not having looked at them, I believe that my colleague in the Department of Regional Economic Expansion has done great things in opening up new job opportunities.

Some hon. Members: Oh, oh!

Mr. Ricard: Such as closing factories.

Mr. Speaker: Order, please. I must bring to the attention of hon. members that there are some 20 or 25 members who are seeking the floor and there are only four minutes left before the end of the question period. I am afraid that many hon. members will be disappointed. We will try, if there are not too many supplementary questions, to get a number of questions asked.

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GRAIN

REQUEST FOR REMOVAL OF RESTRICTIONS ON INTERPROVINCIAL MOVEMENT OF FEED GRAINS IN FOUR WESTERN PROVINCES

Mr. Don Mazankowski (Vegreville): I should like to address my question to the minister in charge of the Wheat Board. It arises out of representations made to him by the Palliser Wheat Growers Association requesting the removal of restrictions prohibiting the interprovincial movement of feed grains between the four western provinces. Are any initiatives now being taken in this regard by the government?

Hon. Otto E. Lang (Minister of Manpower and Immigration): This question is constantly alive, but particularly so when prices for feed grains are at depressed levels within any section of the designated area. The very vast sales of barley should put an end to those depressed prices and therefore avoid a great part of the problem for the time being.

[*Translation*]

EXTENSION TO EASTERN FARMERS OF BENEFITS ACCORDED TO WESTERN PRODUCERS

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, I have a supplementary for the Minister in charge of the Wheat Board.

Would the minister tell us whether, when he complies with that request from western farmers, he will also extend the same possibility to eastern farmers, so that they can enjoy the same advantages?

* * *

[*English*]

EXTERNAL AFFAIRS

REPORTED MILITARY MOBILIZATION IN INDIA AND PAKISTAN—CANADIAN INITIATIVE FOR DEBATE IN SECURITY COUNCIL

Hon. W. G. Dinsdale (Brandon-Souris): My question is for the Secretary of State for External Affairs. In light of continuing reports of military mobilization in India and Pakistan and evidence of increasing tension between these two countries, is Canada going to initiate or support an emergency debate in the Security Council of the United Nations on the situation in the same terms as it is initiating the Amchitka issue in the General Assembly?

Hon. Mitchell Sharp (Secretary of State for External Affairs): The answer is no. The government does not feel that a debate, either in the Security Council or in the General Assembly, on the unfortunate conflict between India and Pakistan would do anything to promote a settlement.

Mr. Dinsdale: Does the government then intend to support United Nations action and debate on the refugee situation in east Pakistan?

Mr. Sharp: Yes, Mr. Speaker. It is precisely for that reason that we do not want to get political matters mixed up with humanitarianism.

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REGIONAL ECONOMIC EXPANSION

CHECKING OF GRANTS—REASON FOR GRANT TO STEP LITE MANUFACTURING LIMITED

Mr. A. D. Hales (Wellington): I should like to direct my question to the Minister of Regional Economic Expansion. It deals with the question I asked him yesterday, in reply to which he said he would give a more detailed answer today.

Hon. Jean Marchand (Minister of Regional Economic Expansion): As a matter of fact, we did not give any money to the company to which the hon. member referred yesterday. The department has made a conditional offer of a grant to Step Lite Manufacturing Limited for a project at Renfrew, Ontario. Before the offer was made there was a careful analysis of the viability of the project, including the financial and managerial resources available for its establishment. The conditions attached to the offer are designed to ensure that these resources will be applied efficiently.

Mr. Alexander: What does that mean?

Mr. Hales: I rise on a question of privilege, Mr. Speaker. My question of privilege is that the minister has misled the House and the Canadian people. It is based on the fact that on October 25 he issued a news release or communiqué stating that Step Lite Manufacturing Limited would receive an incentive grant of approximately $216,000 and that this would create 99 jobs. My point of privilege is that the minister should not have issued this communiqué stating that the grant would be made and jobs created until such time as all facts were taken into consideration, as he said today. It is misleading the country and the public to issue such a communiqué before the grant is made.

[Mr. Lessard.]

Some hon. Members: Hear, hear!

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, several times I have explained how we proceed in that field, and that is the only way we can proceed when a company applies for a grant. We discuss the matter with the managers of that company, we make the necessary studies and we tell the representatives of that company that they will have a right to the stated amount as soon as the conditions are met. But a grant cannot be made before the jobs are created and the plant is in operation.

[*English*]

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I doubt that the matter should be pursued by way of a question of privilege. The hon. member might like to ask a supplementary question. It might be easier to advance if we proceed on that basis.

• (3:00 p.m.)

Mr. Hales: Thank you, Mr. Speaker. My point of privilege is this—

Mr. Speaker: Order.

Mr. Hales: I ask the minister directly: Why was there publication of these facts in advance?

Mr. Marchand (Langelier): Because there is an agreement.

Mr. Speaker: Order, please. I apologize to the hon. member for Surrey-White Rock. I will recognize him before the end of the question period, but the hon. member for Hamilton West rises on a point of order.

Mr. Alexander: On a point of order, Mr. Speaker, in view of the interest that has now been created in this project, I hope the minister will table the conditions that have to be met by this company so that we can all be made aware of the type of conditions set.

Mr. Speaker: The hon. member for Surrey-White Rock.

* * *

NATIONAL ARTS CENTRE

NEED FOR REVIEW OF OPERATIONS IN VIEW OF DEFICIT

Mr. Barry Mather (Surrey-White Rock): Mr. Speaker, I had a question I wanted to ask the Secretary of State but in his absence perhaps his parliamentary secretary could

take note of it. Having in mind the announcement of a further $2 million loss by the National Arts Centre, would the minister say whether he is satisfied with that situation or whether he intends to look into the operation of the theatre?

Mr. James Hugh Faulkner (Parliamentary Secretary to Secretary of State): Mr. Speaker, I will take the question as notice, but I would think this would be an obvious subject for the standing committe when the estimates of the National Arts Centre are before it.

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[*Translation*]

CRIMINAL CODE

PRESENTATION OF LEGISLATION RESPECTING ABORTION— RE-ESTABLISHMENT OF CAPITAL PUNISHMENT

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, my question is directed to the Minister of Justice. I had great difficulty in understanding his answer when I queried him a moment ago. Since he stated that a bill on abortion will be tabled eventually—

Hon. John N. Turner (Minister of Justice): I did not say that.

Mr. Rondeau: Can the minister tell the House whether this new bill to kill innocent human beings will be presented before the legislation maintaining the abolition of the death penalty?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I do not accept the basic assumption of the member's question, and I repeat that the government will take no step in that direction before hon. members have had a chance to make their views known in the House.

[*English*]

Mr. Speaker: Order, please. The Chair will allow the hon. member a supplementary question, and although we have reached the end of the question period, perhaps the House would then allow the hon. member for Dauphin to ask a question. Then we will call orders of the day.

[*Translation*]

Mr. Rondeau: Mr. Speaker, is the Department of Justice presently drafting a bill to legalize abortion in Canada? The minister is aware of that.

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I have already stated three times that we will give hon. members full opportunity to have their say before any legislation on abortion is introduced.

* * *

[*English*]

THE CANADIAN ECONOMY

UNITED STATES IMPORT SURTAX—POSSIBILITY OF LIFTING IN VIEW OF INCREASED IMPORTS FROM UNITED STATES AND LEVEL OF CANADIAN DOLLAR

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I have a question for the Minister of Finance. As the Canadian dollar is now 7 per cent to 8 per cent above its former pegged level and Canadian imports from the United States are rising, so that Canada would seem to have fulfilled U.S. requirements for the lifting of the surcharge, is there any indication that this may occur?

Hon. E. J. Benson (Minister of Finance): Not at this point, Mr. Speaker.

Mr. Speaker: Order, please. I have to indicate to hon. members that the question period expired five minutes ago. I have again tried to take a note of hon. members who did not have a chance today to ask questions. They will be given priority tomorrow, just as I tried to do today for those who did not get a chance to ask questions yesterday. Orders of the day.

[*Translation*]

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: The hon. member for Sainte-Marie on a question of privilege.

Mr. Valade: Mr. Speaker, this is my question of privilege. For nearly 45 minutes now, I have been trying to attract your attention in order to ask the ministers concerned and the government questions on topics now in the limelight and related to over 350 unemployed in Montreal. Because of our rules, we cannot ask questions to ministers and get answers on urgent matters concerning rather important groups of people. I think that as members of this House we should be able in this place and without any restriction to discuss problems of general interest. That is why I am raising the question of privilege. I ask that the Standing Orders be amended to allow all members to raise important issues. If our questions continue to be treated as they are at the present time, our rights are being encroached upon to the extent that a member of Parliament is unable to raise in this House and before the people of this country, problems that are very important to us.

[*English*]

Mr. Speaker: The hon. member for Edmonton Centre has a question of privilege.

Mr. Paproski: It is a point of order, Mr. Speaker. I have been trying for the last week and a half, to ask a question of the Postmaster General and I would just like to know whether he will be in the House tomorrow or if someone will appear for him. Further, the Minister of Industry, Trade and Commerce was to be in the House today but he is not here. It makes it rather difficult for us on this side to ask questions if these ministers are not in the House.

Mr. Gillespie: Mr. Speaker, we have a roster system on this side of the House and, as acting minister, I am quite prepared to answer any questions for the Minister of Industry, Trade and Commerce.

Mr. Skoberg: On a question of privilege, Mr. Speaker, some weeks ago my colleague from Battleford-Kindersley directed Your Honour's attention to the utter impossibility of hearing in this chamber. We are still confronted with the same situation. All we are hearing is part of what is

said and the rest is garbled. We could hear much better before this new sound system was installed.

Some hon. Members: Hear, hear!

Mr. Skoberg: I wonder if anything further is being done.

An hon. Member: Who put it in, anyway?

Mr. Speaker: I appreciate that the hon. member and some other hon. members raised this point some time ago. I believe that efforts are being made from day to day, and particularly over the weekends when members are not in the chamber, to improve the system. It is a new system, and as hon. members realize it may be a while before it is entirely satisfactory. Certainly I can assure hon. members that there is an awareness of this difficulty and an attempt by officials of the House to try to improve the situation. The hon. member for Fraser Valley West.

Mr. Rose: Mr. Speaker, my intervention is really on the same point of privilege, but it involves another side of the question dealing with the sound system. On those occasions when an answer is given in the official language other than that spoken by the particular member who asked the question, the matter is further complicated by the fact that, with the normal translation time lag, by the time the translated reply comes through there is little time for the member to form a supplementary question in light of the information given in the reply. I realize, Sir, that you have many problems with hundreds of eager interrogators every day, but when the reply is given in another language I am wondering if a little greater time lag could be allowed between the original response and the time in which to ask a supplementary?

Mr. Speaker: That suggestion will also be taken into account. I will try to follow the debates through the interpretation from now on.

Mr. Muir: On the same question of privilege, Mr. Speaker, and with reference to what has been said by the previous speaker, frankly, Sir, I do not think any blame whatsoever should be placed on the translators because they are excellent people and do an extremely good job.

Some hon. Members: Hear, hear!

Mr. Muir: However, it is most difficult for a translator, no matter how qualified or experienced he is, to translate some of the replies given in French by certain ministers.

Some hon. Members: Oh, oh!

[*Translation*]

Mr. André Fortin (Lotbinière): Mr. Speaker, on the same question of privilege, I should like to raise a particular point of which you are well aware.

We agree indeed with previous speakers. The system is unsatisfactory. We have recently complained about it, especially in the committee of the whole. Such is not the object of my question of privilege.

For some time now, Mr. Speaker, you must have noticed that we, Créditistes, have been putting very few questions during the question period. But we do make up for it during other periods. The reason for this is very simple

[Mr. Skoberg.]

and we understand the problems that the Chair is facing, given the number of members who wish to put questions.

But the system of supplementary questions has become so abusive that backbenchers or Créditistes members are seldom able to slip in, as an average, more than two or three questions a week.

Once our leader or a representative of our party has managed to put a question, it gives rise to a lot of supplementaries and the right of other members to ask questions is encroached upon.

I do not rise on a question of privilege to blame the Chair. I am convinced that the Speaker understands my point of view, but I would like to appeal to my colleagues, especially those who sit on this side, so that they may understand the problem and that we may reach an agreement in order to establish a fairer distribution for all members.

The question period is an important period during which the government reports on various current events. This means that if western Canada is interested in some problems, eastern Canada is interested in others. However, if the members persist in asking supplementaries, one or two could be asked but not ten or fifteen, as it too often happens.

Mr. Speaker, on the one hand you cannot hurt the members, and on the other hand we cannot participate in the debate.

I therefore appeal, not so much to the Chair, as to my colleagues on this extremely important point, that every member might be allowed to fulfil his duty, not only during the debates, as we do, but also during the question period.

• (3:10 p.m.)

Mr. Valade: Mr. Speaker, I intended to raise a point of order for the following reason: twice, during the week, I was able to ask questions, one of which was directed to the Prime Minister (Mr. Trudeau) and the other to the Minister of Manpower and Immigration (Mr. Lang), having regard to a critical problem in Quebec, that is unemployment; the Prime Minister refused to answer my question because the Minister of Manpower and Immigration was not in the House.

Yesterday, the minister was in the House and I tried to get an answer from him. Today, he was again in the House, and, even if ministers are sometimes unavoidably absent, and we understand this, we do not accept this system. Ministers, upon their return to the House, should answer the questions, this would reduce the number of questions and of supplementaries and would speed up the business of the House.

[*English*]

Mr. Ryan: Mr. Speaker, on the same point, it appears to me that the problem is more acute on Tuesday and Thursday. I think by this time the government should be in a position where they might want to compromise the roster scheme somewhat. I suggest that on Tuesday and Thursday the question period be 60 minutes and the full panoply of ministers be present, or as many of them as possible. I think this would solve the problem.

[*Translation*]

Mr. Speaker: Order, please. I have noted the suggestions made by hon. members and I can assure them that I agree with nearly everything that has been said these last few minutes.

[*English*]

I am in full agreement with many of these points, some of which have been made before. However, hon. members will appreciate that if the question period is to be lengthened or shortened, it is not for the Speaker to decide; that should be done by agreement between hon. members following discussion before the relevant and responsible committee.

The hon. member for Lotbinière referred to a very serious problem which came up today, that is the number of supplementaries on the first questions. If hon. members insist on asking four, five, six or more supplementary questions on the first or second matter brought up, and very often these are by members of the front bench, it is just about impossible for hon. members behind them to be given an opportunity to ask questions.

Mr. McCleave: Cut them off.

Mr. Speaker: The suggestion is made that they be cut off, and I have sometimes tried to do that but it is difficult without the co-operation of hon. members themselves. I would hope that co-operation will be extended, and I can assure hon. members that from day to day I shall continue to try to permit as many of them as I can to ask their questions. What I have tried to do for some time is to ensure that hon. members who are not recognized on one day be given priority the next. That is what I tried to do today, although I may not have been entirely successful. I did attempt it, however, and I shall continue to do so.

* * *

BUSINESS OF THE HOUSE

Mr. MacEachen: Mr. Speaker, I rise on a point of order in connection with the Business of the House to advise hon. members that we will continue with the committee discussion of the present bill tomorrow and next week until Wednesday or Thursday, when I intend to call opposition days.

Mr. McCleave: Mr. Speaker, I should like to ask a question of the hon. House leader. Since the members of my party have drawn straws and I picked the one that calls upon me to open the debate on the next group of clauses of Bill C-259, could the minister indicate what sections we will deal with after section 4 to 8.

Perhaps the President of the Privy Council would not mind if I state, on behalf of all members who want to take part in the debate when we are in committee, what I think is a legitimate grievance. It is felt that there should be some method or perhaps a better method of communication with reference to the specific point to be discussed. If we could have some listing, even five or six categories ahead, that would make it much easier for those who, like myself, are stuck with the rather awful responsibility. I know my friend from Winnipeg North Centre and others would agree with me.

Mr. MacEachen: Mr. Speaker, I agree with my hon. friend, and I think his point is well taken, that in view of the procedure we are following in committee of the whole, members should have some advance warning as to the various items to be discussed. We are attempting to do this but we are really just getting this particular system under way.

In reply, and with your indulgence, Mr. Speaker, I should like to advise my hon. friend that committee of the whole is to deal with proposed sections 4 to 8 on the question of computation of income. It was proposed and agreed that following this we would deal with other subjects under the general head of personal income, and call the appropriate sections that would permit a discussion of these other items. This would include, for example, averaging, rate schedules, child care, moving expenses, fellowships, training allowances, research grants and generally any other item that would fall under the heading of personal income. The subjects I have mentioned are those singled out by the House leaders as those upon which hon. members might want to comment in a particular way. That is what we would do in committee today and tomorrow.

Mr. McCleave: When we are through with sections 4 to 8, then, which sections do we deal with in the next three categories? Let me put it on a very specified basis.

Mr. MacEachen: After sections 4 to 8, in order to deal, for example, with income averaging we would call perhaps section 28 upon which to hinge the discussion. But there are other proposed sections which deal with the same subject.

Mr. McCleave: My friend is saying section 58 plus allied sections dealing with averaging?

Mr. MacEachen: Under income averaging, proposed section 28 with associated sections. The rate schedule is proposed section 117 and associated proposed sections. I could give my hon. friend—

Mr. McCleave: Child care is section 63?

Mr. MacEachen: Section 56, for example, would permit us to discuss fellowships, scholarships, bursaries, training allowances and research grants. We would call proposed section 56 and hinge the discussion around that section and carry all allied sections under the same system.

Having given my hon. friend that kind of information, I hope to be able to do it on a more systematic basis and have in the hands of all hon. members sheets which will indicate the subject matters that the House leaders have highlighted, presumably to carry forward the wishes of the various parties and the allied sections that would be carried in connection with that subject head.

• (3:20 p.m.)

Mr. McCleave: Mr. Speaker, at the risk of being a bore, may I ask another question? I think my hon. friend indicated that after the averaging provisions, found in section 28 and further on, and the rate schedules, which involve eight schedules to be found at section 117 and

associated sections, we should consider the child care provisions, as included in section 63 and then the fellowship provisions, which are found in section 56. Am I correct in assuming that child care will be the third item in our consideration and that fellowships will be considered next, as the fourth item?

Mr. MacEachen: Mr. Speaker, that would be agreeable.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, was it not the understanding that all those things my hon. friend mentioned are in the same category?

Mr. Speaker: The hon. member for Winnipeg North Centre.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I was making the point that all the subjects that the hon. member for Halifax-East Hants has alluded to are in the same category and that we will take that whole group after we have finished the sections we are now considering. If I may anticipate what we are to take after that, the next group of subsections will deal with capital gains.

[*Translation*]

Mr. André Fortin (Lotbinière): Mr. Speaker, I think that this matter is settled. I come now to the question of privilege of a short while ago.

Since the President of the Privy Council (Mr. MacEachen) is anxious to speed up the business of the House and in order not to let that heavy task fall on your shoulders, I wonder whether the President of the Privy Council could not this very day enter into negotiations with the House leaders of the other parties in an effort to find some way to improve the procedure during the question period. Let us not just remain at the discussion level, but let us go into action and find a better system. Could not the President of the Privy Council say whether he agrees with that system or if he would not prefer to have a consensus in view of improving the present system and assist the Chair?

[*English*]

Mr. MacEachen: Mr. Speaker, if it is the wish of the House leaders, I would be glad to discuss the question of the question period and see whether we can introduce some new procedures to make it more satisfactory to all hon. members of the House. I would be happy to do that at an early meeting of House leaders.

[*Translation*]

Mr. Fortin: Mr. Speaker, would the hon. President of the Privy Council also agree that the Speaker in his capacity as a member of the House, may take part in these discussions with parliamentary leaders.

Mr. Speaker: Order. The question is obviously not in order. I suggest to the hon. member that he cannot involve the Chair in discussions he may have with the government representative.

[*English*]

Mr. Aiken: Mr. Speaker, I am merely rising to indicate that we would certainly be agreeable to entering into such discussions with the House leader of the government.

Mr. Speaker: Orders of the day.

[Mr. McCleave.]

• (3:30 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Wednesday, October 27, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

On clause 1—section 4: *Income or loss from a source or from sources in a place.*

The Chairman: Order, please. When the committee rose last evening, section 4 was before the committee. It had been agreed to include sections 5, 6, 7 and 8 with section 4 for the purposes of discussion. Shall section 4 carry?

Mr. Barnett: Mr. Chairman, I should like to make some brief comments, particularly upon subsection (6) of section 6, which is related to subsections 7 and 8 immediately following. This matter was raised yesterday by the hon. member for Winnipeg North Centre. As hon. members of the committee will note if they look at this part, this provision is a modification of paragraph 5(2) of the present act.

My initial comment on this matter must be that it is better to do something late than never. I rise to support this particular proposal in the bill because it is something I have been seeking to have included in the Income Tax Act for over 15 years. In 1956, the Liberal minister of finance, Hon. Walter Harris, indicated to me after I had been raising this matter for two or three sessions that, in his view, there was a discrimination in this regard in the Income Tax Act as it then stood and as it still stands after having been modified. The act discriminated against those who maintain a domestic establishment in one place and, as a result of their employment, have to leave home, pay room and board elsewhere as well as travelling expenses in order to undertake their particular kind of work. Our attempts to convince the government that the law in this regard discriminated against a group of workers have been long and arduous.

The particular groups of workers in my area, and in British Columbia generally, who have been most affected by this discrimination are the loggers. Over a period, three of their organizations have made many submissions on this subject to the government. Those submissions were well reasoned and well documented. I am sure that those organizations welcome the change that is being brought forward because, at long last, they will be treated with the same degree of equity as other segments in the work force of our society have been treated in connection with expense allowances. I am thinking in particular of those who may have been working in a managerial capacity.

Recently I had the opportunity to speak to a union convention in Vancouver. A large number of loggers were there as delegates. I told them that this proposal was in the Income Tax Act after 15 years of argument on this subject, that I had read the section rather carefully and that, so far as I could see, the wording of the law covered

the point adequately. I reminded them, and I should like to remind hon. members of the committee and the ministers concerned, in particular the Minister of National Revenue, that from time to time that minister's department issue what we refer to as information bulletins. These bulletins often indicate what the law means for practical purposes. I told them, as I now say to members of the committee, that I hope the information bulletins put out by the Department of National Revenue will place a proper and reasonable interpretation upon the application of this proposed section of the Income Tax Act so that it will provide the kind of situation which, from my reading of the proposed clause, it is intended to provide for these taxpayers.

I hope there will be no battles as the result of an interpretation being placed on that section which is so narrow and restrictive as to make the section practically worthless. That is something that those of us who are concerned about the matter will be watching, and if the subsection is not construed to mean what its language in my opinion clearly intends, there will, of course, be some battles in and out of the chamber on that subject.

I think I have made it clear that when the government does take a step which I consider to be right and proper, as one who sits on the opposition side of the House, I am quite happy to commend the government for its action. Perhaps my appreciation may be all the more heartfelt because of the fact it has taken 15 years for me to get to the point where I can stand in this chamber and say the words I am saying today. I hope the minister will recognize the fact that we are trying to take a fair look at his bill. We will praise it when praise is merited. However, we will differ from it where we feel it is not working in the best interests of the Canadian people.

Mr. Otto: Mr. Chairman, I am going to deal with section 7. This is the section that treats shares that are given to employees during the year as income. In view of the situation in which we in Canada are going to find ourselves, I am not so sure I fully support this view. A little while ago I might have, but it seems that in the next few months, year or two years, we are going to be looking for Canadian shareholders. We will be trying to entice them to hold shares, preferably in the plants and concerns in which they are employed. Some incentive has to be given to them. If these shares are treated as income during the current year, that is not exactly an incentive.

I say to the Minister of Finance that we are also going to be faced with the problem of productivity. I have stated on many occasions that it is always very bad when we have labour-management problems and when we have low productivity on the part of Canadian workmen. The question always arises, how can we induce Canadians to produce more? I suggest that one of the best ways is to give them a piece of the action. In other words, we should make it enticing and advantageous for workmen, employees, junior executives and senior executives to own shares in the plants and concerns in which they are employed. I hope that over a period of time labour-management negotiations will not be based on a wage differential or, for example, the desire for an extra two or three days. I hope that over a period of time negotiations will be based on organized labour requiring more shares of the company.

One of the great problems of our economy is that we do not have enough shareholders. I dare say if we investigated the members in this House, a handful might be owners of shares in Canadian corporations. Of that handful, the chances are that most of them have acquired shares in penny stocks and mining shares. If some elevator operator says it is a good idea to buy Moose Pasture No. 1, Canadians will immediately go out and buy it. However, as far as holding investments from a long range point of view, Canadians do not hold shares. The share holdings are restricted to very small groups.

One of our problems of distribution of dividends is that there are not enough people to whom we can distribute them. In other words, there is not a broad spectrum of shareholders. Instead of taxing shares in companies in which the taxpayers are employed on a full-time basis, it would be preferable to tax them on a 50 per cent basis. An inducement such as that would be more likely to have the effect that the employees would own a big chunk of the business in which they are employed. In order to get more dividends and also the capital gains, which are also included in the latter part of this bill, there would be an inducement to be productive.

If the minister investigates the companies in Canada which now have or have had a share distribution plan, he will find that these are the companies which are more productive. They have less problems with management because everyone is in on the action. To start out immediately under this new bill and say that if you happen to get shares in your company, they will be treated as income for the current year will be no inducement to employees to hold shares. I seriously recommend that the minister review his thoughts on this section. Instead of the full value of the shares presumed to be income, that provision should be amended to read 50 per cent of the value of the shares.

Mr. Lambert (Edmonton West): I wonder if I might direct a question to the parliamentary secretary, since there are going to be further observations about the matter as we go along. Under sections 109 and 110, I raised the point of the rationale for establishing age 21 as the age of majority. Certain provinces have now made 18 the legal age of majority. We understand that the province of Quebec proposes to introduce legislation in the very near future to the same effect. Nearly 80 per cent of young Canadians will be subject to a legal age of majority of 18, yet this income tax bill treats the division as age 21. I would like a clear understanding from the Department of Finance on this whole question.

Mr. Mahoney: Mr. Chairman, for clarification, may I reply? I think the hon. member will appreciate that there was some confusion when he was starting his remarks. Is the member referring to the same item he raised the other day in connection with the exemption being extended to a child resident in his parents' home until age 21?

Mr. Lambert (Edmonton West): Yes, Mr. Chairman, that is so. That is one of them. I did not hear any explanation or answer to my question. I know this is going to arise in relation to paragraph 63, child care expenses, where the

relative who is disqualified is under the age of 21. We are getting this continued use of the age 21 throughout the piece. I am giving the parliamentary secretary due notice.

I raised this matter the other day and I am again raising it. I am sure some of my colleagues and possibly some of the members opposite will raise the point again in the future. I think this matter should be looked at. There may be a valid reason why the present status should be left as is, but I fail to see it at the present time.

I now wish to turn to section 4 (4) which appears at the foot of page 4. I am wondering whether this is one of those sections which have been thrown in to grant extraordinary discretionary powers of judgment to the minister. When I was discussing this matter at an earlier stage I indicated that, somehow, it always appears that the advantage shall lie with the Crown. Never is there equity on behalf of the taxpayer or never is the situation even as between the two, even though the law is patently unfair. It was always interpreted in such a way that the Crown cannot lose. I am wondering whether this is one of those sections. In any event I invite the parliamentary secretary or the minister to give us in reasonable terms, in clear language, an explanation of what is meant by this subsection. I read:

• (3:40 p.m.)

Unless a contrary intention is evident, no provision of this Part shall be read or construed to require the inclusion or to permit the deduction, in computing the income of a taxpayer for a taxation year or his income or loss for a taxation year from a particular source or from sources in a particular place, of any amount to the extent that that amount has been included or deducted, as the case may be, in computing such income or loss under, in accordance with or by virtue of any other provision of this Part.

I am sorry, but my legal training and experience to date have not enabled me to translate into straightforward language what the drafters of the legislation meant by this particular paragraph. It is a new paragraph, and therefore it has not been the subject of any previous departmental rulings or of interpretation by tax consultants. Sub-paragraph (2) is also a new provision but it does not appear to give us much difficulty. We have seen many instances of tax authorities saying that this bill, using new terms, has unfortunately led to an entirely new family of language which is thoroughly unfamiliar to the profession and even less familiar to a taxpayer. There is no way of arriving at a ruling.

I want to go back to a point I made on second reading. The efficacy of a tax statute and the justice of a tax statute depend upon the ability of the person who has to pay the tax to understand it. We are now being led into an even greater maze of uncertainty all the way along. I cannot understand how government members, particularly, can claim in this House that they are engaging in tax reform when they are asking us to inflict upon the country an income tax act even less comprehensible than the existing one. This does not make sense. The charge of obscurity has been a common charge, even taking into account the fact that lack of familiarity with new sections leads to difficulty and that some people throw up their hands and say the changes must be bad because they cannot be understood. But even those whose experience has given them considerable practice in the interpretation of these subsections cannot say how this legislation will work out.

This is illustrated by the point I am trying to make in connection with section (4) subsection (iv): there are many businesses today whose business operations in 1971 will be subject to law in 1972. That law will be retroactive. They cannot understand it now, and as a matter of fact the transactions into which they enter in 1971 will be subject to a law which they did not even know existed, because the bill had not been published. This is an example of what I call the latent injustice which appears in the bill. Hon. members may be puzzled as to what I am saying, but in actual fact this is so. In due course we shall come to some sections which will show that there are retroactive features in this bill, in particular dealing with business, covering transactions which occurred maybe six months before this bill had even been published. This is an example of the injustice which occurs as a result of imprecise language or muddled language and sections which are very difficult to interpret.

I should like to turn to section 6, because there we are dealing with certain items which must be included in the income of an individual. A lot of the wording is carried forward from the existing act. I do not think we have any problems with 6(1)(a) or with 6(1)(b) which, again, is a carry-forward. Then, we come to something which is new, namely, 6(1)(e) dealing with the stand-by charge for automobiles. This will certainly lead to litigation. There are no two ways about it. The results are likely to be most unfair. The automobile referred to is to be made available for personal use or otherwise. Now, if the main purpose of the automobile is for business, does the section apply? Or is it caught by, maybe, a 5 per cent or 10 per cent segment that is for personal use? The phrase in parenthesis appearing at line 25 does not assist us—

"Exclusive" may be read as meaning for the benefit of that one employee as opposed to several employees rather than referring to an exclusive type of use.

These are the difficulties which arise when we say "for his exclusive personal use or otherwise". Does it mean it is exclusive personal use or does it cover other circumstances? If an employee has to share an automobile with others, why should he be hit for a charge? This is the nature of the imprecise language which is used.

Then, we come to Section 6(2). The leasing formula and the capital formula could result in different contributions to an employee depending on the type of arrangement the employer makes. The employee's benefit is constant. But why would it not have been better to use a percentage based on the cost of the car? Whether the car is leased or owned, what is the difference? The question is, what is it that we are taxing? It is the value to an employee of an automobile that has been given to him for his personal use, not for his business use but his personal use. Therefore, why go into a whole rigmarole as to whether the car is leased by the firm or owned by the firm? What effect has that on the nature of the tax? Why does the tax department concern itself with that consideration? All that is being done is the allocation to the employee for his personal use of a car worth so many dollars. That an employee can understand, and that I can understand; indeed, I think just about anybody can understand it. Instead of that, we are taken down the garden path by a

long formula. I do not think that this provision helps this statute.

• (3:50 p.m.)

Section 6(1)(f) deals with employment insurance benefits, and here again I think an injustice is done. The employee is charged with the benefits if the employer makes a contribution. In such case the benefit received is taxed as a deduction for the dollar value of the premiums paid by the employee. If the employee pays all of the contributions then the benefits are not taxable; but should his employer pay just $1, then all of the benefits less the employee's portion of the premiums are chargeable. I cannot see the logic of this. Would it not be more consistent to base the benefit of the employee on that portion that is paid? If his employer pays half the premiums, then why not charge half of the benefits to the employee? If the employer pays 10 per cent, then the employee should only be charged with 10 per cent of the benefits. I think that is the only way.

I should like to pass on now to section 6(8). Here again I should like to reiterate the arguments made by a number of my colleagues. Frankly, I cannot see in this day and age why we are establishing that in business terms a wife is to be regarded separately from her husband, particularly in cases where a husband and wife are working together. Why cannot a distinction be made between them?

I would say this provision is an unnecessary exercise. It is a shame to force the husband to incorporate his business. He owns all the shares, though his solicitor can hold one qualifying share in order to make it a private company. His wife can work as a secretary or clerk and receive pay, but her income is treated separately and the parties are taxed as two individuals. In many cases in order to do this work the wife has to hire assistance to take care of her children, which would qualify her for child care benefits. However, under the act we consistently deny this distinction between husband and wife. Not only is the salary paid to the wife not considered as an expense of the business, but she will not be able to qualify under the child care benefit provision of the act.

Even further than that, suppose the husband is in partnership with one or more individuals. Let us take the case of two or three doctors and a dentist who are in partnership in a small country town. In order to operate their office efficiently the wife of one of them, who may be a trained nurse, acts as a nursing assistant or as nurse-receptionist at their clinic. In order to do so, however, she has to hire someone to look after her children. At the present time, because her husband is a member of a partnership her salary is not deductible as an expense of the partnership. Even though this is a legitimate expenditure that is normal for such a business, just because she happens to be the wife of one of the partners her salary is not regarded as a business expense. In addition to that, section 63 denies this wife who is acting as a receptionist to the doctors and dentist, child care allowance.

If the parliamentary secretary would rather I got away from the professions, take the case of the trucking firm, the plastering firm or two or three plumbers who work together. They do not incorporate their business and have good reason not to do so. As my colleague from Lambton-Kent pointed out, because of credit restrictions or other conditions banks may prefer them not to incorporate. Nevertheless, someone has to keep the books and answer the telephone on a half day basis.

The Chairman: Order, please. I regret to interrupt the hon. member, and I do so only to advise him and the committee that his time has expired.

Mr. McCleave: Continue.

The Chairman: Does the committee give unanimous consent?

Mr. Lambert (Edmonton West): Mr. Chairman, if the parliamentary secretary wishes to speak, let him do so.

• (4:00 p.m.)

Mr. Mahoney: We seem to be building up a good sized inventory of inquiries and comments, so probably I should take an opportunity to deal with at least some of these.

The question which the hon. member for Edmonton West just raised was brought to us in terms of the "Momma and Poppa corner store" by the hon. member for Halifax-East Hants and a number of other speakers during consideration of sections 4 to 8 of the bill. The provision they are actually complaining about is contained in section 74(4).

Mr. McCleave: Section 6(8).

Mr. Mahoney: No, to be perfectly clear, section 6(8) contains the saving provision which makes certain that people who receive that kind of income, which is not deductible by the husband, do not have to include it in their income. To make it very clear, they are not taxed on the payments their spouse would not be able to deduct from his income. Strictly speaking, the problem complained about arises in section 74, and with respect I would suggest that is the place to deal with the point. The point has been noted and we certainly will deal with it at that time.

The question of exclusive use of an automobile in section 6(1)(e) has been raised by a number of speakers. The word "exclusive" there is designed to make sure that the benefit is taxable in the hands of the taxpayer, whether the vehicle is for his exclusive personal use or for mixed business and personal use, and it goes back to the root definition of income being the sum total of benefits which the taxpayer obtains from his employment.

The matter of salary continuation insurance or income maintenance plans referred to in section 6(1)(f) has also been raised on numerous occasions. Some members have suggested that an employee should be able to deduct his premiums, or a portion of the benefits attributable to that part of the premium paid by the employee should not be taxable. The bill before the House does provide that an employee may not deduct his premiums paid to a plan each year, but when a benefit is received the employee will be able to deduct from the benefit all premiums paid since 1967, not previously deducted. In other words, he will be allowed his own contributions free of tax before any amount is added to his income. Again, we get back to the root concept of a man's income being the sum total of benefits he receives from employment.

The matter of strike pay was raised in an inquiry by the hon. member for Halifax-East Hants. The bill does not provide for taxation on strike pay in the hands of the recipient. The question of employee stock options has been raised by the hon. member as well as by the Parliamentary Secretary to the Minister of Supply and Services and one or two others. Here again, there is no significant change in this bill from the law as it exists. Members, raising this point, have taken exception to a change in the present Income Tax Act which was made a couple of years ago, which did remove some exceptionally favourable treatment that was accorded taxpayers in a position to receive stock option plans. This is a valid point and it is an important point but there is no change proposed in this bill from the existing law.

The matter of expenses of workmen employed away from home was welcomed by the hon. member for Winnipeg North Centre as the result of long effort by the hon. member for Comox-Alberni, which has finally been rewarded. I am happy to note that welcome and the congratulations from that side in respect of this action. Certainly I must say I regard it as a very significant step forward.

The question of union dues was also raised by the hon. member for Winnipeg North Centre, with reference to section 8(1)(i). The hon. member expressed the assumption that special assessments might be included for deduction of union dues. This section is not changed at all from the previous law. There is no particular reason to think at this point that the Department of National Revenue will interpret this section of the bill any differently from the way in which it interprets the identical section in the existing Income Tax Act. Officials of the Department of National Revenue have advised me that annual membership dues to a union are deductible even though part of the dues may be earmarked for a strike fund, but a special levy that is imposed because of a particular event, which represents more of a one shot thing rather than a year after year or annual payment, is not deductible. Section 8(5)(c) is relevant to this and I should call it to the hon. member's attention. This paragraph provides that annual dues are not deductible under section 8 when they are paid for any purpose not directly related to the operating expenses of the trade union to which they were paid. An example has been cited in which a portion of the annual dues have been earmarked to build up a fund to help finance housing for members of the union, or something like that, and that might not be deductible. As I said before, this particular section is unchanged from the existing Income Tax Act.

The matter of employment expenses and allowances has been noted by a number of members, and this is under section 8(1) (a) (i). This debate has been going on since the white paper was tabled with its proposals which are essentially carried forward in this bill unchanged, and no doubt was carried on well before that when many people saw a measure of inequity in that a salary or wage earner is not allowed to deduct many of the expenses incurred in earning income whereas the proprietor frequently can, and whereas an executive often has those expenses paid for him by his employer, which in turn are deductible by the employees. It has been suggested that the $150 ceiling be changed to a tax credit or that it be increased in some way. The law permits a deduction for a substantial number of specific expenses such as the union dues I have just mentioned, and other expenses of employees which are described in section 8 and various subsections, including expenses for meals and lodging incurred by employees who have to travel in the course of their employment, legal expenses incurred in collecting salaries and wages, and so on. This bill does introduce in the 3 per cent or $150 ceiling an employee expense allowance which is an important new deduction. The bill also introduces a new deduction in terms of unemployment insurance premiums. It also makes an important change in section 6(6), extending to all employees the right to exclude benefits in cash for kind received from an employer to cover the cost of travelling to or living at a distant work site. This was also the cause of the hon. member for Comox-Alberni.

The new general deduction is an attempt to provide a deduction for other expenses. The requests for deductions of a more general nature have been studied for many years by governments, but this is a very difficult problem. One of the main difficulties is finding a reasonable and fair stopping place, if a start were made to allow new deductions for amounts spent by an employee in connection with his employment.

• (4:10 p.m.)

In addition to tools used by garage mechanics there are tools used by other trades such as carpenters, painters, plumbers and radio repair men. Expenses for getting to and from work are regarded by many as expenses necessarily incurred to earn salaries or wages. In some cases special clothing is required. Some employees, such as teachers and clergymen, find they have to buy books, tape recorders and typewriters to perform their work. A case can be made that amounts spent on all these items and numerous other items should be deducted in computing income. But if such a list of deductions were allowed, there would be a very real problem in checking and controlling all the receipts involved, and the substantial loss of revenue that would result would have to be recovered eslewhere in higher rates of tax on the remaining taxable income or perhaps through other forms of taxation than income tax.

As I said, this 3 per cent deduction is an important step. Combined with the other deductions permitted to employees, such as moving expenses and so on that are new under this bill, the estimate of the revenue loss in this area is $285 million, the first year that the new system is in effect based on the 1970 income tax payments. This is the largest single income reduction item in the package, taking into account that the rate schedules plus the exemptions should be treated as a package. So, I suggest that it is a great step forward. It is one that I am sure the government will watch with interest to see how it works. I hope we will find some way of creating more equity, but I commend it to hon. members as a very important new approach in the Canadian tax law.

The question of meals claimed away from home under section 8 (g) was raised by the hon. member for Portneuf and also the hon. member for Parry Sound-Muskoka. The problem that they seem to be raising is not related to any provision in the bill itself, but to the manner in which that

item is administered at present by the Department of National Revenue. I do not note any significant change in the bill on that particular item. I can only say I am confident that the Minister of National Revenue will receive reasonable representations in this regard from taxpayers who feel aggrieved. He may, indeed, be able to point out to the hon. members who questioned the matter the fact that perhaps there is more than one side to some of the representations that are being made.

Mr. Skoberg: Different sizes of stomachs.

Mr. Mahoney: The expenses of an employee working away from home and going home on weekends was raised by the hon. member for Parry Sound-Muskoka. He suggested that it might be covered under the provisions of section 8 (h) of the bill. I suggest that probably he is stretching 8 (h) if he thinks that it will go that far.

The hon. member for Regina East raised the question of transportation of handicapped persons to and from work. This, again, is a difficult subject. I think it was dealt with in essence in our debate on section 110, and I would refer the hon. member to the various improvements that are made in this bill in section 110 as opposed to the existing act when it comes to deductions for medical expenses and the other very well deserved concessions to handicapped persons.

The hon. member for Dauphin raised the matter of the carry forward of losses from employment under section 5(2). I would suggest with respect that the hon. member is in error in suggesting that a loss from employment could not be carried forward or back in the same way as a business loss. I think he misunderstands the section, and I would refer him to section 111(b) at page 292 of the bill which contains the definition of non-capital loss and includes in that definition a loss from employment. A non-capital loss may be carried forward five years and back one year.

The hon. member for Edmonton West again raised the matter of ages under the bill. I must say that I am inclined to agree that he has a point in the allusion that he made to the age in section 63(a)(iii)(B), the baby sitting section. I did respond to his questions regarding section 109(1)(d) the other day. Evidently he did not hear me. I would refer him to my remarks rather than repeat them. When he studies them he might conclude that a change in that section would impose a heavier burden on taxpayers rather than be a relief. He might feel that a parent claiming an exemption for a child should not have to prove that a child between the age of 18 and 21 is either in an educational institution or handicapped in order to get that exemption.

Mr. Lambert (Edmonton West): You do now for those over 21.

Mr. Mahoney: That is correct, but the change from 21 to 18 would mean that you would have to do it for those over 18 rather than 21, so perhaps it is not an improvement.

I would also draw the hon. member's attention to the change in section 75 dealing with the income from property, gifts to minors, and note that one of the government amendments presently before the House proposes to change the traditional age in that regard from 19 down to 18. There may be other sections but, as I said, I am inclined to think that the hon. member has a pretty good point on section 63. I will call it to the minister's attention.

So far as section 4(4) is concerned, the hon. member requested an explanation of that. Again, on reflection I would think that he should appreciate that this is a clarifying section which is desirable from the taxpayers point of view. It makes clear that an amount does not have to be included in income more than once, and also of course that a deduction cannot be taken more than once in the computation of income or loss. The reason for this is the considerable amount of emphasis throughout the bill, and particularly in this subdivision of the bill, on the sources of income. It is important to make sure that an item of income that is included from one source does not, by some technicality or other, have to be included again, and likewise that a deduction taken from one source of income cannot also be claimed against another source of income. It may be overly fastidious to have included this but it is a clarifying rather than a substantive section. I will check the inventory again. I hope I have caught up all the loose ends. If I have not, I will certainly try to do so.

Mr. McCleave: May I raise a point of order at this time? My point of order arises out of something which the parliamentary secretary said with regard to the representation that I made and which the hon. member for Lambton-Kent and others made about the mamma and papa provision which is contained in section 6(8). I think the parliamentary secretary made a reasonable representation and it would be agreeable I think that we deal with that later on. I hope we will always have the wisdom, if it turns out that section 6(8) is all that essential, to give ourselves leeway to come back and make any changes there. I should like to be heard later on about other matters arising out of the statement, but I realize that I am up on a point of order and I will not indulge myself now.

The Chairman: I would normally see the hon. member who is on his feet, but I think members of the committee will agree that because of the very useful line that the hon. member for Edmonton West took and which was responded to by the parliamentary secretary it would facilitate the work of the committee if I were now to see the hon. member for Edmonton West.

• (4:20 p.m.)

Mr. Lambert (Edmonton West): Thank you, Mr. Chairman. I will not abuse this privilege. Actually, I do not think I will use all of the time allotted to me.

I should like to return to section 6(1)(a). This provision includes in an employee's income an employer's contribution to public health schemes, but only on the basis that the benefit under the scheme depends on the employer making the contribution. In other words, in the provinces of Ontario, British Columbia and Alberta under the medicare schemes presently in force, because the employer has to participate by way of an agreement in a contribution to the scheme, the employee receives a taxable benefit to the extent of the employer's contribution. But strangely enough in the province of Quebec there is no question of agreement or otherwise. The employer's contribution to medicare is by way of a separate tax under a provincial

statute. Therefore we find there is a distinction, between one part of the country and another, for employees receiving the same sort of benefit. In Quebec, the employer must contribute to the medicare scheme. In Ontario, as a result of collective bargaining, the employer has to contribute to the medicare scheme. In the province of Alberta and in the province of British Columbia the employee has to pay for it, by reason of an addition to his income at the margin on which he will pay marginal rates.

I just cannot see that as equity between taxpayers, and after all the government did say that one of the things it was striving for was equity between taxpayers. I do not disagree that you can handle taxpayers differently, but do not tell us you are going to handle them the same way. It seems to me that to determine the tax consequences to an employee on the wording of a provincial statute is absolutely the wrong way to proceed in a federal statute. And let us not hear any nonsense that the provinces should change their medicare schemes, to make the premiums under medicare a complete charge to the consolidated revenue fund of the provinces, in order to do away with this. There was never a condition precedent under any medicare scheme that such should be the case. To try to force this through the Income Tax Act is totally wrong and is, in effect, saying it is up to the provincial administration to change the set up.

Why not tax the employee in Quebec for the value of the tax paid by the employer towards the medicare scheme? It is a payment for the benefit of the employee. But because it is a tax, apparently the department doesn't want to do it, or are they scared to do it?

Mr. Peters: Maybe both.

Mr. Lambert (Edmonton West): If it is fair to tax an Ontario employee for the benefit of his employer's contribution to a medicare premium under a provincial statute, or in Alberta or British Columbia, then it is equally fair to tax the one in Quebec. If you are not going to do it for the Quebec employee, then you should not do it for the others. But for goodness sake, treat that category of employees who are receiving part of their premiums under a medicare scheme from an employer equally and not as proposed in this bill.

I would like now to turn to the employment expense deduction. Here, I find some real anomalies. I am not going to say anything about the amount of $150, whether it is right or wrong. I am not going to say anything about whether it should be provided or should not be provided. Frankly, I do not particularly care that it should be provided. I have never been a great devotee of this particular feature because it seems to me that it discriminates, and it confers on certain employees a benefit to which they are not entitled.

When the hon. member for Winnipeg North Centre was speaking yesterday I gave him examples of what I considered to be anomalies. You may say that a $150 employment expense deduction for the office boy and junior stenographers in a large concern would be most welcome. I am sure they will welcome it, but if you take the case of a $75,000 a year president of a company, he too will be entitled to the $150. The president of the Canadian National, the president of the CBC and the Governor of the Bank of Canada will all be entitled to this $150. Every deputy minister is an employee entitled to it, unless such individual has an otherwise tax free allowance, such as a Member of Parliament, a city alderman, or member of a provincial legislature. Those individuals do not qualify, but all others who are employees qualify. The $150 for the man whose marginal rate is 40 per cent or 50 per cent is pretty nice, but for the man or woman whose marginal rate is 15 per cent or 17 per cent the deduction from total income really means a saving of very little, because this $150 is not deductible from your tax. This $150 is deductible from gross income.

I find these flat rate deductions to be wrong in principle, the same way that I find a flat rate exemption allowance creates some great disparities. Why do you do this? Let me give an example of it in my own profession, that of a lawyer. We will take a large law firm with a great number of staff lawyers. They will all be entitled to the working allowance. But just down the corridor are a couple of struggling young lawyers who will not be entitled to any of these travelling or employment expenses because they are self-employed.

• (4:30 p.m.)

Mr. Leblanc: They deduct their own expenses.

Mr. Lambert (Edmonton West): They cannot. This allowance will go toward the cost of travelling back and forth to the job for a stenographer or an office boy or the worker in a factory, because it is known as an employment expense deduction. In the same bus or subway car will be the self-employed lawyer or accountant—the hon. member for Laurier should know and should stand up for his profession—but they cannot qualify.

An hon. Member: He can charge his expenses.

Mr. Lambert (Edmonton West): He cannot charge those expenses travelling from his home to his place of business. Certainly, no lawyer can.

Mr. Leblanc: He has the compensation there.

Mr. Lambert (Edmonton West): There is this discrimination between the two. The hon. member for Laurier should know better. I am speaking from personal experience, in my profession as a staff lawyer in a large law firm, of what is allowed and what is not allowed as an employment expense. I can also speak about the nonsense of a self-employed lawyer attending a bar convention or the Canadian Tax Foundation. When a lawyer who is a Member of Parliament attends these seminars in order to keep up to date, he cannot deduct his expenses because his profession is not his principal source of income.

Mr. Leblanc: I agree with that.

Mr. Lambert (Edmonton West): I think the hon. member for Laurier will see that there is this discrimination between the lawyer who is working for a large law firm and the one who is on his own. He cannot deduct his travelling expenses from his home to his place of business, that is for sure. I have said enough on this occasion, Mr. Chairman. I thank hon. members for allowing me this extra time and you, Mr. Chairman, for recognizing me so quickly. It may be that I will come back with further points on this section.

Mr. Saltsman: Mr. Chairman, a pattern seems to be emerging on the employment expense allowance, particularly after listening to the hon. parliamentary secretary. Interestingly enough, and I think honestly enough, he pointed out that there has always been inequity in our tax system regarding the deduction of employment expenses as far as the employee is concerned as against the deduction of employment expenses for the self-employed person and the proprietor, and that the government has been grappling with this problem for a long time but has not been able to sort it out. The argument presented against equity as between the employee and the proprietor is that there are fewer proprietors and more employees, therefore trying to treat them on an equal basis poses an insurmountable problem. The parliamentary secretary says that the government has moved to put a little more equity into the situation by allowing a ceiling of $150 for employment expenses.

Frankly, Mr. Chairman, that looks like the worst kind of tax gerrymandering. Whichever way you look at what the government has done, it means that virtually all adults in our society will be able to make this $150 deduction and those who cannot, those outside the labour force because of age, are taken care of because $100 has been added to the $500 previously allowed as a deduction at age 70, now reduced to age 65. The government has not moved to correct the basic inequity in the system. Instead of increasing the amount that each individual could use as a base for deduction, instead of raising the ceiling of the single exemption to $2,000 and the married exemption to $4,000 for income tax purposes, they have taken $150 out of that and applied it to this section. If you were to calculate what it would have cost if the amount of the basic exemptions had been raised as against what it is going to cost this way, I think there would have been very little difference.

They have gerrymandered the thing around. There is a certain amount of money for disbursal and they have decided that, rather than use it to grant increased exemptions, they would use it to grant an employment allowance. I am not impressed with that approach because we are still faced with the basic inequity and all the apologies from the parliamentary secretary, all the hand wringing about how difficult it is to accomplish anything in that area, leaves me cold. I think it will leave the vast majority of people the same way.

As a rule, it is the little things that are very annoying. There is one subsection in section 6 which allows employees the right to deduct the cost of selling their product or advancing the interest of their company. Now that has always been deductible. But what is not taken into account is that almost all working men in this country at one time or another have to seek new employment or seek to improve their position. In this sense, they are not different from the person who is looking for business, who is selling a product. But the cost of finding a job cannot be deducted. If a man has been phased out of one industry and has to travel all over the city or buy three newspapers to look for a job—and under present conditions of high unemployment he may spend a fair amount of time and money trying to relocate—these expenses are not deductible. In a sense, he is in the business of providing his own labour; that is all he has to sell. He does not have a product or a service to sell, just himself. Yet there is no provision for him to deduct the cost of finding employment. This is simply an indication of how callous our tax system is, Mr. Chairman, how indifferent to the needs of the majority of taxpayers and how solicitous it is of those who are self-employed or the proprietors of businesses.

The government acknowledges that the system of employment expenses is inequitable, but even if it is so difficult to bring equity into the tax system is it necessary to carry on this injustice against the larger group of our population. Something more should be done than to offer apologies. The government has one or two choices open to it. Most people will not claim beyond the $150. They ought to set up the necessary administration, as they have done with respect to business concerns and self employed people, in order to process those extraordinary expenses that some workers incur in finding and holding employment. Those expenses ought to be processed on the same basis as other, similar expenses are processed.

• (4:40 p.m.)

On the other hand, if the administrative problems that this would create are too great, then the government should move in the other direction and disallow all such expenses. In other words, there ought to be no allowances for expenses incurred in business; neither the salesman's nor the steel worker's expenses ought to be deductible. I am sure that vast sums of money are lost from our national revenues through the ability of business concerns to deduct from taxes the cost of doing business. If all such expenses were disallowed, we would introduce some form of equity. The money that is saved could be applied to everybody's marginal rate of tax. All taxes could be reduced and there would be a return to equity. I find it impossible to accept the government's explanation, namely, that although the present practice is inequitable we have no choice except to proceed as we always have.

Since the parliamentary secretary has been so good about answering questions that have been raised in this debate, could he say whether the government has calculated how much revenue is lost as a result of allowing business expenses to be tax deductible? If those amounts were not allowed, what amount of revenue would be available for lowering everyone's marginal rate of tax?

Mr. Knowles (Winnipeg North Centre): The hon. member had better ask the question again. The parliamentary secretary did not hear him. Pay attention, Pat.

Mr. Saltsman: Is the parliamentary secretary ready? I should like to know whether the government has calculated how much revenue is lost as a result of allowing these expenses to be tax deductible. In other words, what revenue would be saved if there were no deductions for business expenses, travelling expenses as well as the expenses of employment? What amount of revenue would be available to the government if those deductions were disallowed and what kinds of tax changes could be made in the marginal rates of taxpayers if that amount were applied equally to all people for that purpose?

Mr. Mahoney: Mr. Chairman, did I understand the hon. member to include business expenses in his list?

Mr. Saltsman: Yes, Mr. Chairman.

Mr. Mahoney: Mr. Chairman, if business expenses are to be included in that particular litany, I think the figure the hon. member seeks would be impossible to calculate.

Mr. Saltsman: In which case, is there any kind of calculation that the parliamentary secretary could make in this regard? I think he sees what I am getting at and what kind of information I should like. If he cannot make the calculation on the basis of all business expenses, could he deal with expenses connected with the cost of employment or the costs of doing business that may be compared to the costs that the workman must meet for holding down his job?

Mr. Mahoney: Mr. Chairman, I am afraid that I do not know of any such calculation having been made. I have grave doubts as to whether it has been made. I will look at the hon. member's question in *Hansard* and see if we can get any information for the hon. member. I am not aware of that calculation having been made and, as I say, I have grave doubts as to whether it has been made.

Mr. Peters: That shows what is wrong with the system.

Mr. Orlikow: Mr. Chairman, I am somewhat puzzled by the reply of the parliamentary secretary. We are asked to approve a clause in this comprehensive bill which would permit workers, as well as other citizens, to deduct the magnificent amount of $150 a year for expenses connected with their work. This is not a new subject. Members of my party as well as of other parties have raised this question over many years, namely, that many ordinary workers working for wages and many people who work for salaries pay substantially more than $150 a year directly in expenses relating to their work.

The hon. member for Waterloo talked about costs incurred by the worker who has been laid off and must drive hundreds of miles to a prospective employer in order to find another job. Yet there are tens of thousands of workers who drive between 25 and 100 miles every day to and from work. Until now, they have not been able to deduct five cents of those expenses from taxable income. Thousands of construction workers must buy their own tools. Until now, they have not been able to deduct the cost of those tools from taxable income when calculating income tax. Thousands of miners cannot go into mines unless they wear hard hats and safety boots, which they must buy themselves. Those items cost something, and the cost has not been deductible.

Mr. Mahoney: That is precisely why we are allowing the $150.

Mr. Orlikow: The parliamentary secretary has always understood clearly the position of the salaried person who travels as a salesman or of the self-employed person, with whom I shall be dealing in a moment. The parliamentary secretary interjected just now to suggest that the government is allowing $150 to cover such expenses as I have mentioned. I say to the parliamentary secretary that $150 sometimes may be too much and sometimes it may not be enough. I say to him that I believe in equity. I think the worker is entitled to nothing more and to nothing less than the kind of consideration which, for many years, Canadian governments have extended to businessmen and self-employed persons. The businessman who thinks he will get more business if he takes a prospective customer out to dinner never has to prove that he got the business from that prospective customer. If he decides to take the customer to lunch or dinner at the Chateau Laurier, the Skyline Hotel, the Queen Elizabeth Hotel in Montreal, the Royal York Hotel in Toronto or the Palliser Hotel in the parliamentary secretary's home city of Calgary, nobody asks questions. The businessman charges the expense as a business expense, and the lunch or dinner does not cost him anything. If he decides to go to another city because he can get some business there and he flies first class, stays at the best hotel and eats the best meals available, he can charge the cost of the trip as a business expense.

Mr. Peters: Towards which the worker pays his share.

Mr. Orlikow: I ought to say that 50 per cent of the cost is paid for by the people of Canada. Let us take the case of the doctor who decides to attend a convention that is being held in the field in which he specializes. The convention may be held on a cruise ship cruising the Caribbean. Of course, there are meetings, the doctor listens to lectures and acquires more information in the field in which he specializes.

Mr. Alexander: Union executives do that, too.

Mr. Orlikow: My hon. friend says that union executives do that, too. However, that sort of thing is not part of their duties. Unions, to my knowledge, are not in the business of making profits and taxpayers do not pay for such things. The members of the union may pay, or they may object. The taxpayer does not pay. If the union member does not like it, he can do something about it. The taxpayer can only do something about that sort of practice if we, in this chamber, do something about it. That is what I am trying to impress on the parliamentary secretary. We are trying to persuade him in this matter but I must admit I do not think we have much hope of succeeding. The point I am trying to make is that for years we have permitted business, self-employed and professional people to escape payment of very substantial taxes because of these loopholes. I am not talking about tax evasion. I am talking about provisions in the income tax laws. This is a very small group, certainly less than 10 per cent of the people of Canada.

• (4:50 p.m.)

I suggest to the parliamentary secretary that it is time the ordinary workingman was given the same kind of advantage. I find it hard to understand why it should be so difficult to accomplish that objective. In fact, the government says it is impossible to set up a system of accounting or bookkeeping which will permit the ordinary workingman to do this. It has never been difficult for the doctor, lawyer or businessman to do that. A lawyer may travel in his car from the west end of Ottawa to a new office building downtown, then to the court house, which is not very far, back to his office and then home. He can charge a substantial part of his automobile expenses in the year when calculating his income tax.

I admit that I am ignorant about financial matters. I would like the parliamentary secretary to tell me why the government has been able to arrive at a decision that it is right, proper and equitable for that type of person to charge these expenses against his income tax, while it is not possible to do anything more for the workingman than to allow him a flat rate of $150. In thousands of cases, this is not adequate. The parliamentary secretary has some high priced help sitting with him at the table. Why can they not spend some time devising a system which will give the same treatment to the ordinary workingman who earns $5,000 or $6,000 a year? For years there has been such a system for business and professional men in the $25,000 to $50,000 a year bracket. When the parliamentary secretary explains that to my satisfaction, he will not hear another word about that from me and this section will carry very quickly.

Mr. Peters: My remarks will probably be redundant, Mr. Chairman, but I think what I have to say must be said. I was surprised at the statement made by the parliamentary secretary in answer, to the question he was asked by the hon. member for Waterloo. The hon. member asked the parliamentary secretary to calculate what would happen if we cut off the dishonest and supernumerary allowances which are now classified as expenses. He referred to the free automobile, free meals and all other such expenditures. He asked what amount of revenue would be available for the reduction of the tax if those expenses were not allowed.

I am curious, Mr. Chairman. I am probably stupid about finances. I am in the same position as many other members who set up a company. I have a small operation and I also have a farm. It is not difficult for me to write off $3,000 or $4,000 when calculating my income tax. I spend a little money and increase my capital value. I could write that off. I maintain a truck, tractor and considerable other equipment. There would be no problem writing off those items. However, I consider that to be morally wrong. I could hire an accountant just to cheat the government, but that would be morally wrong. Just because I have the machinery and know how to do it, I can get a deduction off my taxes.

Mr. Mahoney: But you do it.

Mr. Peters: No, I do not. My deductions at the present time are $1,000 for my wife, the $100 exemption everyone is allowed and the deduction for pension. These are the only exemptions I take. I could write off $4,000 or $5,000 if I wished, but I consider that dishonest. When I attend a large restaurant in Ottawa, I see that everyone there except myself and maybe one or two others are on expense accounts. That is more than dishonest, it is downright disgusting. I have to pay at least twice what the meal is worth because the freeloaders are riding on me and all other taxpayers.

Mr. Mahoney: Will the hon. member permit a question? In what category does the hon. member regard his tax free allowance as a member of Parliament in relation to all these freeloaders in the Skyline Hotel?

Mr. Peters: That is a simple question. If the hon. member did not have such a large income from other sources, he would be aware of the answer. That exemption covers exactly what it was intended to cover, namely moneys normally expended by any member on behalf of his constituents that would not be expended in any other occupation. It is granted in lieu of increasing our salaries, and I do not think it is dishonest. Parliament passed it. It is a fair amount. You can argue one way or another about the $2,000. Some members are cheap about spending the $8,000, but I think it is safe to say that all members who a few years ago were able to live on their salary had to dig into that expense allowance to maintain themselves. In the main, those businessmen who are allowed to write off expenses such as meals are dishonest. Everyone in this country knows that 50 per cent of them are dishonest because the expenses are not justified. If the department wishes, it could curtail those expenses by at least 50 per cent and gain on revenue.

The Deputy Chairman: Order.

Mr. Peters: They might then be able to help the little guy in this country who carries more than his share of the tax burden.

The Chairman: Order.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO DE DEBATED

The Acting Speaker (Mr. Laniel): It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Meadow Lake (Mr. Cadieu)—Grain—Lift program—Requests to farmers for repayments—Possibility of Prosecutions; the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas)—Oil—Proposed take-over of Supertest by British Petroleum—Possible government action—Acquisition by Panarctic Oils; the hon. member for Egmont (Mr. MacDonald)—Regional Economic Expansion—Response to criticisms of departmental programs.

It being five o'clock, the House will now proceed to the consideration of private members' business as listed on today's order paper, namely private bills, notices of motions, (papers), and public bills.

• (5:00 p.m.)

Mr. Frank Howard (Skeena): Mr. Speaker, I wonder whether I might have the indulgence of the Chair for a few moments in which to put to the House a proposition which has been discussed among representatives of the various parties in connection with private members' bills? It is a somewhat complicated matter so perhaps Your Honour will give me a moment or two in which to see that I do it correctly.

Mr. Knowles (Winnipeg North Centre): After the finance bill?

Mr. Howard (Skeena): This is a procedural matter, that is why it is complicated. It will require the unanimous consent of the House to accomplish what is proposed, namely that the House proceed to consider order No. 1, the report stage, and subsequently third reading of a bill respecting the Royal Victoria Hospital. We would then proceed to item No. 5, resuming the report stage of Bill S-12 respecting Central-Del Rio Oils Limited, and a report stage amendment thereto. On the conclusion of that item, if it happens before six o'clock, we would then adjourn.

The suggestion is that the House should also give consent to the hon. member for Moose Jaw (Mr. Skoberg) to withdraw a report stage amendment which he has moved and which appears on today's order paper at page 8, and allow him to move another amendment, one which has been agreed to by the sponsor of the bill and by the company affected. If this expresses the understanding reached during the conversations which have been held, I would seek unanimous consent for this to be made an order of the House as a package agreement.

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): That is precisely the understanding we reached during the discussions which were carried on this afternoon. We certainly hope the House will give unanimous consent to the proposal as it would expedite considerably the passage of these measures.

The Acting Speaker (Mr. Laniel): As the hon. member has said, there is need for unanimous consent. There seems to be agreement between the parties to follow the procedure suggested. Of course, as to the question of withdrawing an amendment, that would be done when the House resumed debate on that item. Since there seems to be agreement, the Chair will abide by it as being an order of the House.

PRIVATE BILLS

ROYAL VICTORIA HOSPITAL

Mr. Warren Allmand (Notre-Dame-de-Grâce) moved that Bill S-19, respecting the Royal Victoria Hospital as reported (without amendment) from the Standing Committee on Miscellaneous Private Bills and Standing Orders be concurred in.

Motion agreed to.

Mr. Allmand moved that the bill be read the third time and do pass.

Motion agreed to, and bill read the third time and passed.

CENTRAL-DEL RIO OILS LIMITED

The House resumed, from Thursday, October 14, consideration of Bill S-12, respecting Central-Del Rio Oils Limited as reported (without amendment) from the Standing Committee on Transport and Communications, and the amendment of Mr. Skoberg (page 6588).

[Mr. Knowles (Winnipeg North Centre).]

The Acting Speaker (Mr. Laniel): Order. This would be the point at which the hon. member would ask permission of the House to withdraw his amendment.

Mr. Frank Howard (Skeena): Perhaps we could combine the two operations, Mr. Speaker, namely, the request to withdraw the report stage amendment which is on the order paper and consent by the House for my hon. friend from Moose Jaw to move a new amendment. Perhaps that could be put in one item. I might say the amendment has been agreed to by the sponsor of the bill and by the company affected.

The Acting Speaker (Mr. Laniel): The House has already given consent to that. The Chair was only inviting the hon. member to ask leave to withdraw his amendment and then to present his new amendment.

Mr. John L. Skoberg (Moose Jaw): Mr. Speaker, I ask unanimous consent to withdraw the amendment which appears in my name in connection with Bill S-12, and which reads:

on the condition that Sections 52 to 56 of the Bank Act apply to the company *mutatis mutandis* notwithstanding the provisions of Part I of the Canada Corporations Act.

The Acting Speaker (Mr. Laniel): Does the House give unanimous consent?

Mr. Knowles (Winnipeg North Centre): Agreed.

Mr. Skoberg: I should like now, if I may, to introduce an amendment to Bill S-12 as follows:

That a new clause be added after line 42 on page 2:

A majority of the directors of the company or its successor shall at all times be Canadian citizens ordinarily resident in Canada.

Briefly, I should like to say that even though this may be just a token concession by the company concerned—a company which will, no doubt, change its name—this is the avenue we have to take until the Gray report on foreign ownership is tabled in the House. I might add that many of these amendments would not be necessary if the Gray report on foreign ownership were made public so that a full discussion could be held on the subject. I am sure all Canadians are waiting for the day when a debate can take place on the basis of the government's precise intentions in the field of foreign ownership.

Mr. Tom H. Goode (Burnaby-Richmond-Delta): Since the object expressed in the amendment has always been the intention of the company, the company accepts the new amendment and we should like to thank the hon. member for Moose Jaw (Mr. Skoberg) for his co-operation.

Mr. Howard (Skeena): It's the other way around, Tom.

Amendment (Mr. Skoberg) agreed to.

Mr. Goode moved that the bill be concurred in.

Motion agreed to.

The Acting Speaker (Mr. Laniel): When shall the bill be read the third time? By leave, now?

Some hon. Members: Now.

Mr. Goode moved that the bill be read the third time and do pass.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I am pleased that the Canadian Pacific Oil and Gas Company, which really owns this particular company, is accepting these changes. Central-Del Rio is now going out of business and will hereafter be called the Pan-Canadian Oil Company. I anticipate this will be a consortium of companies taking in many of the other subsidiaries which have been mentioned as being under the control of this company.

• (5:10 p.m.)

Therefore, I think that this company should be congratulated for having taken the stand it has, one in which I am sure all members of the House are interested, namely that its directors will be resident in Canada. Hopefully it follows that this company will have a Canadian interest in its deliberations and in its day to day operations, particularly since the Gray report has not yet been released. It is to be hoped that that report will come before Parliament in the very near future, since it is vitally important that the government state its position on Canadian control of companies.

We may be naïve enough to think that control rests with the board of directors and shareholders of a company. However, if the government gives leadership and shows what it wants accomplished in Canada, then a company like Central-Del Rio will not itself have to show the leadership that is required in this regard. There are other bills of a similar nature on the order paper, and if these companies wish to follow Central-Del Rio and make the same kind of concession to Canadian nationalism, then I think they will find much less difficulty getting their bills through this place.

I therefore express the hope that the government will introduce a policy establishing Canadian control of corporations, rather than asking individual companies to make this decision which, from a legal point of view, I am sure must have been difficult to make. Nevertheless, this company should be congratulated for having made that decision. As I say, I think there is now an obligation on the government not to place companies in the position of having to come before Parliament to get Canadian control. If the government shows leadership it will accomplish what the Gray report would accomplish by giving that direction which hitherto has been lacking.

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I do not like to be the sceptic here and I am not familiar with the original bill or the amendments made to it. I also kept my silence when they were explained to the House. However, I cannot see that there is any real victory for Canadian ownership in having a company declare that its directors shall be Canadians. In fact, I think this has been the case with most foreign-controlled companies for a good many years. The directors of these companies are straw men in some cases and real directors in others. Just in which cases they are straw men and in which cases they are effective directors is hard for an outside observer to tell.

Therefore, while I accept that there has been a concession in this case to Canadian direction of this company, I am not caught up in the euphoria of thinking there has been any real accomplishment here beyond the simple fact that this company must have Canadian directors. I think this is an acknowledgment of the need for legislation in this respect, and when it does come before the House I hope it will be a good deal more effective than legislation that merely provides that the directors of companies shall be Canadians.

I do not want to detract from the effort that has been made in this case because it is one step along the road. But as already pointed out by the hon. member for Timiskaming (Mr. Peters), something a good deal more than this will have to come from any legislation to ensure that there is in fact real Canadian control.

Motion agreed to and bill read the third time and passed.

The Acting Speaker (Mr. Laniel): Pursuant to the order made earlier by the House, the work on which agreement had been reached having now been completed the House will revert to the business which was interrupted at five o'clock.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

On clause 1—section 4: *Income or loss from a source or from sources in a place.*

The Deputy Chairman: Order, please. Pursuant to the order made by the House earlier this day, the committee will call it six o'clock and will resume examination of Bill C-259 at eight o'clock this evening.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

Mr. Peters: Mr. Chairman, just before we proceeded to private members' hour I was pointing out to the parliamentary secretary that workers at the lower end of the income scale have to pay the maximum amount of tax and are allowed only the stereotype deductions. That situation can in no way be related to the situation faced by people in other income categories. The parliamentary secretary suggested that if we allowed these deductions in all categories $280 million would be involved. It would be of tremendous advantage to the country if we could use that money in allowing the average worker to write off some of his expenses. If this cannot be done, then we should at least reduce some of the deduction items at the other end of the income scale.

Every time a businessman takes someone out for a meal we pay 50 per cent of the cost. If we have a meal in a

restaurant we are charged 50 per cent more than we should be because most people eating in restaurants are subsidized or are on expense accounts. I have never been convinced that anyone can increase his business by wining and dining potential customers. It seems to me that what is involved is the old theory of, you scratch my back and I'll scratch yours; I will take you out on my expense account and you can take me out on yours. All that is gained is a social evening. I fail to see the legitimacy of allowing this type of exemption when we will not allow such basic exemptions as the cost of travel from place to place in the course of employment.

It is very difficult to ascertain how much an individual should be allowed for expenses. I am sure that this situation has changed radically in the last few years, mainly as a result of government action. In many areas, mines are situated some distance from where miners live. It was decided some time ago that in the province of Ontario townsites should not be developed on mining property. This has been the case for the last 15 or 25 years. It was felt that the capital cost necessary to develop townsites might be better used if the miners lived in an existing centre and travelled from there to the mine. Capital has already been laid out to establish such towns and villages. This was not the case 20 years ago.

• (8:10 p.m.)

I lived in a mine townsite which was about a quarter of a mile from the mine. The mine was easy to reach on foot. Miners in my area today drive 100 miles to and from work. It seems to me very strange that people who have to drive to their jobs are not granted at least an expense allowance to cover their travelling costs.

A farmer would be allowed capital depreciation and all the cash necessary. Probably 5 per cent or 10 per cent would be allowed for personal expenses other than for the operation of the business. But so far as workers are concerned there is no allowance for capital expenditure on an automobile. No allowance is made for gasoline or other expenditures. As my colleague says, only the rich benefit from our tax laws. Is it not time we started to be fair with the working people of this country?

I have been impressed when the minister has said on a number of occasions that the basic exemption cannot be changed, that it cannot be raised because it would cost too much. I am aware that this would help the guy at the bottom, but it helps the guy in the high categories considerably more. Is it not an indication that the tax department has not done its job when we are not able to reclaim moneys in a fair manner under our tax structure? It has been said that we cannot pay more money to old age pensioners; our tax structure is so badly out of line that we cannot equitably recover the costs from the various income categories.

The government has been very generous and I am sure that government after government will say that $150 is only a foot in the door, that next time it will be $200 and then $250. They will play with the workers as though they were a political football; they will offer them a little here and a little there toward the cost of their tools. But I know of no group of workers in this country that is not willing to document the expenditures incurred in its trade. As a miner I would have been very happy to document the fact

[Mr. Peters.]

that I paid $11 or $12 for a pair of boots necessary in my occupation, to pay the $9 or $10 for the hat necessary in my work, the $4 or $5 for a belt to carry the lamp which is necessary in my work, the $15, $18 or $20 for oilers and the $4 or $5 for neoprene gloves.

I would have been happy to document these expenses if I could have written them off as business expenditures—and in my opinion those were business expenditures. I could not work without this equipment and therefore it was necessary for my work. I think a government is pretty decadent, and so is the tax department, if they cannot see the justification in allowing workers to provide receipts for certain items which are necessary in carrying out their jobs. Yet we allow businessmen to spend all kinds of money on booze, food and women, on hotel rooms and vacations around the world. We allow this and each of us has to pay for it. It seems to me that a government that cannot make this distinction has not looked at the tax structure in the light of reform. I agree that the tax structure is incomprehensible to anyone and I think it is time there was some fairness in the exemptions that we allow.

With regard to the 3 per cent of income provision, I know of people who pay almost 10 per cent of their income in transportation costs alone and they have all the other disadvantages that go with carrying lunch-pails, eating a poor lunch and working overtime and eating a warmed-up TV dinner. I do not blame people who look at the balance-sheet and say it is costing them money to work and that they would be better off receiving welfare, and perhaps that is the alternative.

The only way in which this country will get ahead is for the working people to feel they are getting a fair break under the taxation structure. If workers know that the boss is cheating, that he has all kinds of ways of getting exemptions to which they are not entitled, they lose respect for the system and doubt the justice which everybody agrees should prevail.

I should like the parliamentary secretary to indicate that the government will consider allowing exemptions for travelling expenses if receipts are submitted. If necessary, these receipts or vouchers could be co-signed by the employer. If a person is travelling in somebody else's car, obviously they are entitled to only a share of the exemption. Most companies would be able to supervise this and there would be no need for a number of inspectors.

So far as the $150 is concerned, I say thank you very much but this is only a drop in the bucket for the people involved. The government does not ask a doctor whether he needs a new scalpel. They do not ask how much it cost; the doctor tells them how much it cost. The government does not check whether he needs three or six scalpels a year, and he does not have to provide receipts for them. He gives them a complicated breakdown of his office expenses and sometimes lets the inspector come in to look over the books. Every time, to my knowledge, they collect about three times the tax which the doctor estimated, so I expect that the receipts system in these cases is not very good.

Perhaps the parliamentary secretary doubts this, but I know of cases where inspectors have come in and taken out what I would consider to be considerably more than

the fellow was supposed to be making that year, without much squawking from the person concerned. If it is good for one person, why is it not good for another? Why do we always have to ask the little guy to pay the largest share? He does not necessarily pay the most money, but in terms of the income he receives he pays the major share. He will not be allowed to collect for his wife and for his children. He will now have an exemption of $100 for dues. The fact that he may have a strike assessment will not be taken into consideration. Now we are to make it a maximum of 3 per cent of his income or up to $150 to be deducted for tools.

The workers of this country are not getting a fair break. I urge that they be given a fair break. We do not want to continue the inequitable system which favours the very rich who have cushy jobs. If we give them a concession, at least let us give the working people of this country an opportunity to get some benefits from their expenditures. They do not want these benefits so as to have a good time, to go out on Saturday night and drink beer at the Legion; they only want to cover their expenses in travelling from home to job and buying equipment which is necessary and which is becoming exceedingly costly. I think these are two provisions which could easily be amended. In the amended form they would receive the support of all sectors of our community.

• (8:20 p.m.)

[*Translation*]

Mr. Laprise: Mr. Chairman, once more I would like to take a matter up strongly with the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney). I do not know if he understood the intervention I made yesterday, but anyway several other members, among which the previous speaker, expressed the same opinion that clause 8 provides for something new, that is a tax deduction for employment expenses of not more than $150 that everyone can claim, even workers, loggers, miners and those who travel between their residence and their place of work.

I repeat what I said yesterday: the amount is minimal. It represents only 2 to 4 cents a mile. I think it is less than what it costs a worker to get to his work.

The buyer of an automobile pays the federal government a tax on car manufacturing and often, according to the province, a sales tax such as 8 per cent in Quebec and if he uses his car he must also pay substantial tax on the gas and oil he buys and on spare parts for the car he must maintain in good shape.

I think that the Department of Finance should in all justice for all Canadian workers revise that clause of the bill and allow a fair deduction for actual expenses claimed by the Canadian worker.

[*English*]

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, during the discussion on section 4 we have also, of course, been considering sections 5, 6, 7 and 8. One of the points that has come in for a good deal of discussion has been the proposal to add an exemption of 3 per cent of income, or a limit of $150, which is said to be for employment expenses. I find it rather interesting to read the section in question, section 8. It starts at the bottom of page 15 of the bill and goes over to page 16. You discover that in the text of the section it does not say what the expenses are for. However, the marginal note helps us out in this respect and I suppose in that sense it is part of the bill. The marginal note reads "Employment expense deduction."

We have been back and forth over this ground so it is hardly necessary to do it again in any kind of detail. But I had hoped that by now the government would have realized that it really is a little unfair for it not to relent at all on the basic system, namely, that of employing a tax exemption schedule rather than a tax credit system, and to add to the insult by providing this further exemption on that inequitable basis. After all, it is simply a case of an extra $150 exemption for all taxpayers in this country who get their income from employment. There is a slight qualification; persons who have some other tax-free allowance of $150 or more do not get it. We are glad to note that that includes Members of Parliament. But apart from those few exceptions which do not alter the picture greatly, all we have in this proposal is an additional $150 exemption for taxpayers who get their income from employment.

Whenever you do that sort of thing instead of putting it on a tax credit basis or without adjusting the rates, you are compounding the inequalities that already exist in our outdated tax law. As has been pointed out so many times, this $150 provision will mean a few dollars, $20 or $30 at most, to many of the workers of Canada when they fill out their income tax forms after next year is over. But the Governor of the Bank of Canada, the president of the Royal Bank of Canada and a few other big-shots will probably get 50 per cent or 60 per cent of the $150 exemption, which is $75 or more to them. It is a lot more than the little fellow gets—and these big-shots need an extra $75 a year just like a car needs a fifth wheel! Why can't we once in a while do this type of thing on the basis of fairness? We have not been able to persuade the government to change the basic system, but here a new element is being added. Why couldn't this be done on the basis of equity?

When I was speaking about this matter yesterday I referred to a situation that is at least slightly comparable, that of the allowance for charitable donations. I pointed out that in that case, as in at least one other, the government allows a $100 exemption to a taxpayer whether or not he has receipts for the charitable donations he has made. But the same taxpayer, if he has receipts, may claim more than $100. In that case there is another ceiling somewhere up the line. I suggested that that might be a pattern to follow in this case. I put it forward as reasonably as I could, hoping the government would reconsider it overnight and come back with such a proposal today. But whether it was considered overnight or not, it is not before us at this time—and I think it should be. As I said yesterday, let us accept the $150 for everyone, without any receipts, but why not provide that the worker who can furnish receipts for employment expenses be granted up to a total of $500?

Therefore, Mr. Chairman, since the government has not proposed this as an amendment to the bill—I confess I have not had time today to look at the further batch of amendments that we received at two o'clock this afternoon, but I am sure if one of those amendments had dealt with this matter word would have reached us by this

time—I would like to move an amendment along the lines which I suggested yesterday and to which I have just referred. I can see that Your Honour is wondering what is coming. Probably you can guess. I have already told you. I do not have another treatise on procedure. The other day I spent a great deal of time on a treatise on procedure and lost my amendment, but a colleague of mine rose later, offered an amendment, did not mention procedure and his amendment was accepted. So I think I should not argue; I should just present my amendment, listen to Your Honour say question, and get a vote on it.

However, I suppose Your Honour will look at my amendment and ask, "Doesn't that do something to the balance of ways and means?" Mr. Chairman, if you had been listening today to the parliamentary secretary you would have realized that those on the other side of the House are all at sea in this business of deductions for expenses: they don't quite know what it amounts to or how much you gain or lose. I suggest that if we gave the workers this extra allowance for expenses that they can document by receipts, it might result in the purchase of more tools and equipment. Then the people who sell the tools and equipment would make more profit, would pay more taxes and the government would probably be better off.

• (8:30 p.m.)

Since my argument in the direct field of procedure did not work the other day, I am trying this one on for size. Just because I am going to propose that workers be granted up to $500 rather than $150 by way of an expense allowance I do not think the Chair should just jump on it and say that it upsets the balance of ways and means. That is not necessarily so. It may in the end put money in the government's pocket. In any event, I think the committee should have the amendment before it. I have several copies and I can send one over to the parliamentary secretary and he can get one of the ministers sitting behind him to move it, if Your Honour finds it procedurally difficult. I am sure that by now they are feeling a bit sheepish about the inequity and unfairness of this $150 proposal. Therefore, I move:

That Bill C-259 be amended at page 16, in line 3, by changing the semicolon at the end of the said line 3 to a comma, and by adding immediately thereafter the following words:

"provided however that the amount deductible under this paragraph may be an amount up to but not greater than $500, if payment of employment expenses for the total amount claimed is proven by filing receipts with the minister;".

I point out that if these words were added at the end of line 3 on page 16, then section 8(1)(a)(ii) would provide for a deduction which, abbreviated, would read:

a single amount in respect of all offices and employments of the taxpayer, equal to the lesser of $150 and 3 per cent—

Then there are a number of lines simply referring to income. My words would be added at that point and would say that despite that limit of $150 and 3 per cent, the amount deductible under this paragraph may be an amount up to but not greater than $500, if payment of employment expenses for the total amount claimed is proven by filing receipts with the minister. One other comment I wish to make is that the language I have chosen at the end of the amendment is that which appears in this bill in several places, namely, that where receipts are required it is proposed that they be receipts filed with the minister which prove the expense.

Also, in this bill in various places are provisions for the making of regulations, sometimes by the Minister of Finance and sometimes by the Minister of National Revenue. As I see it, there would have to be regulations, just as there are now regulations, about the receipts that one can file for charitable donations, the required numbers and all the rest of it. The general authority to deal with certain matters by regulation would cover the right of the government through one department or another to indicate what kind of expense could be claimed and the nature of the receipts to be submitted.

However, apart from the two questions I have raised about the regularity which I contend for this motion, and apart from the attempt I have made to show how it is put together, I plead basic fairness. There is no reference in the text itself to employment expense; that is found only in the marginal note. All that tells us is that the text itself has nothing to say about employment expenses, it is just a $150 deduction. But if the government is going to call it by its marginal note, that is, an employment expense deduction, let us have a section on it and make reference, as I do in my amendment, to employment expenses. Let us also do the fair thing and make the same amount available, if he spends the money, up to $500 for the worker in the mine, the worker who has to travel or anyone else regardless of the total income of that person.

Therefore, Mr. Chairman, in the name of equity for at least this part of the tax bill I propose the amendment which I have already read.

Mr. Peters: Question.

The Chairman: The Chair is not prepared to put the question at this time. The hon. member for Winnipeg North Centre referred to the amendment moved by his colleague, the hon. member for Regina East. I would not want the hon. member for Winnipeg North Centre to think that because he moves an amendment the Chair is automatically on guard. This may be a logical conclusion to draw; however, the Chair can find a distinction. I accepted the amendment of the hon. member for Regina East the other evening on the basis of Beauchesne's citation which says that it is open to members to reduce taxes. I would accept such an amendment if it were, shall I say, to reduce taxes across the board.

The difficulty I have with the amendment now before the committee is that if I permitted it and it were carried, it would shift the incidence of taxation. I am speaking now only on the procedural aspect and not on the fairness or moral aspect, as the hon. member urged on me—I make no decision on that. It seems to me, on the procedural aspect, that if this amendment were adopted there would be a shift in the incidence of taxation. There would in fact be an infringement on the financial initiative of the Crown. That is my preliminary thought on the matter. If the amendment were carried, of course, the situation would be that some taxpayers would pay less taxes and others would pay more.

I make this preliminary observation. If hon. members wish to try to convince me otherwise, I will listen to their

arguments, otherwise I would regretfully have to rule the amendment out of order.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, perhaps I should say that you have not taken me by surprise but I do not see how you can put much weight on the argument that my amendment shifts the incidence of taxation. In order to contend that, of course, I may have to contend that it simply reduces the total amount of taxes that has to be paid in.

The argument that a proposition shifts the incidence from one group to the other perhaps applied to the motion I made the other day when I tried to raise the exemption levels and thus take taxation off those on the lower end of the scale and put the tax on those at the higher end. This amendment simply takes the taxation off the workers who can submit vouchers for up to $500. As for the question of whether or not it is across the board, I think it is: it would apply to the worker at the lower end of the scale and to the governor of the Bank of Canada if he could submit vouchers for expenses up to $500.

On the other question, all I can say is I think there is no proof at all that this kind of amendment would result in any loss of income to the treasury and it would be much fairer to the workers of this country.

Mr. Peters: Question.

The Chairman: The concern that the Chair has, of course, is not really cleared by the hon. member's remarks, because if his amendment were adopted I think we would be in the position that those taxpayers who are employees would have the benefit of the amendment. The situation is that there are other Canadians who are not employees, they are self-employed, so that the benefit that could accrue under this amendment to Canadians who are not self-employed but are employees would be borne by Canadians who are self-employed.

• (8:40 p.m.)

As I said, the argument of the hon. member may be morally or reasonably correct—although I make no comment on that—but I suggest it is not procedurally correct and a private member cannot, as the hon. member seeks to do, interfere with the financial initiative of the Crown by shifting the incidence of taxation. For example, if all Canadians were employed, then I think I could agree with the hon. member's argument. Some Canadians, however, are not employees; they are self-employed and thus would not have the benefit of the amendment moved by the hon. member for Winnipeg North Centre. Therefore, those who are self-employed would, it seems to me, be carrying an additional burden.

I think, with respect, that the hon. member is doing something that can only be done under the financial initiative of the Crown. Accordingly, and regretfully, I must rule that the hon. member's motion is out of order.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, could I ask the Minister of National Revenue, who represents that great, industrial city of Windsor, if he would not like to adopt this amendment and move it on behalf of the workers of that city as well as on behalf of all the workers of Canada?

Mr. Gray: Mr. Chairman, the proposal is a step forward, and the best way to help the workers in this regard is to pass this proposal of the government which is before the committee as quickly as possible.

Some hon. Members: Hear, hear!

Mr. McCleave: Mr. Chairman, could I ask the minister if what he said has become government policy?

Some hon. Members: Repeat that.

Mr. McCleave: Has what the minister said become government policy?

Mr. Gray: I was talking about the measure that the government has proposed to the House and that is before the committee, Mr. Chairman.

Mr. Skoberg: Mr. Chairman, I want to go on a voyage of discovery for a few moments and refer to some matters which have been raised in the House a number of times. Perhaps the parliamentary secretary could advise me whether some of these questions have been dealt with, because that may save some debating time.

Some time ago a representation was made to the government involving the Saskatchewan Wheat Pool Employees Association. It came to the attention of many members of the House and had to do with the different ways in which people who work on different types of construction jobs are treated. For instance, we are told that expenses incurred by people who work on a new construction site can be included as tax deductible, whereas if workers do repair work on the same type of installation, or on annexes, elevators and the like, their expenses are not deductible.

Could the parliamentary secretary advise us whether there have been changes in the way this law has been interpreted? Perhaps the Minister of National Revenue could say whether there have been changes in the regulations under the pertinent sections. Those who are concerned would appreciate this information.

It appears that the government is completely insensitive to the whole area of expenses incurred by people working away from home. We have tried to suggest that certain matters could be included within the law and the government has suggested that if you open the door at all there will be no end to what will be asked. In this situation employees who are discriminated against are those who undertake repair work on certain annexes and elevators across the country. It appears that the criteria for determining their eligibility to deduct expenses are based solely upon the definition of work performed.

Perhaps the Minister of National Revenue or the parliamentary secretary could indicate whether change is to be expected in this area. I do not think consideration is being given to it. Members of this committee want the government to explain why such expenses should not be deductible for tax purposes. It seems to me that we are discriminating against people whose work is exactly the same as that of others whose expenses are tax deductible and who are employed on new construction.

I am sure the parliamentary secretary, who comes from western Canada, well knows that people who are repairing elevators are doing the same work as those who are

building new elevators and that they are entitled to the same type of treatment. After all, they are doing the same type of work. Why cannot both groups of people be treated equally? I ask the parliamentary secretary to tell us why employees doing similar jobs cannot be treated the same way.

Another area that has been debated at length—some of our arguments go back to the 1960's; one letter on the subject was written in 1967—is that of travelling expenses of those employed in construction, transportion or other, allied trades. This afternoon the parliamentary secretary suggested that this involves a personal situation, that it is the obligation of workers to move from their homes to their places of work. Those engaged in the various trades in this country are faced with a high degree of mobility, I agree; yet we can cite instances—I will use Canadian Pacific Railway and Canadian Pacific Express as examples—to show that because workers lack the necessary seniority in their respective terminals they must travel many miles in order to obtain employment.

The Minister of Manpower and Immigration has told us how important manpower training and retraining is for Canadians. Representations in this area have been made to the Minister of National Revenue. There is a letter from the Minister of Finance saying that the subject of expenses incurred in earning salary and wages is receiving careful study during the current review of the income tax law. Surely when people cannot gain employment in their trades within their own terminals, places of origin or domicile and must travel "X" miles to obtain employment, consideration ought to be given to the deduction from taxable income of their travelling expenses.

I agree that if it appears that such people will become permanently employed at the new location, they ought to move to that location. In the long run this is what they will do and thus they will no longer pay travelling expenses. Yet somewhere along the line consideration ought to be given to allowing such travelling expenses for a certain length of time, especially in cases where people cannot get jobs in their own terminals or places of domicile. Consideration ought to be given to allowing some type of mileage charge in computing travelling expenses in cases where people must travel to another terminal or location for work. After all, they have to obtain food and shelter and keep up their homes. No consideration has been given to such people. Even now, one group can obtain concessions so far as expenses are concerned yet others who work under similar circumstances are denied these concessions. Consideration ought to be given to those so affected.

May I refer briefly of situations existing in the railway industry. I am sure that the parliamentary secretary, who comes from the city of Calgary, knows many railroaders in that city. We know that with the type of seniority prevailing on the railroads some people are forced to go away from home to obtain employment. If they want to work they must travel many miles to another location. At one time the railway companies themselves provided accommodation for their employees. Today those who are forced away from home for work invariably must obtain their own accommodation and pay their living costs at the work terminals.

[Mr. Skoberg.]

• (8:50 p.m.)

I am glad that in the bill there is provision for an exemption in so far as telegraphers' and station agents' expenses are concerned. I would like to know why the government cannot include in those exemptions the expenses of employees working away from home terminals because they have exercised their seniority. The parliamentary secretary is well aware that people from Calgary go to Red Deer to work. They have to pay their own expenses. No consideration is given to that type of expense. If the parliamentary secretary would answer this question right now it would be appreciated by all those affected.

We witness the disappearance of passenger trains throughout the country. It used to be that running trade employees could go to away-from-home terminals by train, but now that is practically impossible. They have to use their own automobiles to travel to away-from-home terminal for employment. They receive no consideration for expenses incurred in this way. Again we are faced with the situation where you have two sets of conditions. There are people with ability and seniority who work within their own territory. Others have the same ability but not the seniority and are forced to go away from home in order to obtain employment. Surely there could be some amendment or a few words added to the clause at the top of page 17 to include the running trades to which I am referring.

The same applies to the non-operating trades. They have what they call roving gangs. These people no longer have a domicile to call their own and are used throughout the territory. They are in the same situation of having to drive from one location to the other but receive no consideration so far as tax exemption is concerned. Possibly the government would agree to add a few words to this clause to look after the situation with which these people are faced. I do not see any object in trying to move an amendment to include this group of people unless it includes construction workers, railway workers and other trades and craftsmen.

If these people were included, their legitimate expenses could no doubt be documented to the extent that the government would know how much money was spent. As far as blanket coverage is concerned, I agree that this is not in the interest of the Income Tax Act. If legitimate expenses were documented I see no reason why these people would not be entitled to consideration under the proposed changes.

Over the past few years the Minister of Finance has suggested that these areas were being considered. I think he was sincere when he said that at the time the Income Tax Act was to be revised and revamped. When I look through it I see that the three areas to which I have referred are not included. No consideration given to these situations. With regard to people in the construction industry and railway industry, I think some words should be added to the legislation to cover the situation. I leave it at that. Possibly the parliamentary secretary, who is well versed in the Calgary situation where there are very many railroad people, has received representations. I am sure he is aware of the problems I have recited.

Mr. Mahoney: I am indeed, Mr. Chairman. The hon. member has asked a couple of very specific questions that might as well be answered now as later. On the matter of employee expenses, the hon. member cited the problem experienced by contractors' employees who are away from home building grain elevators and employees of grain companies out on maintenance and repair work.

If the hon. member examines section 6(6) of the bill I think he will be satisfied that that particular anomaly has been removed. Workers who are employed away from home on repairs will now be in a position where the payments made to them by their employer for living expenses away from home will not have to be included in income. There is a distinction that is important. The employee is not entitled to deduct from his income his personal expenses. It is a matter of an employer making him an allowance to cover those expenses while he is away from his home base. In those circumstances that allowance is no longer an income item.

With regard to travelling expenses, Mr. Chairman, I am sorry the response to the hon. member cannot be as favourable, at least from his point of view. The government has not yet satisfied itself as to an equitable means of permitting people to deduct the expenses of travelling to and from work. This applies as much to travelling to and from work ten miles across the city, 20 miles down the road on a daily basis or, indeed, as do some of our top executives—for whom I am sure the hon. member is not speaking—flying across the country two or three times a week while locating in a new job and trying to find a house in a new location. No satisfactory answer to this, at least from the hon. member's point of view, has been found. However, I should point out that under section 62 the transfer costs of the employee moving from one location to another are covered when he actually moves his home to the site of his new employment. Was there another point?

Mr. McCleave: Yes, there was, Mr. Chairman. Can the parliamentary secretary elaborate on his statement that the government is not really satisfied with the answer of the travel allowance? Where is it going and when are we to have an answer?

Mr. Mahoney: I am sorry, Mr. Chairman; I am not quite clear on the purport of the question.

Mr. McCleave: I think the parliamentary secretary said that the government is not really satisfied with the answer it has with regard to travel allowances. Are special studies being carried on, or is this where the matter rests? He sounded very frank. I wonder where this frankness will lead us.

Mr. Mahoney: Mr. Chairman, the government is and will continue to review the matter. The dissatisfaction to which I alluded was the fact that I was afraid I could not provide the hon. member for Moose Jaw with an answer that would satisfy him.

Mr. Skoberg: Mr. Chairman, the real question, as the parliamentary secretary suggested, is that section 62 takes into account the transfer cost from one home to another. He is missing the point that their seniority is established in a particular terminal. If these people transfer every time they have to move 140 miles to another terminal in order to gain employment, they will be transferring back and forth all the time. It is this situation about which the railway brotherhood is concerned, as well as employees who are involved in this type of transfer.

• (9:00 p.m.)

If an employee who did not possess sufficient seniority had to travel 150 miles to work in his seniority district, how many times could he be allowed the transfer of his home effects back and forth? It could be a number of times. This is the problem the railway people are facing.

Mr. Mahoney: Again, I do not think I can give the hon. member a very satisfactory answer. I must say I question very much the thesis that a particular group of taxpayers who because of collective bargaining arrangements have a certain problem, should have preference over other taxpayers. There are many taxpayers who travel to and from work daily. It costs money to travel across Toronto. It costs money to travel from Burlington to Toronto or, as the hon. member said, from Moose Jaw to Regina. For various reasons many people do not choose to live near their work. I do not think the fact that this problem may be enshrined in a collective agreement is a good reason for the government to make an exception in the income tax provisions.

Mr. Gilbert: Mr. Chairman, the other night I tried without success to arouse the social and moral conscience of government members with regard to the level of personal exemptions, to be raised from $1,000 to $1,500 for individuals and from $2,000 to $2,850 for married couples. I suggested that the minimum exemption for an individual should be $2,000 and for married couples $4,000.

Tonight I shall attempt to persuade the committee with cogent, clear and convincing arguments that the members on the government side should take the initiative concerning employment expenses. I have been disappointed by government members' participation in the debate. On some of the main items dealt with in this clause by clause discussion their contribution has been very small and ineffective. I would hope that the hon. member for York East and the hon. member for Parkdale—

Mr. Haidasz: On a question of privilege, Mr. Chairman, I should like to draw to the attention of the hon. member for Broadview the fact that I took an active part in the discussion of an important part of this tax bill yesterday, as he will see if he consults *Hansard* at page 9093.

Some hon. Members: Hear, hear!

Mr. Otto: And I did today.

Mr. Gilbert: I appreciate the part the hon. member for Parkdale played yesterday. I understand it related to medical expenses. What I am saying in substance is that Liberal participation in the discussion of key sections of this bill has amounted to more tokenism. They may have received specific instructions from the Minister of Finance and the parliamentary secretary not to participate in this debate.

Mr. Otto: Oh, come on!

Mr. Gilbert: I am reminded of the time the Public Order (Temporary Measures) Act was debated in this House. It was only the Minister of Justice on that side who took an effective part in that debate. The situation appears is very similar in this clause by clause discussion.

The clause before us indicates the government's meanness to workers and its magnanimous attitude toward businessmen. I ask myself why the government would be so mean to the workers and so magnanimous to businessmen. The clear conclusion to me is that members on the government side know where their political funds come from.

An hon. Member: Explain.

Mr. Gilbert: They know they have to protect the people who contribute to their political party fund. They do it either by not participating in debate or by fighting proposed changes. They appear to be adamant against any changes in substance. The reason I want hon. members opposite to participate in this debate is that many of them, more especially the members from Toronto, know that many industries are located—

Mr. Otto: Mr. Chairman, I rise on a question of privilege. I do not mind having to put up with a great deal of the stuff which is coming from the other side, but the hon. member is way off the subject notwithstanding that agreement was reached among party leaders that speeches should be relevant. On the question of privilege, he mentioned that two hon. members did not take part. The fact is that the hon. member for Parkdale took part, and I took part. But the hon. member has not been in the House long enough to listen, or he has not read *Hansard*.

An hon. Member: Resign.

The Deputy Chairman: Order, please. I have heard the point of order and I think we should get back to the bill, particularly to section 4. I hope that order can be maintained in the committee because sometimes I have a hard time hearing the speaker.

Mr. Gilbert: His reaction to my remarks indicates how sensitive the hon. member for York East is with regard to the truth. He finds it difficult, because he does not participate in debate on many of the subjects before this House. With regard to the substance of the legislation before us—I will repeat this for the benefit of the hon. member from York East—I say the attitude of the government with regard to workers' expenses is mean, callous and despicable. The attitude of the government toward business and other expenses is one of magnanimity.

An hon. Member: We do not have the lush fund of the unions.

Mr. Gilbert: I repeat, they know they get much of their funds from these institutions.

An hon. Member: What about the unions?

The Deputy Chairman: Order. The Chair asks the cooperation of hon. members, especially those who take the floor, to be as relevant as possible. I do not think the committee can make progress if we proceed as we have in the last few minutes. I am issuing an invitation; the Chair cannot force hon. members to follow the rules of the House. At the same time, it is to the benefit not only of the House but of hon. members that as far as possible hon. members stay within the confines of the rules and observe the rule of relevancy.

• (9:10 p.m.)

Mr. Gilbert: Mr. Chairman, may I clearly express the position of the New Democratic Party on employment expenses. We have said that all legitimate expenses that can be documented by receipts or standard deductions be allowed as a deductible item, and I think that is a fair position to take. The hon. member for Winnipeg North Centre attempted to reach a compromise position this evening by moving an amendment to the effect that we change the existing clause to provide that where receipts are supplied by a worker, the deductions should be to a maximum of $500. That amendment was rejected.

The Deputy Chairman: Order. The rules of the House clearly prohibit hon. members from referring to a decision made by the House or even commenting on a decision of the House. The motion was put to the committee but was not accepted by the Chair; therefore, I do not think the hon. member should refer to it in the way he has. I would not want to prevent his putting forward any suggestion as to possible amendments to the section now under discussion, but I hope that he will not pass judgment either upon a decision of the House or of the Chair on the motion that was put to the committee.

Mr. McCleave: Mr. Chairman, could I speak on the point of order for a moment? I have known you—

The Deputy Chairman: Order. I do not think the Chair can allow the hon. member to do so. The Chair rose simply to bring to the attention of the hon. member the danger of his engaging in the kind of argument he is making; the Chair did not invite hon. members to comment on the decision.

Mr. Gilbert: I am sure you will agree with me, Mr. Chairman, that my references were not to the ruling of the Chair on the amendment but to the substance of the amendment itself. I expressed no criticism of the ruling. What I expressed was disappointment about the non-acceptance by the government of the amendment moved by the hon. member for Winnipeg North Centre, and I am sure it is within the rules of the House to do so.

The reason we in the New Democratic Party believe that all legitimate employment expenses should be deducted is that in urban centres we find that many major industries have moved from the core of the city to its suburbs. Many of the workers have bought homes in the core of the city, and having established themselves and their families in the downtown area now find themselves in the position where if they wish to retain their employment they must travel to the plant out in the suburbs. They thereby incur additional employment expenses.

It can easily be argued that perhaps these workers should move from the centre of the city to an area closer to the plant in the suburbs. Many of them cannot do this because of their age. They have worked hard to save sufficient money to purchase a home. Having purchased

the home they have paid off their mortgage over a long period of years.

Mr. Alexander: By blood, sweat and tears.

Mr. Gilbert: As the hon. member for Hamilton West says, by blood, sweat and tears. That is true, but what is even more true is that by moving from the centre of the city closer to the plant in the suburbs they have to buy a new home at a highly inflated price and assume a mortgage at an interest rate that ranges from 9 per cent up. I realize that the Secretary of state who is in charge of urban affairs is not happy about the high interest rates in the housing field, but the position of these employees has to be brought home to the government, and brought home forcefully. This is why I want members from the urban centres to speak to this matter.

Many of these workers are being penalized for living in the centre of a city. Is it unreasonable to ask the parliamentary secretary or the government to take these representations into account and to permit these workers to deduct their reasonable travelling expenses occasioned by going from their homes to their place of work in the suburbs? This is why we in the New Democratic Party contend that all legitimate expenses that are substantiated by receipts should be deducted.

Mr. Chairman, I have always found you a man of fairness. I have found some members of the Liberal party men of fairness. Yet in some debates I find these men sitting idly by when crucial matters which affect their constituents are discussed in the House. Through you, Mr. Chairman, I would ask members from urban centres in Quebec and Ontario, areas that are highly industrialized and in which there is a high degree of mobility of employment, to rise and tell the government in no uncertain terms that the deduction of 3 per cent or a maximum of $150 is a mean, despicable, niggardly, unfair and inequitable provision. The least these hon. members can do is persuade the government that the minimum deductible amount, backed up by receipts, should be $500.

I am a man of reason, Mr. Chairman. I am a man who tries to be fair, a man of Irish background, a man of passion.

Mr. Reid: Now we understand you.

Mr. Gilbert: I am sure I have convinced you. I hope that the hon. member for Kenora-Rainy River, a man who the other night said he represented Liberal-Labour—whatever that means—will express his views regarding this despicable provision that the government is attempting to present to the committee.

Mr. Saltsman: Mr. Chairman, I wonder how the government arrived at this ceiling of $150 for deductible employment expenses. They must have pulled it out of the air because it bears no relationship to the real expenses incurred by working men in the course of their employment.

I should like to deal with the question of the automobile. Anyone who has operated a car knows it is almost impossible to keep it running for less than $500 a year. It may be argued that workers are running cars for their own convenience, that they run them for pleasure rather than to get to work. In my experience this is not the case. Virtually every working man I know has been forced to buy a car to keep his employment. Even in an area like Waterloo, where work and residence are closely related, it is almost impossible for a man to hold a job unless he has a car.

• (9:20 p.m.)

Very often workers can arrange car pools and can be picked up by fellow workers, but just as often that is not possible. Many people have called me because they have been disqualified for unemployment insurance after the breakdown of a car pool or because a fellow employee could no longer pick them up. The ruling was based on the fact that lack of transportation is no excuse. The Unemployment Insurance Commission recognizes the responsibility of a worker to provide his own transportation to the job site, yet the government does not recognize this responsibility under the Income Tax Act.

No one can provide transportation for $150 per year. When I suggested $500 I had that figure in mind as an absolute minimum. If you calculate the cost of insurance, licence plates, depreciation and the cost of gas and oil it would amount to at least $500. If you do not include depreciation, then the other costs plus the cost of repairs would amount to $500 per year. I suggest the ceiling should be $500 rather than $150 as proposed in this bill.

There was a time when the steel mills and the houses in which the workers lived were close together. An employee could run across the back yard, across the street or four of five blocks to get to work. People could manage in those days without a car, but now there is hardly anywhere in Canada which has zoning by-laws where this is the case. Residences and plants are separated by a considerable distance and municipal by-laws virtually ensure this, yet the income tax system does not make any allowance for this situation.

The purchase of a car is one of the things that faces young people starting out in marriage and working careers. I do not think there is a member of this House who has not received a telephone call from someone who is having difficulty meeting car payments. This is one of the main things which upsets the budgets of young people. I am sure other members have taken a look at these budgets and suggested to the individuals that they could not afford a car. I am sure hon. members have advised them to make other arrangements for transportation. These people invariably say they must have a car to get to work, that if it was only for pleasure they would give it up but they cannot find employment without a car.

I am sure many hon. members have received calls from time to time from constituents who have had their operator's licence taken away and have wound up on relief because they could not get to the job. If you cannot drive in modern society you virtually cannot work in most areas of this country. There are exceptions, but generally speaking a car has become a vital necessity for the workingman.

I am not one of those who is hung up on the idea that every person should have a car, and I am sure other hon. members share that view. There is a great need for public transportation. We must have a close look at zoning by-laws and the artificial, antiseptic transportation systems we now have. We must consider carefully the development of industrial and residential areas. We do not have

good public transportation at this time. Many workers in this country find public transportation inadequate. Perhaps this is because we do not have proper zoning by-laws. In any event, it is a fact of life that most workers must have automobiles, yet they are not allowed to deduct what is a necessary cost of employment. It is beyond my understanding why the government has not taken this fact into consideration. I am only referring to the cost of operating a car; I am not dealing with the cost of tools a workman requires or the cost of books required by a university professor in the course of his employment, although these are important items of expense.

I am not dealing with the safety equipment required by law and the many other expenses workingmen encounter in the continuation of employment. I am dealing with only this item to demonstrate how unrealistic is the $150 ceiling. The very least the government could do is make the allocation of car expenses as between pleasure and business, now available to self-employed persons or proprietors, available to the workingman. The workingman would be willing to prove the extent to which he needs his car for business as compared with pleasure. That is the kind of proof required of the self-employed and proprietors. The workingman is quite willing to provide the same kind of proof and accept the same kind of allocation of cost as between business and pleasure. But he is not given this opportunity. He is being fobbed off with this $150 which really should have been part of the original exemption. It has been put into this bill because the government knows the present tax system is inequitable but is not prepared to make significant changes.

The government is hoping that this little carrot or piece of camouflage will offset the discontent which exists in respect of the unfairness of the system. I cannot understand why a better system was not formulated. The parliamentary secretary has been helpful in answering our questions but I should like him to explain the basis upon which the government decided on the $150 ceiling. Is that all the government felt it could afford? Why has the government not been as arbitrary with the self-employed? Does the government feel $150 represents a realistic cost of finding and maintaining employment? I should like to hear about that and I ask the parliamentary secretary to try to justify the $150 in relation to the cost of operating an automobile.

Mr. Burton: Mr. Speaker, I should like to speak for a few minutes on a matter raised by the hon. member for Moose Jaw, namely, the problem faced by employees working on construction sites away from home. This matter was drawn to the attention of the government and members of the House of Commons by members and officials of the Saskatchewan Wheat Pool Employees Association.

The hon. member for Moose Jaw expressed the case very well when he pointed out the problem that exists in respect of discrimination between workers of the same construction crew, based solely on the particular type of project, whether it was classified as new construction or as repair work. I was very pleased to hear what the parliamentary secretary said in response to the hon. member's point in this regard and I am glad this provision is included in the bill. There is only one matter that requires clarification and I put it to the parliamentary secretary.

[Mr. Saltsman.]

In his response the parliamentary secretary made reference to the problem faced by contractors and employees of contractors. I recognize that this would be the case with contractors and their employees working at a site some distance from home, but I inquire about the situation in respect of the specific example raised by the hon. member for Moose Jaw, that is, involving the Saskatchewan Wheat Pool Employees Association. This is not a case involving a contractor; it involves employees working directly for the Wheat Pool on construction and repair work. I want to obtain the assurance of the parliamentary secretary that the new provisions will apply to employees faced with that sort of situation just as they will apply to employees of a contractor.

• (9:30 p.m.)

Mr. Mahoney: My reference to contractors was not meant to mislead; it was merely an example. It is an employer-employee relationship that counts here, not the particular function that the employer or employee happens to be performing.

While I am on my feet, in response to the hon. member for Waterloo I would say that the $150 figure that was chosen as the ceiling was not designed to cover travelling expenses to and from work. Presidents of banks do not get their travelling expenses to and from work. This is not one of the expenses that is allowed any employee, any executive or anyone else. This is something that is simply not allowed. The $150 was not designed to cover that type of expense. It was designed to cover the special tools, the special clothing, and so on, that taxpayers need to earn their living. I can think of examples where $150 is not adequate and I can think of other examples where $150 will be more than adequate for the type of expenses which it was designed to cover.

It is simply not the purpose of this provision to cover all the expenses that a taxpayer incurs from the time he leaves his door after breakfast until he returns at supper time. In this context I submit that on a gross basis, on an average basis, the $150 is not a niggardly figure as has been suggested by hon. members opposite.

Mr. Gilbert: May I ask the parliamentary secretary a question? What does he think about travel expenses that are involved by a worker travelling from home to his place of work, especially when it is a considerable distance away, say 20 or 25 miles? Does he think that these expenses should be allowed, and what would the exemption be—because the hon. member for Waterloo said that the amount of $500 is a bare minimum in so far as expenses that a worker incurs in travelling from his home to his place of work are concerned. Would the parliamentary secretary please enlighten me with regard to his attitude concerning exemptions for expenses that workers incur in such instances?

Mr. Mahoney: I do think that there are some expenses that are personal. The government makes no attempt to dictate to people where they should live in relation to their place of work. Personally, I see nothing intellectually or logically wrong with the idea that a taxpayer has the responsibility of delivering himself to work in the morning. This applies as well to the manager of an insurance company who is driving 20 miles in from the suburbs or

country estate to his office in downtown Toronto as it does to a worker in a steel plant in Hamilton who may be driving across town.

Perhaps we are fortunate that the economic system under which Canada has lived has permitted workers to move out from under the shadow of the steel mills and the smokestacks under which they lived. This is one of the benefits that Canadians have experienced as a result of our social and economic system. In making the decision to move away from the mill or the factory they have obviously decided to incur some expense and some inconvenience in getting to work, but obviously the price is worth paying because that is the decision they have made.

Some hon. Members: Hear, hear!

The Deputy Chairman: The hon. member for Lambton-Kent.

Mr. Saltsman: I am glad to have received some of the comments from the—

Mr. Faulkner: Let someone else speak.

The Deputy Chairman: Order, please. The Chair recognized the hon. member for Lambton-Kent.

Mr. McCutcheon: I was interested in the remarks of the parliamentary secretary and I agree with what he had to say, namely, that this item with which we are dealing is not designed to cover automobile expenses as such. But I am still of the opinion that, taking into account today's prices, the amount is less than adequate. I am thinking of a particular group of people, namely, automobile mechanics who work in large establishments. I know of some who will probably break, wear out and lose more tools than this $150 allowance will cover. When you stop to think of the cost of replacing even some of the tools which these people have to use, you run into extremely large sums of money. I feel that expenses in that regard should be covered. Workers are perfectly willing to submit vouchers.

With reference to the matter raised by the hon. member for Waterloo, transportation allowances, I think that this does have some bearing. Many people in southern Ontario, where I live, are forced, due to lack of housing in our urban centres, to live in substandard housing and on abandoned farm lots. I know of many instances where workers on hourly rates drive 25 or 30 miles in broken-down automobiles in order to get to their work because the cost of housing in urban centres is so high that there is no way in which they can afford to live there.

After all is said and done, when you drive a round trip of 50 miles per day 300 days in the year, you put 15,000 miles on your automobile. This is done not out of choice but out of necessity. If those people were treated anything like the civil servants and allowed 16 cents a mile, they would probably be able to drive much better cars than they do at present. Although I do not normally agree with members of the party to my left, in this instance I feel that there should be some provision for the workers in this country who through no choice of their own are forced to live a long way from their work.

Some hon. Members: Hear, hear!

• (9:40 p.m.)

[*Translation*]

Mr. Dionne: Mr. Chairman, although I have scrutinized the voluminous bill before us, I have found no provision likely to help Canadian workers employed in U.S. territory.

Earlier, I heard the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) seemingly boasting about the economic situation in Canada, claiming that people were able to travel wherever they wanted. I should however like to point out to him that the Canadian workers who have to cross the border in order to find jobs they cannot find in Canada, whose economic conditions have just been flaunted, must drive 40, 50 or 60 miles twice a week to reach logging camps. They cannot remain there during the weekend because the camps then close down for two days. Nevertheless, they are allowed no deduction for travel expenses. In fact, the famous bill containing over 700 pages completely ignores them. Yet, those workers have to file three income tax reports to satisfy the taxing authorities and the country in which they live. The first one is for the Canadian government, the second for the province of Quebec and the third for the American taxing authorities. And we are told that economic conditions are normal and satisfactory. Those who have drafted this bill, with the help of numerous civil servants who have been dealing with taxes for 20 or 25 years, have forgotten this category of workers.

I draw this fact to the attention of the parliamentary secretary and I would like to hear his views on this problem.

[*English*]

Mr. Orlikow: Mr. Chairman, I want to pursue the argument which the parliamentary secretary used to try to explain why the government feels the $150 expense allowance for workers is sufficient. If I understood him correctly, he said that the economic situation is such that the miner can afford to move more than a quarter of a mile away from the mine shaft, that he can afford to move 10, 15 or 20 miles away from his place of work and that the state does not and should not subsidize his expenses in travelling to and from work. But the parliamentary secretary did not address himself to the question that we have been asking. Why does the government have two standards? Why does the government apply that particular standard to the workingman, the factory worker, the man working in a mine or a mill?

To the doctor who lives in Rockcliffe and has an office in downtown Ottawa, who uses his car to go from his home to his office and from his office downtown to the Civic Hospital to see his patients, the government does not say, "You want to live in Rockcliffe and if you have to see your patients at the hospital you will have to pay expenses you incur." On the contrary, the government says to him, "You can charge off a very substantial part of the cost of your car, not just the gas and oil but depreciation and everything else."

The government says to the lawyer who wants to live in Kanata, uses his car to come to his office on Sparks Street or on Metcalfe Street and then uses it to go to the court

house, "You can travel from your home in Kanata 20 miles to downtown Ottawa, from there to the court house and back to Kanata at night, and you can charge off 70 per cent of the expense of your car in the form of a deduction from your income tax." I suppose, Mr. Chairman, I am pretty stupid—

An hon. Member: We won't disagree on that.

Mr. Orlikow: I would like the hon. member who sits there to stand up and speak sometimes, but I suppose the reason he is not the stupidest member of the House is that he has just enough brains not to get up and speak.

Before this item passes I would like the parliamentary secretary to explain to me, in language which I can understand so that I can show it to my constituents, why working people are not treated in the same way.

Mr. Mahoney: Mr. Chairman, the hon. member who has just spoken is under a rather grave misapprehension as to the law regarding travelling expenses for doctors travelling from Rockcliffe to their offices in downtown Ottawa. That expense is not allowed to doctors and there is ample case law to substantiate this.

Mr. Peters: Of course it is allowed.

Mr. Mahoney: It is rather futile debating this point. If hon. members opposite wish to continue to perpetuate the fiction that somehow or other wage and salary earners are discriminated against in that they cannot deduct the cost of travelling to a mill or factory, while professional people are favoured in that they can deduct the cost of going from their homes to their offices, there is nothing I can do to stop them. But it simply is not true.

The hon. member for Kamouraska raised a rather specialized matter and I must apologize for not jumping up immediately to answer his question regarding Canadian taxpayers who are employed outside Canada. So far as travelling expenses are concerned, so far as the cost of commuting home for the weekends is concerned they are in exactly the same position as if they were employed in Canada. That is not an expense which the income tax department allows. However, for those particular people there is a provision in the bill which I would draw to the attention of the hon. member. It is section 8(9). This, for the first time, will permit these employees to credit against their tax in Canada, to deduct from their tax payable in Canada the taxes they have to pay to the state in the United States in which they are employed.

Some hon. Members: Hear, hear!

Mr. Mahoney: Heretofore they have been able to deduct the federal tax, but now they can deduct the state tax as well. I am sorry; it is a deduction from income but not a deduction from tax. This is something new and should be of benefit to the particular taxpayers about whom the hon. member for Kamouraska was concerned.

Mr. McCleave: Mr. Chairman, we are sitting around here this evening waiting for some decisive results from the eastern part of Canada. Apparently at the moment the election has become rather a stalemate, but anyway it is a little better than it has been. I was going to ask the parliamentary secretary—

[Mr. Orlikow.]

Mr. Knowles (Winnipeg North Centre): On a point of order, Mr. Chairman, the hon. member should not leave us in the lurch; he should tell us what the figures are. You, Mr. Chairman, are restricted to the chair and I am sure you, too, would like to know the results from Newfoundland.

The Deputy Chairman: Order, please. I would advise the hon. member that the Chair would not rule out anything he might like to add.

Mr. McCleave: I am getting some conflicting figures, but I understand there is one seat difference between Mr. Smallwood's party and the challenging party, and that the Labrador party has also got one seat. I don't know what that means at all, but while we are waiting for it to be resolved may I raise this matter with the parliamentary secretary. This afternoon, in answer to a question that I raised yesterday, he simply said that it was government policy with regard to the Income Tax Act that strike pay would not be included as a taxable benefit. I think at least we should hear a statement of government policy on this so that some of us can decide whether to debate it further or not.

Mr. Mahoney: The hon. member, as a member of the Standing Committee on Finance during the study of the white paper, will be aware that this issue was faced and the recommendation by the committee was that strike pay be included in taxable income at least when it came from sources funded by tax deductible contributions. The government considered that matter and made the decision that that would not be a desirable thing.

I am afraid that I am not in a position to give the background reasons for that decision, but the matter was distinctly faced up to and considered. As a matter of fact, I am sure we are all aware of the typographical error that crept into schedule A in the ways and means motion where the marginal note referred to this matter but the provision was not there. I am afraid I cannot give the reasons but I can simply say that the matter was faced up to and the decision was deliberately made.

• (9:50 p.m.)

Mr. McCleave: I would like to make what is probably a very legitimate point for all members of the committee including those on the government side. We are frequently faced with the representations of organizations and associations from different parts of Canada some of which have fought a continuing battle on tax reform over the last ten years. It is a pretty legitimate matter for any one of us to say that at least we should have on the record of the House of Commons, before we dispose of this bill, the reasons why we take certain courses. This is why I posed the question to the parliamentary secretary. I know we dealt with it in the committee as we did many other things, but I think it is a matter of compressing within a short period of time the reasons why the government is or is not adopting certain suggestions.

I make no apology for raising the matter. I think that to let people know what we are trying to do here is a very important element in persuading them why tax reform should be carried out. I make no apology for that, sir.

Mr. Peters: Mr. Chairman, I should like some clarification on the point that the parliamentary secretary raised a minute or two ago. I agree that if the parliamentary secretary takes his car and drives to the office or goes home, he is covered by other allowances. I think it is safe to say that unless he has an interest in the oil business or has another job, he is not going to get any money for his automobile. However, I think he would be hard pressed to pass on that example to professional people.

It may be true, and I think it is, that the doctor would not say that he had three patients in the Civic Hospital and was driving there from Rockcliffe, but I am sure that everyone here knows that the doctor can claim a percentage of the capital cost of his car, that he can claim a certain percentage of the operating expenses and as long as he does not claim 100 per cent the income tax department will not be very strict. This applied in the horse and buggy days as well. I presume when I was born the doctor had to drive 11 or 12 miles with the horse and buggy, but there was an allowance for it.

An hon. Member: You are not that old.

Mr. Peters: I think the parliamentary secretary is not being fair to members of this House when he says he will not accept that there is a difference between the worker who takes his automobile to work, whether it be ten or 50 miles and where there is no other means of transportation, and the doctor who is driving his car in the course of his duties. In one case the worker can get no consideration for his car expenses against the income he earns, and in the other the doctor gets a percentage of the cost. I have operated on an expense account where I was supplied with a car. As long as I did not claim 100 per cent there was no difficulty. I owned two cars, so I said that I was using the company car for business and I allowed 5 per cent for casual driving. I used the other car for other purposes, so I was not entitled to that consideration.

I think the parliamentary secretary is being unfair to members who believe that the same type of concession should be given to the worker as is given to the professional man and self-employed citizens in respect of the operation of an automobile.

Mr. Mahoney: Mr. Chairman, since it is so close to ten o'clock I must apologize to the other hon. member who sought the floor. However, in view of the allegations which have been made I felt I should respond immediately rather than tomorrow. The fact is that the doctor in Rockcliffe does not have the right to claim the cost of motoring from home to the office against his income. The Department of National Revenue applies percentages of expenses and this varies with the experience of individuals. A doctor in a small rural community might very well be allowed over 75 per cent of the cost of his motor vehicle because it is regarded as a proper business expense.

An hon. Member: What about the worker?

Mr. Mahoney: The doctor in the large community may be allowed as little as 50 per cent. I would not go so far as to say that each individual case is individually assessed, but certainly all are looked at in typical areas and if any professional man feels that he is using his vehicles for business purposes to an extent greater than the norm in the community, he could justify this to the Department of National Revenue.

What about the worker driving to work? He is not going to get his expenses for operating that motor vehicle to and from work and he is not going to get any allowance while it is sitting in the parking lot outside the factory, either. The doctor drives the car in the course of earning his income. That is the criteria; the car is operated while the man is earning income—it is part of his necessary operations in earning his taxable income. It is not necessary for anybody to park a car next to his office building all day long.

Mr. Peters: The doctor does not take the car into the surgery, either.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

GRAIN—LIFT PROGRAM—REQUESTS TO FARMERS FOR REPAYMENTS—POSSIBILITY OF PROSECUTIONS

Mr. A. C. Cadieu (Meadow Lake): Mr. Speaker, on October 14 I asked the minister in charge of the Wheat Board (Mr. Lang) a question to which he did not give a satisfactory answer. My question was:

Is it the intention of the hon. gentleman's department to proceed with prosecutions in cases where aerial photographs have proved that a farmer's application in connection with the LIFT program was incorrect?

• (10:00 p.m.)

The minister gave an unsatisfactory answer to my question, more or less saying he would need more information. My supplementary question, which went unanswered, was:

Is it true that the PFRA Regina office is making demands with regard to these repayments?

I think that this has gone a little too far and it is time the farmer had some idea where he stands. Regarding the Lift program, the government was advised by all agriculturalists and members of parliament who were involved in farming that the Lift program was unsatisfactory. Farmers were forced into the Lift program against their will because if they did not participate they would no longer have a permit book, which is necessary if they are to sell grain.

Now very misleading figures have come out. The government anticipated that approximately $140 million would be paid into the lagging western economy in connection with agriculture but wound up paying less than $80 million, with approximately $2 million going into administration and aerial surveillance. This figure would have been increased greatly had it not been for the fact that the administration people took over the PFAA office that had been established and set up with personnel. If it

had not been for this, the cost of administration would have greatly exceeded $2 million.

The farmers were forced into the plan. I have heard of much dissatisfaction from people who did not receive any payment at all but had planned their crop year so as to receive some benefit from the program as well as from people who received the interim payment and later had a demand to pay it back. I cannot for the life of me see how the government hopes in any manner, shape or form to demand a repayment of those funds which were, in effect, a grant. One would not look for this kind of action from a former dean of law. It is ridiculous for the government to be asking for money back, because they have no legal right to it. In a number of cases that I took up with the department it was found that their figures were wrong and they made a further payment.

I should like to put on record the contents of one of several letters I have received. I received one letter from a young farmer. Part of it says that one year ago he applied for a payment under Operation Lift and in good faith accepted a payment of $135. This was accompanied by a letter saying that this was an initial payment and that the balance would be forwarded later. Upon receiving this initial payment he spent the money, later paid income tax on it and now they are requesting that he pay it back. That is one of several letters I have received.

May I also draw the minister's attention to the *Western Producer*, a farm paper, dated October 7, 1971. The heading over one letter reads, "Another Lift victim". Another letter to the editor is headed, "Lift cheque received, return demanded". That is the kind of thing you see in the press.

I am just wondering what this government thinks it can do. The farmers were forced into the program. I have heard many complaints from farmers who seeded land to forage. They were promised $4 per acre if they left it in grass and they were to receive $4 the following year if the inspector found that the land had been left as grassland. Now farmers are finding that these payments are being denied them. They have not received any payment on their forage. I am wondering what kind of deal the government is giving the farmers of western Canada when it engages in monkey business such as this. It is paying out money and then demanding it back. The government has displayed a great mistrust of the farmers by spending a great deal of money on aerial surveys, money which would have been much better paid to the producer who is in great need.

Is it morally or legally right for the government to make a payment with one hand and then demand it back with the other? I am sorry the minister is not in his place. I would like him to straighten out this mess in western Canada. Many farmers have received no payment whatsoever. In fact, their applications have not even been acknowledged. Many did not feel it was necessary to apply because they were not concerned with it. They later found they had to apply or they would not receive a permit book to sell grain. It is time the farmers of western Canada knew where the minister is going with his cockeyed Lift program.

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, on behalf of the minister responsible for the Wheat Board and the application of the Lift program I am pleased to give the answer to the question asked by the hon. member. It is as follows. The Lift office at Regina—PFAA—has written to a number of farmers who for various reasons had received an overpayment under the Lift program. As the hon. member knows, in order to give farmers money quickly interim payments were made upon receipt of applications, with final balancing and a final payment made later. Aerial photographs were one of the means used for checking applications. Whether or not prosecutions will be undertaken in individual cases if repayments are not made voluntarily will be determined at a later time and will depend upon the circumstances of the particular case.

[Mr. Cadieu.]

OIL—PROPOSED TAKE-OVER OF SUPERTEST BY BRITISH PETROLEUM—POSSIBLE GOVERNMENT ACTION—ACQUISITION BY PANARCTIC OILS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, on Tuesday, October 26, as recorded at page 9032 of *Hansard*, I asked the Minister of Industry, Trade and Commerce (Mr. Pepin), who is also Acting Minister of Energy, Mines and Resources, the following question:

—is the government planning any measures to deal with the proposed take-over of the last major Canadian-owned distributor of petroleum products, Supertest, by British Petroleum Limited?

The minister's answer, to my way of thinking, was entirely unsatisfactory. He said:

Mr. Speaker, this situation has been under study and an announcement will be made in due course by the minister or somebody speaking for him.

I do not think the House should be asked to wait for this unidentified minister or person who is going to make a statement. The meeting of the shareholders is scheduled for November 2. The government ought to make a clear-cut statement as to what it intends to do about this proposed take-over. The point I want to make is that the oil industry is by far one of the wealthiest industries in Canada. In the Canadian Petroleum magazine issue of May, 1970, Mr. Carl O. Nickle, a former member of this House and the publisher of the Daily Oil Bulletin in Calgary, said that the value of reserves at present prices for oil, gas and sulphur is $1,118 billion. That is based on present oil, gas and sulphur prices. It is the equivalent of $50,000 for every man, woman and child in Canada.

• (10:10)

This vast reservoir of wealth has been steadily slipping out of control of Canadians with the result that today over 80 per cent of oil and gas production is in the hands of foreign corporations. The major portion of the oil distribution facilities is in the hands of foreign corporations and 99 per cent of refining of petroleum products is in the hands of foreign investment.

There was some hope raised in people's minds when a few months ago the Minister of Energy, Mines and Resources (Mr. Greene) intervened to prevent the take-over of Home Oil Company, the last Canadian-owned company which had any hope of becoming a major oil producer. I give the Minister of Energy, Mines and Resources full marks for the courage and vision he showed on that occasion. But, Mr. Speaker, oil production

must be accompanied by facilities for oil distribution, and Supertest is the last of the Canadian petroleum distributors, with 1,200 outlets. It will now be purchased, if the shareholders agree, on November 2, by British Petroleum Limited which, by the way, is 51 per cent owned by the government of Great Britain. If that happens we shall have virtually lost control, as far as Canadian companies are concerned, over the distribution of petroleum products in Canada.

The bright spot in the picture is that the Minister of Indian Affairs and Northern Development (Mr. Chrétien) and his predecessor showed considerable vision by investing public funds in Panarctic Oil, largely because many of the foreign investors who were quite willing to put money into Canada were not prepared to take the risk in the Arctic. The investment has paid off. Panarctic has discovered one of the largest deposits of natural gas in the world. The government's investment of between $30 million and $40 million is now worth $150 million to $200 million. Mr. Heatherington, president of Panarctic, has envisaged his company becoming a wholly integrated oil and gas concern. If this is so, it will need petroleum outlets.

This is why it is important that Supertest should not be allowed to pass into the hands of a foreign company. If Panarctic is not ready to act now, there is no reason why the Canada Development Corporation, providing the shareholders are intent on selling it, should not acquire Supertest and operate it until such time as Panarctic is in a position to need a distributor of petroleum products.

This is Canada's last chance to get a piece of the action. It is our last chance to prevent control of the wealthiest industry in our nation slipping entirely out of our hands. It is not enough for the minister to tell me that somebody is going to make an announcement. In the course of the next few days a decision will be made, a British company will take over an oil distributing firm and we shall find ourselves in the position of having lost almost the entire oil distribution network of this country to foreign companies.

I say to the government that if they want to retain the confidence of the Canadian public they must act now, otherwise the action they took with respect to Home Oil and Dennison Mines will have lost its effectiveness and we shall have allowed a valuable part of our economy to slip out of the hands of the Canadian people.

Mr. Allen B. Sulatycky (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, perhaps in the next couple of minutes I shall be able to relieve the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) of some of his anxiety about this matter.

Following a joint statement by BP Canada Limited and Supertest Petroleum Corporation Limited on July 29, 1971, relative to a planned merger of interests between these two companies the Minister of Energy, Mines and Resources (Mr. Greene) wrote to confirm the prior notice given to the government of Canada by these two companies and to advise of the desire of the government to review the transaction in terms of the national interest, in accordance with the government's policy of understanding important economic activity taking place within Canada or affecting Canada. Subsequently, both meetings with senior officials of BP Canada and Supertest and the study of relevant material on the proposed takeover merger were undertaken but a final report to the government of Canada by officials was not made until Supertest issued its information circular dated October 7, 1971.

The government of Canada today has advised BP Canada Limited and Supertest Petroleum Corporation Limited that it does not intend to intervene. However, both BP Canada Limited and Supertest Petroleum Corporation Limited have been advised of the importance attached to maintaining a fully competitive market and their assurance that the merger is likely to enhance this fair competition in the interest of the consumer is relied upon.

Also taken into account is the assurance from these companies that western Canada produced oil will continue to be utilized in the Supertest marketing system, and that the merger of the BP and Supertest marketing interests will lead to the early consideration of expanded refinery capacity for the Ontario market, in accordance with the national oil policy.

REGIONAL ECONOMIC EXPANSION—RESPONSE TO CRITICISMS OF DEPARTMENTAL PROGRAMS

Mr. David MacDonald (Egmont): Mr. Speaker, I rise this evening to deal with a matter that has been of some interest in this House for the past few weeks. I make no apology for raising it again this evening, though I am somewhat disappointed that neither the minister nor his parliamentary secretary has thought it sufficiently important to be here to deal with this question directly.

A good deal has been said about regional economic expansion over the last few months and much of the criticism has been fair and honest. Some, we will have to admit, has perhaps been a distortion. But of all the criticism one thing can be said—that essentially this criticism has gone unanswered by the minister and his government. For a government to make a major commitment, as this government has at least over the last few years, to regional development and then to refuse to deal openly and honestly with well developed criticism, even when it comes from its own agencies, is surely showing not only a great lack of responsibility but is a dereliction of duty. Quite frankly, I wonder how long the people of Canada are going to tolerate this kind of irresponsible attitude on the part of the minister.

Criticisms and suggestions have come from such recognized agencies as the Canadian Council on Rural Development, the Atlantic Provinces Economic Council and the minister's own agency, the Atlantic Development Council. To continue to ignore these criticisms and suggestions as if they were unworthy of reply is certainly unworthy of all the programs that the minister has said repeatedly are designed to deal with regions of economic disparity in this country.

The chief criticism that has been enunciated again and again is that having to do with the various goals and targets that are supposedly part of the strategy of the Department of Regional Economic Expansion. When the hon. member for Nanaimo-Cowichan-The Islands (Mr.

Douglas) raised a somewhat similar question on October 26 he received an answer from the Parliamentary Secretary to the Secretary of State which provided little information. Indeed, it contained a very disturbing comment in the final sentence when the parliamentary secretary said that "no such changes, however, are contemplated at the moment".

• (10:20 p.m.)

This is an incredible position to be in, with the material that has been on the minister's desk, some of it for months. To be willing to suggest to a third person or intermediary that there were no changes contemplated is completely and totally shocking. For the life of me I cannot understand how this minister believes he can continue to ignore public and responsible criticism from the three bodies I have just mentioned. We need answers because some basic questions have been raised. These are basic questions about a chief and major program of this department, that of designating areas for special incentive grants. This is a program that has grown like Topsy.

Originally we were told that parts of the country would be designated as special areas where there was a chronic situation of under-employment or unemployment of a long-term nature which could be described as regional disparity. Yet as the department has carried on—and it has not had a long life,—we have learned from time to time that new districts have been added, the latest and most major of which was a good deal of the city of Montreal. It is interesting to note that since Montreal has been designated some independent studies have indicated a drop in the proportionate grants to other designated regions across the country.

Some things have been admitted recently by the minister, I suppose by way of some kind of self-serving statements and not by way of clarification. We know, for instance, that in the two years the grants program has been operating, some 5,500 jobs have been created in the Atlantic region. But there are many things we have not been told. We have never really been told what kind of guidelines are in operation for the allocation of these grants. In fact, when we debated the establishment of this department and the program we were continually told that in order for the program to function effectively there had to be the widest possible latitude given the minister and the new department.

Members of this House on all sides, even though they were well aware of the pressures which would exist in respect of the multimillion dollar program, were willing to give the minister some leeway, with the somewhat naïve belief that the minister would eventually describe to this House and to the people of this country what guidelines were in fact operating. It has been in operation for two years and we have not yet heard what those guidelines are, what industrial structures have been favoured in the Atlantic provinces, Quebec, Ontario and western Canada what firms are succeeding and why, and what funds are helping and why.

Except for the occasional question put in the House in respect of a specific industry that involves an obvious and flagrant misuse of government funds, we are never really told what the situation is in respect of the firms that qualify for assistance or how these funds are used in the way of industrial development. We know there has been no public evaluation but we know that some 5,500 jobs have been created in the Atlantic region. We know, as well, that during the same period the unemployment figure has been sometimes more and sometimes less than 65,000, so if we measure success against those who are unemployed in the Atlantic region we are talking about 3 per cent or 4 per cent, and one cannot get very enthusiastic about that kind of result.

Many suggestions have been made, too numerous to mention this evening in the brief time available, about over-centralization and the lack of consultation not only with provincial authorities but with municipal authorities, about the need for more information and a review of the spending program in relation to job creating industries, the spending on infrastructure and the need for monitor industries to see that the jobs that were supposed to be created are still there at a specific time period, and to see what happens to the public money given to those industries. We have had no response, or the only response we have had is what I would call corridor blackmail. Outside the chamber the minister has said if we do not like his program the government will simply stop it. That is the meanest form of response to provinces and areas which are greatly in need of finding the answer to their chronic problems of unemployment and under-employment.

The time has come to end that kind of corridor blackmail and non-response by this minister and this government. One hopes that in the immediate future we will have some public evaluation, some public response to the legitimate and responsible suggestions and criticisms that have been put forward, and in particular some response to the minister's own body, the Atlantic Development Council, which some months ago placed before the minister a strategy for the Atlantic region from which we have had no definite response and which we must have if we are to be informed on what this department plans to do with regard to economic expansion in the Atlantic region.

Mr. James Hugh Faulkner (Parliamentary Secretary to Secretary of State): I am pleased to reply on behalf of the minister. I will deal specifically with the report of the Atlantic Provinces Economic Council and not the rather exaggerated and political remarks made by the hon. member for Egmont (Mr. MacDonald).

As I pointed out on Tuesday last to the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas), the report has been received and is being given careful study. We pointed out on Tuesday that it contains a number of useful suggestions, information and analysis, and in so far as that material is there it will be studied carefully. I also pointed out that in the view of the department the report contained a number of criticisms of the departmental program, some of which criticism is constructive but some of which seems to be based on misconceptions. Because of this I would like to make one or two comments about the report.

APEC suggests that for a variety of political and short-term reasons the department watered down the objectives and the criteria for the expenditure of scarce funds, to the disadvantage of the Atlantic provinces. I reject this suggestion. The departmental budget increased from $120 million in 1968-69 to $333 million in 1971-72, excluding

Devco and the loan funds. Approximately 50 per cent of the total has been and is being spent in the Atlantic provinces. In fact, in the fiscal year 1970-71 and 1971-72 the department spent or will spend more money in the Atlantic provinces than was spent in those provinces by comparable programs such as ARDA, FRED, ADB and ADA in the fiscal years from 1965-66 to 1969-70.

I see no evidence to support the view that the objectives of the programs have been watered down. APEC suggests that the department is spending relatively too much money on infrastructure and relatively too little money on what it refers to as economic development. In my view the conclusion is based on an artificial distinction that fails to recognize the contribution to economic development made by residential and industrial land assembly, water and sewer systems, arterial and municipal roads, vocational schools and other projects commonly included in the infrastructure category.

APEC suggests that the department has done little integrative planning within a firm set of objectives and strategies. Hon. members know that many of the programs are based on a joint planning process that is dependent on a close working relationship with provincial governments. We still have a long way to go in developing this process but frankly we are quite proud of the progress that has been made. We are engaged day in and day out in a planning exercise with our provincial counterparts that is now generating, in each of the areas in which we function, a large number of action-oriented studies of long neglected problems and the beginnings of a comprehensive development strategy.

APEC suggests that our industrial promotion and development activities have been too passive. I am not sure that when directed at a department little more than two years old this can be regarded as fair criticism. Grants made under the Regional Development Incentives Act have to date helped to create direct employment for over 6,000 Canadians in the Atlantic provinces. The department has shown a willingness to experiment with brand new techniques, such as those represented by the New Brunswick Multiplex Corporation and the proposed Newfoundland Development Council, the department is now considering support for a new Maritime Provinces Industrial Services Council which will be concerned at the regional level with industrial intelligence, industrial research and the provision of management services. I doubt that a program with components of this kind can be regarded as passive.

APEC suggests that the departmental organization is unduly centralized and should be dramatically changed. In the course of doing so it manages to imply that we have 2,000 employees located almost entirely in Ottawa. On the latter point I should state the facts. The department employs a total of 1,600 people. About 700 work in the west for PFRA. Another 250 are employed in our provincial field offices. There are about 625 employees in Ottawa, most of them involved in general administration, in central planning and in the incentives program. I do not intend to get drawn into a debate on questions of departmental organization. There is good reason to believe that the department is one of the most decentralized of all federal departments. There is reason to believe that—

The Acting Speaker (Mr. Boulanger): Order, please. The motion to adjourn the House is now deemed to have been adopted. Accordingly, the House stands adjourned until tomorrow at 11 a.m.

Motion agreed to and the House adjourned at 10.31 p.m.

HOUSE OF COMMONS

Friday, October 29, 1971

The House met at 11 a.m.

ROUTINE PROCEEDINGS

OIL

PROPOSED TAKEOVER OF SUPERTEST BY BRITISH PETROLEUM—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, under Standing Order 43 I wish to raise a matter of urgent and pressing necessity, namely, the government's announcement last night that it has decided not to intervene in the proposed takeover of Supertest by British Petroleum Company Limited. May I be permitted a brief statement before submitting my motion.

Foreign control of the production, refining and distribution of petroleum products has been accelerating at an alarming rate. Canadians are increasingly excluded from the ownership and control of the petroleum and gas industry. The government's inaction can only result in allowing one of our most vital and potentially richest resources falling under foreign domination. Supertest constitutes one of the few remaining Canadian owned outlets for the distribution of petroleum products and steps should be taken to keep it in Canadian hands.

Therefore I move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

That this House urges the government to reconsider its decision and take whatever steps are necessary to prevent the takeover of Supertest by the British Petroleum Co. Ltd. in order that the continued acquisition of the petroleum industry by foreign corporations may be brought to a halt.

Some hon. Members: Hear, hear!

Mr. Speaker: Hon. members have heard the motion proposed by the hon. member for Nanaimo-Cowichan-The Islands. This motion requires unanimous consent. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent and the motion cannot be put.

ORAL QUESTION PERIOD

ROYAL CANADIAN MOUNTED POLICE

EVIDENCE OF PLOTS TO ASSASSINATE PREMIER KOSYGIN WHEN IN CANADA—REVIEW OF SECURITY ARRANGEMENTS TO ASSURE SAFETY OF PRESIDENT TITO

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I have a question for the Prime Minister but in his absence perhaps I could direct it to the Secretary of State for External Affairs. Have the Royal Canadian Mounted Police uncovered definite evidence of plots to assassinate Premier Kosygin when he was in Canada and, if so, is a statement to be made in the House?

• (11:10 a.m.)

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, there has been much speculation such as that referred to by the hon. member. Many reports have been received by the R.C.M.P. before and after the visit and each one was considered on its merits by the police authorities concerned.

[*English*]

Mr. Aiken: The minister's answer, Mr. Speaker, did not reveal very much but perhaps I could put a supplementary. In light of the events during the visit of Premier Kosygin has the government been able to assure President Tito of his safety in Canada during his forthcoming visit, and are security arrangements being reviewed?

[*Translation*]

Mr. Goyer: Mr. Speaker, I think that if we attach too much importance to security, when the Canadian government invites some personalities to meet government authorities and the Canadian people, we would completely distort the purpose of such visits which is, I believe, to make exchanges in the political and economic fields. Indeed, I think that we should call instead the attention of the Canadian people to the positive objectives rather than on security matters which are, of course, considered on their merits.

[*English*]

Mr. Aiken: Mr. Speaker, am I to understand from the Solicitor General that security arrangements are not being given first priority?

[*Translation*]

Mr. Goyer: Mr. Speaker, I believe that the hon. member has misunderstood my remarks. I said that security matters are certainly assessed according to their significance and that is important, but I think that what is more important, is that Canadians should be concerned with

policy discussions held at the level of various departments.

* * *

[*English*]

EXTERNAL AFFAIRS

SUGGESTED TELEGRAM SIGNED BY MEMBERS APPEALING TO PRESIDENT NIXON TO STOP AMCHITKA NUCLEAR TEST

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, in the absence of the President of the Privy Council who is the government House leader, may I direct a question to the Minister of National Defence in his capacity as acting government House leader. Would the minister take up with the government House leader the possibility of calling a meeting, say on Monday, of the House leaders of the various parties to see if arrangements can be made for a telegram to be sent to President Nixon making one last appeal to stop the Amchitka test, with special arrangements being made for all Members of Parliament who wish to do so to sign such a telegram?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I would be glad to bring that suggestion to the attention of my colleague, the President of the Privy Council.

AMCHITKA NUCLEAR TEST—ALERTING OF EMERGENCY MEASURES ORGANIZATION

Mr. Doug Rowland (Selkirk): Mr. Speaker, my question is also for the Minister of National Defence. Despite the fact that the dangers of a physical disaster resulting from the nuclear blast at Amchitka are minimal, has the minister placed the Emergency Measures Organization on alert to meet even the minimal possibility of such a disaster? If so, can the minister give us some idea of that organization's plans?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the Emergency Measures Organization, as the hon. member knows, is continually on alert and on these questions in particular they have effective liaison with the provincial emergency measures organizations. As to the actual measures to be taken, I am afraid I cannot report on that this morning.

Mr. Thomas S. Barnett (Comox-Alberni): I have a supplementary question, Mr. Speaker. May I ask the Minister of National Defence whether the rescue co-ordination centre in Victoria, in co-operation with the coastguard and the Emergency Measures Organization, is making heightened preparations to give advance warning and to take action if it becomes necessary as a result of the Amchitka blast?

Mr. Macdonald (Rosedale): Mr. Speaker, the rescue co-ordination centre, as the hon. member suggests, is on a state of alert.

Mr. Nystrom: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Yorkton-Melville for one more supplementary at this time, and then recognize the hon. member for Témiscamingue.

[Mr. Goyer.]

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, may I direct a supplementary question to the Acting Prime Minister. Has he been given formal notification of the precise hour of the Amchitka test?

Hon. Mitchell Sharp (Acting Prime Minister): No, Mr. Speaker.

* * *

[*Translation*]

NATIONAL PARKS

DISCUSSION OF ESTABLISHMENT OF PARK IN TÉMISCAMINGUE AREA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a question for the minister responsible for national parks.

The Témiscamingue regional Chamber of Commerce held a meeting last night to discuss the development of a national park in Témiscamingue.

Is the minister aware of the action taken by the Chamber of Commerce and has his department come to any conclusion about the matter?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, we are aware of the action taken by the Chambers of Commerce in the area. We are presently studying the problem, but, as hon. members know, no decision can be made with regard to a problem like this one without consultation with the provincial government.

Mr. Caouette: I would like to ask a supplementary question, Mr. Speaker.

Is the Department of Indian Affairs and Northern Development holding discussions with the provincial authorities regarding the development of a national park in Témiscamingue?

Mr. Chrétien: Mr. Speaker, we are consulting with the government of the province of Quebec about the possibility of developing new national parks in several areas of "la belle province», including Témiscamingue.

[*English*]

Mr. Arnold Peters (Timiskaming): A supplementary question. Is the province of Ontario involved in this national park which will involve an interprovincial boundary and affect both provinces?

[*Translation*]

Mr. Chrétien: We are considering that possibility, Mr. Speaker, We believe it might be beneficial to have a park in an area astride the two provinces, which would prove that we can be good neighbours.

[*English*]

INDUSTRY

AUTOMOBILE PACT—MEETING WITH MAYORS OF MUNICIPALITIES THAT WOULD SUFFER HARDSHIP BECAUSE OF POSSIBLE CHANGES

Mr. H. W. Danforth (Kent-Essex): My question is for the Minister of Industry, Trade and Commerce but in his absence I will direct it to the Acting Prime Minister. Has a meeting been held with a group of mayors of municipalities who have expressed a desire for such a meeting and whose economy is very much dependent on the automobile industry and will suffer hardship following any changes in the automobile pact which result in export of jobs to the United States? Have assurances been given that such changes will be opposed by the government?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, may I answer this question? The government, as hon. members know, has been attempting to maintain the favourable features of the automobile agreement that was so strongly criticized by the opposition in the past. I hope we will continue to have the support of the opposition in maintaining these features.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, the question concerns the proposals of the United States in connection with the transitional features of the safeguards. This is the question that is at issue, not the automobile pact. Has the government arranged to meet the mayors of these various municipalies and, if so, what is the date of the meeting?

Mr. Sharp: Mr. Speaker, I do not know whether the Minister of Industry, Trade and Commerce is arranging to meet the mayors. I did want to assure the House, however, that the government is fully aware of the advantages of the automobile agreement and has been negotiating to have the best possible rearrangement of the agreement to preserve the advantages to Canada.

Mr. Danforth: Are these various parties who are so concerned being invited to express their opinions as to a solution or is the problem going to be left in the main in the hands of the government in the continuing negotiations which the government insists are taking place with regard to this important pact?

Mr. Sharp: Mr. Speaker, I think the hon. member will agree that negotiations between governments must necessarily be in the hands of the Canadian government and the United States government. We are, of course, seeking useful advice that will enable us to support our case in negotiations with the Americans from wherever we can get it.

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AGRICULTURE

PROVISION OF FUNDS TO UNIVERSITIES FOR RESEARCH

Mr. A. D. Hales (Wellington): I would like to address a question to the Minister of Agriculture or the Minister of State for Science and Technology. In their absence, possibly the parliamentary secretary will obtain an answer for me. A well-known and respected scientist, Dr. P. D. McTaggart-Cowan, stated that it was the policy of the federal Department of Agriculture to monopolize millions of dollars in research funds and as a result starved research scientists at universities. Will the Minister of Agriculture discuss this matter with his colleague, the Minister of State for Science and Technology, to see whether this money can be given to universities for research, particularly to the University of Guelph faculty of agriculture?

Mr. Speaker: Order, please. I would think the question is in the form of a representation.

* * *

EXTERNAL AFFAIRS

CANADIAN FOREIGN AID PROGRAM—SHIPMENT OF GOODS THROUGH CANADIAN BROKERS

Mr. Robert McCleave (Halifax-East Hants): My question is for the Secretary of State for External Affairs. It concerns Canada's foreign aid program. Will the minister ensure that arrangements for shipment of our substantial gifts abroad are made through Canadian brokers rather than New York brokers and that, hopefully, the shipments are made on our Canadian foreign freighter fleet, all two of them, which otherwise will be tied up in Halifax harbour for lack of business?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I will inquire into these representations.

* * *

POWER

PROPOSED JAMES BAY HYDROELECTRIC PROJECT—REQUEST FOR PUBLICATION OF REPORT ON ECOLOGICAL EFFECTS

Mr. David Orlikow (Winnipeg North): My question is for the Minister of the Environment. Will he make public the review which his department is conducting on the ecological effects on northeastern Quebec, James Bay and Hudson Bay that will result from the building of the proposed hydroelectric project on rivers running into James Bay?

Hon. Jack Davis (Minister of the Environment): The answer would be yes, Mr. Speaker, if substantial reports are completed. However, I should mention that this work is being carried out in close co-operation with the government of the province of Quebec. Where we are working co-operatively I would think the concurrence of the province of Quebec would be required as well.

• (11:20 a.m.)

Mr. Orlikow: Would the minister give consideration to permitting interested organizations such as conservation groups, wildlife groups and ecologists to make representations on their views with regard to the proposed plan after the view of the department has been made public and

before the department approves proceeding with this tremendous project?

Mr. Davis: I doubt very much whether the federal Department of the Environment would ever be in the position to approve that project in all its details since it is specifically one within the confines of the province of Quebec. However, we would certainly be glad to co-operate with those private groups and make information available as long as this was consistent with our liaison with the province of Quebec.

PROPOSED JAMES BAY HYDROELECTRIC PROJECT—FINANCIAL SUPPORT FOR INDIANS TO TAKE LEGAL ACTION

Mr. David Orlikow (Winnipeg North): May I direct a supplementary question to the Minister of Indian Affairs and Northern Development. If the Indians who are living in the area concerned and who have already expressed their opposition to this project were to decide to go to court to seek an injunction to prohibit the project, would the hon. gentleman's department help to finance such a legal appeal?

Mr. Speaker: Order. It seems to me that the question as asked is hypothetical. In those terms I would not think it is in order.

* * *

COMBINES

INVESTIGATION OF SALE OF TORONTO "TELEGRAM" SUBSCRIPTION LIST TO TORONTO "STAR"—FEDERAL AID POLICY FOR CANADIAN PUBLICATIONS—PRESS REVIEW BOARD

Mr. Stanley Haidasz (Parkdale): In view of the cessation of the publication of the Toronto *Telegram* and the disappearance of three more independently-owned Ontario daily newspapers into chain ownership, I should like to ask the Acting Prime Minister, whether he can inform the House about the position of the investigation of the combines branch with respect to the sale of subscription lists and whether we can soon expect a policy of federal aid to Canadian publications and perhaps the establishment of a press review board as recommended by the Senate media committee?

Hon. Mitchell Sharp (Acting Prime Minister): Perhaps I would be permitted to take that question as notice.

* * *

INCOME TAX

REQUESTS FOR DELAY IN IMPLEMENTATION OF BILL

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is directed to the Minister of Finance. Along with many others, the Premier of Alberta has asked the government to delay for one year implementation of the proposed tax bill, C-259. Is the government open to consider such a suggestion at this time and at the conference which is to be held with the provinces?

[Mr. Orlikow.]

Hon. E. J. Benson (Minister of Finance): We shall, of course, consider any representations that are made but it is not our intention to postpone the enactment of the bill.

Mr. Paproski: Does the minister agree with Toronto lawyer J. S. Peterson who has described the tax measures affecting foreign business operations as "a nightmare of overkill"—

Mr. Benson: No.

Mr. Speaker: Order please. The hon. member knows the reservations I have about questions of that type. He is inviting the minister to express an opinion. I have to reiterate my contention that such questions are not acceptable from a procedural standpoint.

Mr. Paproski: On a point of order, I regret that the question was not worded properly, Mr. Speaker, but I have other questions for the Minister of Industry, Trade and Commerce and for the Postmaster General and it takes a little time to formulate them properly. I regret that I asked that question.

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REGIONAL ECONOMIC EXPANSION

ATLANTIC PROVINCES—REQUEST FOR STATEMENT ON CHANGES IN LIGHT OF CRITICISMS—JOBS CREATED

Mr. David MacDonald (Egmont): Mr. Speaker, I have a question for the Minister of Regional Economic Expansion. In light of the fact that last week the minister indicated in a press release that two of the recommendations of the Atlantic Development Council were going to be implemented, and since the parliamentary secretary suggested last night in answer to a question of mine that some of the criticisms contained in the recent report of the Atlantic Provinces Economic Council were constructive, when can we expect some kind of detailed elaboration by the minister with regard to possible changes and his own response to very important criticisms of the program and, in particular, some comment with respect to the over-all strategy of the Atlantic Development Council.

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I believe the hon. member is not expecting me to indicate today all the changes that will be made but I think he will become aware of them gradually, both in the House and elsewhere. I shall no doubt have an opportunity to indicate not the change in strategy, as I do in the House, but insofar as other changes are concerned I shall make them known as and when they are made or considered.

[*English*]

Mr. MacDonald (Egmont): In view of the minister's speech last week in which he talked about the total number of jobs created under the incentives program, I wonder whether he is in a position to indicate if this total number of jobs, which was said to be 37,524, represents jobs that have been created or will be created by the end of this year? Could the minister also indicate whether monitoring procedures are in effect to determine that this

number of jobs will be sustained during the next time period of the manufacturing industry's operations, and whether it will be more than one year?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, the figure of 37,000 stands for the number of jobs which will be created if all the applications approved effectively result in implementation of projects covered by those applications.

[*English*]

Mr. MacDonald (Egmont): A further supplementary question, Mr. Speaker.

Mr. Speaker: Order. I have to remind hon. members of the suggestion I made to them yesterday that we should try to limit supplementaries if we are to have as many questioners as possible during the question period. The hon. member for Egmont.

Mr. MacDonald (Egmont): Mr. Speaker, since it is always difficult to know from these releases by the minister whether we are talking about jobs which have been created or which will be created, will he be in a position, perhaps at the first of the week, to indicate the exact number of jobs that have been created and those that he expects to be created within a reasonable period of time?

[*Translation*]

Mr. Marchand (Langelier): I shall see, Mr. Speaker, whether this can be calculated. If it is possible, I shall gladly do so.

[*English*]

[*Later:*]

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, this question follows earlier questions directed to the Minister of Regional Economic Expansion. In light of the government's understandable delicacy about burdening us with statistics, would the minister be prepared to table the figures on unemployment goals and what the minister projects those to be for this winter and next year? This will be very helpful to us when we consider his departmental estimates and other aspects of government policy.

[*Later:*]

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, I do not know if these are figures on unemployment in Canada or only in regions that—

Mr. Lambert (Edmonton West): This is not the same thing.

Mr. Marchand (Langelier): This is not the same thing indeed, as indicated by the hon. member for Edmonton West. This is therefore in designated areas.

EXTERNAL AFFAIRS

EXPULSION OF TAIWAN FROM UNITED NATIONS—CONTINUATION OF COMMERCIAL RELATIONS BY CANADA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I wish to direct a question to the Secretary of State for External Affairs.

Now that Communist China has been admitted to the United Nations and that the Taiwan government has been expelled, does the government intend to maintain its trade relations with Taiwan and to have a permanent attaché there? Will Canada still keep certain relations with the Taiwan government?

[*English*]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, when we established diplomatic relations with the People's Republic of China we could not, of course, maintain relations with the government that claimed to have authority over the same area, namely, the Republic of China government which happens to be located at the moment in Taiwan. We did make it clear to the representatives of the People's Republic of China that we would, however, continue to trade with the people of Taiwan; but since we do not recognize another government of China we cannot have any formal relations with the Republic of China government.

• (11:30 a.m.)

[*Translation*]

Mr. Caouette: I have a supplementary, Mr. Speaker.

Since the Canadian government has extended considerable assistance to certain industries in Taiwan, will it continue to do so in view of the fact that they were made financially possible owing to the Canadian government?

[*English*]

Mr. Sharp: Mr. Speaker, I am unaware of the sort of assistance to which the hon. gentleman is referring.

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INDIAN AFFAIRS

EDUCATIONAL FACILITIES IN NORTHEASTERN ALBERTA—SIT-IN AT EDMONTON REGIONAL OFFICE

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is directed to the Minister of Indian Affairs and Northern Development. It arises out of the difficulties emanating from the Keeheewin Indian reservation in northeastern Alberta where there was a sit-in yesterday by a number of Indians at the department's regional headquarters. Will the minister advise the House in view of what Chief Goodchild, I believe that is his name, the leader of the Indians, said, to the effect that all employees, both Indian and white, of the regional office were on the side of the Indians, where the block or difference of opinion is between the Indians and the department, and is it true that the local officials are on the side of the Indians?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I should like to say that after the beginning of the difficulties I made concrete proposals to the Indians, and we have put $250,000 aside to help ameliorate the conditions. I indicated it was not possible under the present budget to build six new schools on these reserves. We have increased our contribution to quite a large extent, but it is not physically possible to build six schools. The Indians have now said to me that I have to meet all their demands before they will send their children back to school. I have indicated to them that it is impossible to meet their demands and it is absolutely unacceptable for the parents to keep their children out of school. I hope they will reconsider and send their children back to school and then we will be able to negotiate.

Mr. Lambert (Edmonton West): Mr. Speaker, what steps are being taken by the minister to negotiate a relaxation of this sit-in at the regional office of the department in Edmonton which is being occupied by members of the band and sympathizers on a 24-hour basis?

Mr. Chrétien: Mr. Speaker, I made many concessions at the beginning of this matter. I have offered to put up three temporary schools on the reserve, I have sent some people to repair the water system and I have sent carpenters to repair the schools, but each step I take seems to form another platform for new demands. I have said it is unacceptable for the parents to keep their children out of school, and when they return to school I will be ready to negotiate. My door is open and if they want to come they will be welcome any time. I am willing to meet them any time they want to meet with me.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. Again I must seek the co-operation of hon. members. We will be reaching the end of the question period very shortly and if we allow five or six supplementary questions on the same matter we will be in difficulty.

Mr. Lambert (Edmonton West): Mr. Speaker, my last supplementary question is similar to the question I originally posed. Is there anything being done by the minister to negotiate the end of this sit-in at the regional office? That is the immediate problem; we are aware of the other problems that exist.

Mr. Chrétien: Mr. Speaker, my special assistant talked with the two chiefs yesterday and asked whether there was any possibility of a compromise. They said the only thing they will accept is an answer by the minister and that he will build six schools, but that is impossible. I have very good people in the field in whom I have every confidence. There are responsible officials of my department who are able to deal with problems in the field. Three are Indians and I will not pull the rug out from under them.

ALLEGED INVOLVEMENT OF REGIONAL AND DISTRICT OFFICE EMPLOYEES IN SADDLE LAKE BAND POLITICS

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to ask the Minister of Indian Affairs and Northern Development whether he has been made aware of an allegation or accusation by the chief of the Saddle Lake action committee on behalf of the people of the Saddle Lake reservation that departmental staff in the Alberta regional office and the Saddle Lake-Athabasca district office have become involved in the internal politics of the Saddle Lake band? Has he examined the matter to see whether this is true and, if it is, does he not feel there is some need to perhaps pull the rug out from under them?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I must say I am aware that some parents would like very badly to send their children back to school. Some have been in touch with my officers, but my officers are not putting their noses into Indian politics on the reserve. They have certainly indicated to me that some parents want to discuss the possibility of sending their children back to school.

Mr. Speaker: Order, please. the Chair will recognize the hon. member for Skeena for the purpose of making one last supplementary question and then we will move on to another subject.

Mr. Howard (Skeena): Mr. Speaker, I asked the minister whether he was aware that the Saddle Lake band had made the accusation that the staff of the regional office and of the Saddle Lake-Athabasca district office had been interfering in the internal politics of that band and whether he would examine that situation. I did not ask him to go into a dissertation about what he hopes to do.

Mr. Chrétien: Mr. Speaker, I am aware of that accusation and I have been discussing the situation with my officials each day. I will be talking with them again today and will ask whether this is true, but the information I have so far would indicate that it is not.

While I am on my feet, Mr. Speaker, with the indulgence of the House I should like to recognize Chief Dan George in the Speaker's gallery, who is to be honoured with the Order of Canada later today.

Some hon. Members: Hear, hear!

* * *

INQUIRY OF THE MINISTRY

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct my question to the Minister of Regional Economic Expansion. In view of the fact that the Liberal ship is sinking in Newfoundland, is the minister contemplating throwing a lifebuoy in the form of increased economic assistance to that province?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

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LABOUR CONDITIONS

STE. THÉRÈSE, QUEBEC—LAY-OFF OF EMPLOYEES BY GENERAL MOTORS—GOVERNMENT ACTION

Mr. Derek Blackburn (Brant): Mr. Speaker, following the meeting of the Minister of Regional Economic Expansion

with representatives of the United Auto Workers from Ste. Thérèse, Quebec, concerning the lay-off of 600 men to take place on Monday, November 1, will he inform the House whether the government is able to do anything to hold off these proposed lay-offs?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I had a long discussion with the representatives of the Ste. Thérèse union. I indicated to them ways and means of helping those who would be laid off, particularly in contacting Canada Manpower Centres; I also mentioned that under the new programs announced by the honourable Minister of Finance, employment might be found for a large number of the people laid-off.

[*English*]

Mr. Blackburn: Mr. Speaker, would the minister consider urging the Quebec Minister of Labour to consider the UAW proposal that the number of hours worked per man be reduced slightly as one means of avoiding the proposed lay-offs?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, the union members made that suggestion to me. To my mind, it is not realistic, because if we did so for the people in Sainte-Thérèse, we would also have to do it for all the unemployed: I would like the hon. member to figure out how much that would cost.

* * *

[*English*]

CANADIAN BROADCASTING CORPORATION

COMMENDATION FOR PROGRAM, «THE TENTH DECADE»

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, in the absence of the Secretary of State who reports to the House for the CBC, may I direct this question to the Acting Prime Minister. Would he be good enough to relay to the president of the Canadian Broadcasting Corporation and all those who had anything to do with the first program in the series, "The Tenth Decade", a commendation which I am sure would be supported by millions of Canadians for the portrayal of the lives of two great Canadians, and express the hope that the following sequences will be equally as interesting and factual?

Some hon. Members: Hear, hear!

* * *

HOUSING

IMMEDIATE ACTION TO SUPPLEMENT LOW INCOME HOUSING IN OTTAWA AND OTHER CITIES

Mr. S. Perry Ryan (Spadina): Mr. Speaker, my question is for the Minister of State for Urban Affairs. As Ottawa has the lowest vacancy rate in Canada for rental accommodation, about one per cent, and CMHC officials have stated that some low income families can find absolutely no shelter, is the government going to take direct and immediate action to supplement low income housing in areas such as Ottawa and, if so, when will a statement be made?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, we are doing this on a regular basis and we will be delighted to enlist the services and assistance of the hon. member in dealing with the government of Ontario which has a more direct relationship with the kind of housing he is talking about for the Ottawa area. It really depends very much on their decision on priorities within the provinces, using federal money placed at their disposal.

Mr. Ryan: Has the minister contacted the province of Ontario about this particular problem?

Mr. Andras: Yes, Mr. Speaker, we are in regular communication with them, although there has been a slight impediment in getting through over the past few weeks.

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EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—ADDITIONAL ACTION TO PROTEST

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, I should like to direct my question to the Minister of the Environment. In view of the large number of members of this House including the Minister of the Environment, I understand, who have today put their names to the Ottawa "Blast-o-Gram" which is to be sent to President Nixon, will the minister indicate what additional action is now contemplated?

• (11:40 a.m.)

Hon. Jack Davis (Minister of the Environment): As the hon. member knows, this House has spoken out very effectively. We have all individually done the best we can. I do not think I can say any more.

AMCHITKA NUCLEAR TEST—STEPS TO DEAL WITH POSSIBLE ECOLOGICAL DAMAGE

Mr. Frank Howard (Skeena): Mr. Speaker, because the probable effect on the ecology from the Amchitka blast is a very real consideration, can the Minister of the Environment tell us what steps his department has in mind in case the blast does proceed in order to deal with the ecological damage either directly within the department's authority or in conjunction with international agencies?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, my understanding of the situation is that the ecological damage at a distance of more than a few hundred miles from the site is likely to be very small. Our concern has to be about the effects a few miles off Amchitka within international waters and over a long period of time.

Inquiries of the Ministry

HOUSING

ROCHDALE COLLEGE—ISSUANCE OF FINAL ORDER OF FORECLOSURE—REFERENCE OF MATTER TO COMMITTEE

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I should like to address a question to the Minister of State for Urban Affairs. In light of the fact that the minister has issued a writ of foreclosure against Rochdale College—I know he cannot make a statement at this time because of the legal niceties—can he at least advise the House whether a final order of foreclosure has been signed and issued?

Hon. Robert K. Andras (Minister of State for Urban Affairs): As I have indicated on previous occasions, a writ of foreclosure was sought on August 17, I believe. It was our forecast at that time that it could take up to 18 months or two years before total legal possession is surrendered to Central Mortgage and Housing Corporation. I think the hon. member is aware there are at least three or four other mortgagors or creditors to be dealt with and that there are legal processes by which this thing must be solved. We cannot hurry up the process. We have financial and management control of the operation at this time, but there is no way the process can be speeded up except through the courts.

An hon. Member: What about the suicides?

Mr. Alexander: I have one supplementary, Mr. Speaker. I shall not go into the legal—

Mr. Andras: On a question of privilege—

Mr. Speaker: Order, please. The minister is rising on a question of privilege.

Mr. Andras: Mr. Speaker, there was an aside which suggested something about suicide. I think that casual reference to this kind of very sad events is not really helpful and I would wonder how CMHC could be assigned the responsibility for law and order in such a situation or in fact to impose itself upon all the personal decisions that would go into such a tragic event.

Mr. Paproski: Mr. Speaker, on the same question of privilege—

Mr. Speaker: Order, please. Perhaps it might be a different question of privilege because I doubt whether that was a question of privilege.

Mr. Alexander: Mr. Speaker, in light of the fact that I started this conversation I hope the Minister of State for Urban Affairs knows that the hon. member for Hamilton West did not make that interjection. In any event, without getting into the niceties of the legal argument to which the minister referred, can the minister assure the House that once legal title is placed in the hands of the government of Canada he would refer this whole matter to the Standing Committee on Health, Welfare and Social Affairs so it can look into it and come up with a report which will perhaps help to prevent the type of situation he is faced with now?

Mr. Andras: Mr. Speaker, I doubt whether there would be a necessity for any such reference to be made, but I also would take no steps to prevent discussion of the matter before the committee on an appropriate occasion.

Mr. Speaker: The Chair will recognize a last supplementary because we are running short of time.

Mr. S. Perry Ryan (Spadina): Mr. Speaker, can the Minister of State for Urban Affairs tell us, with respect to the action against Rochdale on the first mortgage of CMHC, whether a writ of possession has been obtained from the courts and a judgment signed with reference to subsequent encumbrances on the title?

Mr. Andras: I do not think I can make any further legal interpretation or comment on the affair other than what I have already stated in response to the hon. member for Hamilton West.

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NATIONAL DEFENCE

SUGGESTED WITHDRAWAL OF AUTHORIZATION FOR UNITED STATES BOMBER TRAINING FLIGHTS OVER SOUTHERN MANITOBA AND SASKATCHEWAN

Mr. John Burton (Regina East): Mr. Speaker, I should like to direct my question to the Minister of National Defence. In view of the lack of responsiveness of the United States on matters of concern to Canada as evidenced by the recent Amchitka test announcement, is the government considering withdrawing its authorization for U.S. B-52 bomber training flights over southern Manitoba and Saskatchewan and reviewing other arrangements such as NORAD?

Hon. Donald S. Macdonald (Minister of National Defence): No, sir.

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INDIAN AFFAIRS

LENNOX ISLAND RESERVE—CONSTRUCTION OF LINK TO MAINLAND

Mr. David MacDonald (Egmont): Mr. Speaker, I have a question for the Minister of Indian Affairs and Northern Development with regard to the longstanding concern about the construction of a permanent link between the Lennox Island Indian reserve and the mainland of Prince Edward Island. In view of the acceleration in the projected cost of construction of this permanent link, can the minister inform the House whether he has reached a successful conclusion with other departments in order to have sufficient money available to start this project either late this year or early next year?

• (11:50 a.m.)

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I believe the Minister of Public Works has something to announce in that regard.

[*English*]

Mr. MacDonald (Egmont): Mr. Speaker, I would be most grateful to hear from the Minister of Public Works because there is a great deal of concern.

Hon. Arthur Laing (Minister of Public Works): Mr. Speaker, so far as I know everything is in order. The

viaduct, as I call it, is going to be built and I think it is on time. I know of no trouble.

Mr. MacDonald (Egmont): It is extremely good news that the project is to go ahead. Can the minister give some indication when tenders will be called and an approximate date when construction may commence?

Mr. Laing: Yes. We want to do as much work as possible before winter sets in.

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HOUSING

POSSIBILITY OF LOANS UNDER ACT FOR DAY-CARE PREMISES NOT CONNECTED WITH LOW-RENT HOUSING

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, my question is directed to the Minister of State for Urban Affairs. Is the minister now in a position to say if he has determined whether or not the National Housing Act will permit the making of loans for the building or renovation of day-care premises in places not directly connected with low-rent housing.

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, I regret I am not in a position to make a definitibve statement on that matter at this time.

Mrs. MacInnis: When the minister has made an investigation, will he be introducing legislation to make it possible for this to be done?

Mr. Andras: That factor is being considered as well as the basic decision, Mr. Speaker.

* * *

LABOUR CONDITIONS

UNEMPLOYMENT LEVEL ACCEPTABLE TO GOVERNMENT

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is a supplementary to the questions of the hon. member for Egmont and the hon. member for Fundy-Royal and is directed to the Minister of Finance. The Minister of Regional Economic Expansion stated that the recent tax cuts will help us maintain the unemployment rate at an acceptable level. Is that the policy of the Minister of Finance and, if so, what is the acceptable level of unemployment the government wants to maintain—the 6.4 per cent average of last year?

Mr. Speaker: The hon. member for Comox-Alberni.

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NATIONAL PARKS

POSSIBLE DEVELOPMENT OF SUFFIELD MILITARY RESERVE IN LIGHT OF WILDLIFE SERVICE REPORT ON ECOLOGY

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, I should like to direct a question to the Minister of Indian Affairs and Northern Development. Is the minister or his department looking into the recent report made by the Canadian Wildlife Service on the ecology of the Suffield

military reserve and, if so, are they considering the possibility of it becoming a national park possibly in connection with the Cypress Hills area?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, my department, like the others, is studying the report of the Canadian Wildlife Service. We have yet to reach conclusions on the subject. We have made commitments elsewhere which might achieve the same results.

[*English*]

• (11:50 a.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Thursday, October 28, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the Chair.

The Deputy Chairman: When the committee rose last evening section 4 was before the committee. Sections 5, 6, 7 and 8 have been grouped with Section 4 for the purpose of debate.

Mr. Macdonald (Rosedale): Mr. Chairman, I gather there have been discussions, which I am reporting upon although I was not privy to them, which have led to an agreement among the parties that the amendments which the Minister of Finance laid on the table yesterday, and which may be found appended to issue No. 200 of *Votes and Proceedings,* should be moved at this time notwithstanding the fact that they may relate to sections that are not yet under consideration, so that they can in due course be before the committee when they are called. Therefore, Mr. Chairman, I would just like to confirm that that is the understanding. Perhaps the committee can make an order accordingly, and on the basis of that I could move the amendments.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I rise merely to confirm that that was the agreement we reached, namely, that a minister would move the amendments at this time, just to put them into *Hansard* so we will have them before us, in the same way as was done last Friday with the first batch of amendments.

The Deputy Chairman: Does the committee give consent for the minister to move the amendments found in *Votes and Proceedings,* in the same way as was done previously, and does it agree that this be an order of the committee at this time?

Some hon. Members: Agreed.

Mr. Macdonald (Rosedale): Then, I move:

Income Tax Act

AMENDMENTS TO PART I OF BILL C-259

Section No. as set forth in clause 1	*Page(s) Number(s) of Bill*
Section 49	112
Section 89	228
Section 98	250
Section 137	361 and 363

To be added to amendment moved on October 22, 1971

Page 112

That section 49 as set forth in clause 1 of the said Bill be further amended

(*a*) by striking out lines 15 to 17 on page 112 and substituting the following:

'(ii) in computing the cost to the purchaser of the property, the adjusted cost base to him of the option; and'

(*b*) by striking out lines 20 to 22 on page 112 and substituting the following:

'(i) in computing the vendor's proceeds of disposition of the property, the adjusted cost base to him of the option, and'

To be added to amendment moved on October 22, 1971

Page 228

That section 89 as set forth in clause 1 of the said Bill be further amended by striking out lines 25 to 29 on page 228 and substituting the following:

'were allowed under paragraph 11(1)(*a*) of this Act as it so read in computing the income of the corporation for taxation years ending before 1972,'

To be added to amendment moved on October 22, 1971

Page 250

That section 98 as set forth in clause 1 of the said Bill be further amended by adding, immediately after subsection (1) on page 250, the following subsection:

'Continuing partnership interest

(1.1) Where at any time after 1971 a taxpayer would, but for this subsection, be regarded as having ceased to be a member of a partnership of which he was a member immediately before that time,

(*a*) until such time as all rights to receive any property of or from the partnership in satisfaction of the taxpayer's interest in the partnership immediately before that time are satisfied in full, such interest (in this subsection referred to as a "continuing partnership interest") shall, notwithstanding any other provision of this Act, be deemed not to have been disposed of by the taxpayer and to continue to be an interest in the partnership;

(*b*) a person who has a continuing partnership interest in the partnership shall, for the purposes of this Act (except subsections 97(2) to (4), subsections (3) to (6) of this section, subsection 100(2) and section 102), be deemed to be a member of the partnership in respect of his continuing partnership interest therein; and

(*c*) in its application to any property that is a continuing partnership interest in the partnership, paragraph 40(3)(*a*) shall be read without reference to the words "(except paragraph (*c*) thereof)" therein.'

To be added to amendment moved on October 22, 1971

Pages 361 and 363

That section 137 as set forth in clause 1 of the said Bill be further amended

(*a*) by striking out the heading immediately preceding section 137, on page 361, and substituting the following:

'Credit Unions and Savings and Credit Unions'

(*b*) by striking out lines 1 and 2 on page 361 and substituting the following:

'Deductions in computing income

137. (1) In computing the income for a taxation year of a credit union or a savings and credit union (in this Act referred to as a "credit union"),

(*c*) by adding, immediately after subsection (4.1), the following subsection:

'Computation of cumulative deduction account

(4.2) For the purposes of subparagraph 125(6)(*b*)(i), the amount of a credit union's taxable income for a taxation year shall be deemed to be the amount, if any, by which its taxable income for the year otherwise determined exceeds the lesser of $25,000 and ½ of its taxable income for the year otherwise determined.'

(*d*) by striking out lines 8 to 10 on page 363 and substituting the following:

'"Credit union"

(*b*) "credit union" means a corporation, association or federation incorporated or organized as a credit union or cooperative credit society if'

AMENDMENTS TO PART II AND PART III
(*INCOME TAX APPLICATION RULES, 1971*)
OF BILL C-259

Clause No. of Bill	*Page(s) Number(s) of Bill*
Clause 6—new clause 6.1	600
Clause 9—new clause 9.1	600
Clause 10	601
Clause 11 (French version only)	602
Clause 19	607
Clause 20	608 and 610
Clause 22	615
Clause 23	617
Clause 26	619, 621, 622, 623, 624, 625, 626, 627 and 628
Clause 29 (French version only)	650
Clause 32	653
Clause 33	654
Clause 34	657 and 658
Clause 35	659
Clause 49	679
Clause 50	679 and 680
Clause 51	680 and 681
Clause 57.1 (new)	689
Clause 58	690, 691, 692 and 693
Clause 59	693 and 694
Clause 62	696
Clause 64.1 (new)	697
Clause 65	698 and 699
Clause 65.1 (new)	699

New clause 6.1 (page 600)

That the said Bill be amended by adding, immediately after clause 6 on page 600, the following clause:

'*Established Programs (Interim Arrangements) Act*

6.1 (1) The definition "basic tax" in subsection 2(1) of the *Established Programs (Interim Arrangements) Act* is repealed.

(2) The definition "tax abatement" in subsection 2(1) of the said Act is repealed and the following substituted therefor:

' "tax abatement"

"tax abatement" means the percentage that is applied to the tax otherwise payable to determine the amount that may be deducted under subsection 120(2) of the *Income Tax Act* for a taxation year by an individual;'

(3) Subsection 2(1) of the said Act is further amended by adding thereto, the following definition:

' "tax otherwise payable"

"tax otherwise payable" has the meaning given to the expression "tax otherwise payable under this Part" by paragraph 120(4)(c) of the *Income Tax Act*;'

(4) All that portion of subsection 8(2) of the said Act immediately preceding paragraph (*a*) thereof is repealed and the following substituted therefor:

'Equalization amount

(2) The unit equalization value mentioned in subsection (1) that is applicable to a province in respect of a standing program is the amount, if any, that, when added to the amount, as determined by the Minister of Finance, representing one per cent of the aggregate amount obtained from the tax otherwise payable in the province in respect of a calendar year coinciding with or ending in an operating year of the standing program, will cause'

(5) Subparagraph 8(2)(b)(i) of the said Act is repealed and the following substituted therefor:

'(i) the amount, as determined by the Minister of Finance, representing one per cent of the aggregate amount obtained from the tax otherwise payable in the two provinces in which the per capita amount obtained from the tax otherwise payable in respect of that calendar year is greatest'

(6) This section is applicable in respect of the 1972 and subsequent taxation years.'

Clause 9 (page 600)

That the said Bill be amended by adding, immediately after clause 9 on page 600, the following clause:

'Application of Part VIII of amended Act

9.1 Part VIII of the amended Act is applicable to dividends paid by a corporation (in this section referred to as the "payer corporation") where the control of the payer corporation was acquired after 1954, except where the control was acquired after 1954 by a non-resident corporation from another non-resident person that acquired control of the payer corporation before 1955.'

Clause 10 (page 601)

That clause 10 of the said Bill be amended by adding, immediately after subclause (4) on page 601, the following subclause:

'Certificates

(5) Any certificate of exemption issued by the Minister under subsection 106(9) of the former Act that is in force on December 31, 1971 shall, for the purposes of subparagraph 212(1)(b)(iv) of the amended Act,

(*a*) be deemed, for greater certainty, to have been issued under subsection 212(14) of the amended Act, and

(*b*) be deemed to be in force on January 1, 1972 and thereafter without interruption until the end of 1974, at which time it ceases to be in force, except that if at any time before the end of 1974 the person to whom the certificate was issued has ceased to be exempt, under the laws of the country of which he is a resident, from the payment of income tax to the government of that country, the certificate ceases to be in force on the later of

(i) January 1, 1972, and

(ii) the day on which he so ceased to be exempt.'

Clause 11 (page 602)

That the French version of clause 11 of the said Bill be amended by striking out line 15 on page 602 and substituting the following:

'suit le début de 1976, l'impôt payable par elle'

Clause 19 (page 607)

That clause 19 of the said Bill be amended

(*a*) by striking out line 1 on page 607 and substituting the following:

'Income maintenance payments

19. (1) Notwithstanding section 9, paragraph'

(*b*) by adding, immediately after clause 19 on page 607 the following subclause:

'Effect of certain changes made in plan established before June 19, 1971

(2) For the purposes of this section, a plan described in paragraph 6(1)(*f*) of the amended Act that was in existence before June 19, 1971 does not cease to be a plan established before that date by reason only of changes made therein on or after that date for the purpose of ensuring that the plan qualifies as one entitling the employer of persons covered under the plan to a deduction, as provided for by subsection 64(4) of the *Unemployment Insurance Act, 1971*, in the amount of the employer's premium payable under that Act in respect of insured persons covered under the plan.'

Clause 20 (pages 608 and 610)

That clause 20 of the said Bill be amended

(*a*) by adding, immediately after subclause (1) on page 608 of the Bill, the following subclauses:

'Where depreciable property disposed of to spouse or trust

(1.1) Subsection (1) is not applicable in any case in which subsection 70(6) or 73(1) of the amended Act is applicable in respect of the disposition by a taxpayer of any depreciable property of a prescribed class to the spouse or trust, as the case may be, referred to therein, except that where the spouse or trust, as the case may be, subsequently disposes of the property at any time, subsection (1) is applicable as if the spouse or trust, as the case may be, had acquired the property before 1972 and owned it without interruption from December 31, 1971 until that time.

Other transfers of depreciable property

(1.2) Where, by virtue of a transaction to which any of subsections 85(1), (2) or (3), 87(2), 97(2), 98(3) or (5) or 107(2) or section 88 of the amended Act applies, a taxpayer has at any particular time after 1971 acquired any depreciable property of a prescribed class from a person who acquired the property before 1972 and owned it without interruption from December 31, 1971 until the particular time, for the purposes of subsection (1) the taxpayer shall be deemed to have acquired the property before 1972 and to have owned it without interruption from December 31, 1971 until such time after 1971 as he disposed of it.

Transfers before 1972 not at arm's length

(1.3) Without restricting the generality of section 18, where any depreciable property has been transferred before 1972 in circumstances such that subsection 20(4) of the former Act would, if that provision were applicable to transfers of property made in the 1972 taxation year, be applicable, paragraph 69(1)(*b*) of the amended Act is not applicable to the transfer and subsection 20(4) of the former Act is applicable thereto.'

(*b*) by striking out lines 32 to 40 on page 610 and substituting the following:

'(*d*) notwithstanding paragraph (*c*), a person who became a member of the partnership after June 18, 1971 and who was a member of the partnership thereafter without interruption until December 31, 1971 shall be deemed to be a person described in paragraph (*c*) and the amount may be claimed by him thereunder as a deduction in computing his income for any taxation year should not exceed 10% of the aggregate of the amounts determined under subparagraphs (*c*)(i) and (ii).'

Clause 22 (page 615)

That clause 22 of the said Bill be amended by striking out lines 1 to 3 on page 615 and substituting the following:

'Deduction of interest by certain corporations

22. (1) Notwithstanding section 9, subsections 18(4) to (7) of the amended Act are applicable to taxation years commencing after 1971.

Idem

(2) In its application to the first taxation year of a corporation commencing after 1971 and to the immediately following taxation year, subsection 18(4) of the amended Act shall be read as if

(*a*) subparagraph (*a*)(i) thereof were read as follows:

"(i) the greatest amount that the corporation's outstanding debts to specified non-residents was at any time in the year, less the amount, if any, by which

(A) the least amount that the corporation's outstanding debts to specified non-residents was at any time in the last taxation year of the corporation commencing before June 19, 1971 (in this subparagraph referred to as the corporation's "base year")

exceeds 3 times the aggregate of

(B) the paid-up capital of the corporation at the end of its taxation year immediately preceding its base year in respect of all of the shares of its capital stock, and

(C) the corporation's undistributed income on hand (within the meaning assigned by this Act as it read in its application to the 1971 taxation year) at the end of its taxation year immediately preceding its base year,", and

(*b*) paragraph (*b*) thereof were read as follows:

"(*b*) the greatest amount that the corporation's outstanding debts to specified non-residents was at any time in the year".'

Clause 23 (page 617)

That clause 23 of the said Bill be amended by striking out lines 15 to 19 on page 617 and substituting the following:

'(ii) in respect of each such partnership the adjusted cost base to the taxpayer of his interest in the partnership immediately after the end of the fiscal period of the partnership ending in the year;'

Clause 26 (pages 619, 621, 622, 623, 624, 625, 626, 627 and 628)

That clause 26 of the said Bill be amended

(*a*) by adding thereto, immediately after subclause (1) on page 619, the following subclause:

'Principal amount of certain obligations

(1.1) For the purposes of subsection 39(3) and section 80 of the amended Act, the principal amount of any debt or other obligation of a taxpayer to pay an amount that was outstanding on January 1, 1972 (in this subsection referred to as an "obligation") shall be deemed to be the lesser of

(*a*) the principal amount, otherwise determined for the purposes of the amended Act, of the obligation, and

(*b*) the fair market value, on valuation day, of the obligation,

and in its application to any obligation, paragraph 39(3)(*a*) of the amended Act shall be read as if the reference therein to "the amount for which the obligation was issued" were read as a reference to "the lesser of the principal amount of the obligation and the amount for which the obligation was issued".'

(*b*) by striking out lines 24 to 27 on page 621 and substituting the following:

'January 1, 1972 shall be deemed to be the amount that was its actual cost or its amortized cost on January 1, 1972, as the case may be, to the original owner; and'

(*c*) by striking out lines 30 to 39 on page 621 and substituting the following:

'(i) there shall be added the amount, if any, by which

(A) the actual cost to the subsequent owner of the property

exceeds

(B) the cost to the original owner of the property, determined under the provisions of this section, and'

(*d*) by striking out lines 1 to 13 on page 622 and substituting the following:

'Idem

(5.1) For the purposes of subsection (5), an amalgamation (within the meaning assigned by section 87 of the amended Act) of two or more Canadian corporations shall be deemed to be a transaction between persons not dealing at arm's length.

Reacquired property

(6) Where a taxpayer has, at any time after June 18, 1971 and before 1972, disposed of any property owned by him on that day and has, within 30 days after that time, reacquired the same property or acquired a substantially identical property, for the purposes of this section

(*a*) he shall be deemed to have owned the property so reacquired or the substantially identical property so acquired, as the case may be, on June 18, 1971 and thereafter without interruption until the time when he so reacquired or acquired it, as the case may be;

(*b*) where the property was property so reacquired, its actual cost or its amortized cost on January 1, 1972, as the case may be, to him shall be determined as if he had not so disposed of and so reacquired it; and

(c) where the property was substantially identical property so acquired, its actual cost or its amortized cost on January 1, 1972, as the case may be, to him shall be deemed to be the amount that was the actual cost or the amortized cost on January 1, 1972, as the case may be, to him of the property so disposed of by him.'

(e) by striking out lines 2 to 5 on page 623 and substituting the following:

'(i) for the purpose of paragraph (3)(a), its amortized cost to him on January 1, 1972 shall be deemed to be that proportion of the aggregate of the amortized costs to him on January 1, 1972 of all obligations'

(f) by striking out lines 1 to 48 on page 624, lines 1 to 45 on page 625 and lines 1 to 39 on page 626 and substituting the following:

'Cost of interest in partnership

(9) For the purpose of computing, at any particular time after 1971, the adjusted cost base to a taxpayer of an interest in a partnership of which he was a member on December 31, 1971 and thereafter without interruption until the particular time, the cost to him of the interest shall be deemed to be the amount that is neither the greatest nor the least of the following three amounts, namely:

(a) its actual cost to him as of the particular time,

(b) the amount determined under subsection (9.1) in respect of the interest as of the particular time, and

(c) the amount, if any, by which the aggregate of the fair market value of the interest at the particular time and all amounts required by subsection 53(2) of the amended Act to be deducted in computing its adjusted cost base to him immediately before the particular time exceeds the aggregate of all amounts required by subsection 53(1) of the amended Act to be added in computing its adjusted cost base to him immediately before the particular time,

except that where two or more of the amounts determined under paragraphs (a) to (c) in respect of the interest are the same amounts, that amount shall be deemed to be its cost to the taxpayer.

Determination of amount for purposes of ss. (9)

(9.1) For the purposes of subsection (9), the amount determined under this subsection in respect of a taxpayer's interest in a partnership as of a particular time is the amount, if any, by which the aggregate of

(a) his share, determined at the commencement of the first fiscal period of the partnership ending after 1971, of the tax equity of the partnership at the particular time,

(b) such part of any contribution of capital made by the taxpayer to the partnership (otherwise than by way of loan) before 1972 and after the commencement of the partnership's first fiscal period ending after 1971, as cannot reasonably be regarded as a gift made to, or for the benefit of, any other member of the partnership who was related to the taxpayer, and

(c) the amount of any consideration that became payable by the taxpayer after 1971 to any other person to acquire, after 1971, any right in respect of the partnership, the sole purpose of the acquisition of which was to increase the taxpayer's interest in the partnership,

exceeds the aggregate of

(d) all amounts received by the taxpayer before 1972 and after the commencement of the partnership's first fiscal period ending after 1971 as, on account or in lieu of payment of, or in satisfaction of a distribution of his share of the partnership profits or partnership capital, and

(e) all amounts each of which is an amount in respect of the disposition by the taxpayer after 1971 and before the particular time of a part of his interest in the partnership, equal to such portion of the adjusted cost base to him of the interest immediately before the disposition as may reasonably be regarded as attributable to the part so disposed of.

Where interest acquired before 1972 and after commencement of 1st fiscal period ending after 1971

(9.2) Where a taxpayer has, before 1972 and after the commencement of the first fiscal period of a partnership ending after 1971, acquired an interest in the partnership from another person, subsection (9.1) is applicable as if, for the purposes of paragraphs (a), (b) and (d) thereof, the taxpayer had had in respect of the interest, throughout the period commencing at the commencement of that fiscal period and ending at the time he acquired the interest, the same position in relation to the partnership as that which he would have had in relation thereto if, throughout that period, he had been the owner of the interest.

Amounts deemed to be required to be deducted in respect of interest in partnership

(9.3) For the purpose of computing, at any particular time after 1971, the adjusted cost base to a taxpayer of an interest in a partnership of which he was a member on December 31, 1971 and thereafter without interruption until the particular time, the lesser of

(a) the amount, if any, by which

(i) all amounts in respect of the interest determined under paragraph (9.1)(d)

exceed

(ii) the aggregate of

(A) his share, determined at the commencement of the first fiscal period of the partnership ending after 1971, of the tax equity of the partnership at the particular time, and

(B) the amount in respect of the interest determined under paragraph (9.1)(*b*), and

(*b*) the amount, if any, by which

(i) the aggregate of amounts in respect of the interest determined as of the particular time under paragraphs (14)(*e*) to (*g*)

exceeds

(ii) the aggregate of amounts in respect of the interest determined as of the particular time under paragraphs (14)(*a*) to (*d*),

shall be deemed to be required by subsection 53(2) of the amended Act to be deducted.

Application of section 53 of amended Act in respect of interest in partnership

(9.4) For the purpose of computing, at any particular time after 1971, the adjusted cost base to a taxpayer of an interest in a partnership of which he was a member on December 31, 1971 and thereafter without interruption until the particular time,

(*a*) clause 53(1)(*e*)(i)(B) of the amended Act shall be read as if the reference therein to "relating to" were read as a reference to "relating to section 14 or to"; and

(*b*) clause 53(2)(*c*)(i)(B) of the amended Act shall be read as follows:

"(B) section 31, subsection 40(2), section 55 and the provisions of the *Income Tax Application Rules, 1971* relating to section 14".'

(*g*) by striking out lines 21 to 26 on page 627 and substituting the following:

'(iii) in any other case, the actual cost to him of the obligation, plus that proportion of the discount, or minus that proportion of the premium, as the case may be, in respect thereof that'

(*h*) by striking out the word "and" at the end of line 17 on page 628, and by striking out line 22 on page 628 and substituting the following:

"Tax equity"

(3) exceeds the principal amount thereof; and

(*g*) "tax equity" of a partnership at any particular time means the amount, if any, by which the aggregate of amounts each of which is

(i) the amount of any money of the partnership on hand at the commencement of its first fiscal period ending after 1971,

(ii) the cost amount to the partnership, at the commencement of that fiscal period, of any partnership property other than capital property or eligible capital property,

(iii) an amount in respect of any property (other than depreciable property) that was, at the commencement of that fiscal period, capital property of the partnership, equal to,

(A) where the property was disposed of before 1972, the proceeds of disposition thereof,

(B) where the property was disposed of after 1971 and before the particular time, the amount determined under this section to be its cost to the partnership for the purposes of computing its adjusted cost base to the partnership immediately before it was disposed of, and

(C) in any other case, the amount determined under this section to be its cost to the partnership for the purposes of computing its adjusted cost base to the partnership immediately before the particular time,

(iv) an amount in respect of any prescribed class of depreciable property of the partnership, equal to the amount, if any, by which the aggregate of the undepreciated capital cost to the partnership of property of that class as of January 1, 1972 exceeds the capital cost to the partnership of property of that class acquired by it after the commencement of that fiscal period and before 1972,

(v) an amount in respect of any property that was, at the commencement of that fiscal period, partnership property that was depreciable property of a prescribed class, equal to,

(A) where the property was disposed of before 1972, the proceeds of disposition thereof minus the amount, if any, by which the lesser of

1. the proceeds of disposition thereof, and

2. the capital cost of the property,

exceeds the undepreciated capital cost of all of the property of that class at the time of the disposition,

(B) where the property was disposed of after 1971 and before the particular time, the amount, if any, by which the lesser of

1. the proceeds of disposition thereof, and

2. the fair market value of the property on valuation day,

exceeds the capital cost to the partnership of the property, and

(C) in any other case, the amount, if any, by which

1. the lesser of the fair market value of the property on valuation day and its fair market value at the particular time

exceeds

2. the capital cost to the partnership of the property, or

(vi) an amount in respect of any business carried on by the partnership in its 1971 fiscal period and thereafter without interruption until the particular time, equal to the percentage of

(A) 2 times the eligible capital amounts (within the meaning assigned by section 14 of the amended Act) in respect of the business (computed without reference to section 21 of this Act) that would have become payable to the partnership if it had disposed of the business at the particular time for an amount equal to its fair market value at that time,

that is equal to

(B) 60% minus the percentage obtained when 5% is multiplied by the number of full calendar years ending after 1971 and before the particular time,

exceeds the aggregate of amounts each of which is the amount of any debt owing by the partnership or of any other obligation of the partnership to pay an amount, that was outstanding at the commencement of the partnership's first fiscal period ending after 1971, minus such part, if any, thereof as would, if the amount had been paid by the partnership in that fiscal period, have been deductible in computing its income for that fiscal period.

Meaning of "actual cost"

(13) For the purposes of this section, the "actual cost" to a person of any property means, except as expressly otherwise provided in this section, its cost to him computed without regard to the provisions of this section.

Idem

(14) For the purposes of this section, the "actual cost" to a taxpayer, as of any particular time after 1971, of an interest in a partnership of which the taxpayer was a member on December 31, 1971 and thereafter without interruption until the particular time means the amount, if any, by which the aggregate of

(*a*) the cost to him of the interest, computed as of the particular time without regard to the provisions of this section,

(*b*) all amounts each of which is an amount in respect of a fiscal period of the partnership that ended before 1972, equal to the aggregate of

(i) the amount that the taxpayer's income from the partnership for the taxation year of the taxpayer in which the period ended would have been, if the former Act had been read without reference to subsection 83(5) thereof, and

(ii) the taxpayer's share, determined at the end of the period, of all profits made from dispositions in the period of capital assets that were partnership property of the partnership, to the extent that such profits were not included in computing the income or loss, as the case may be, from the partnership, of any member thereof,

(*c*) where the taxpayer had, before 1972, made a contribution of capital to the partnership otherwise than by way of loan, such part of the contribution as cannot reasonably be regarded as a gift made to, or for the benefit of, any other member of the partnership who was related to the taxpayer, and

(*d*) where, by means of the partnership, the taxpayer carried on before 1972 a business that was a profession, the amount that his 1971 receivables (within the meaning assigned by subsection 23(5)) in respect of the business would have been if, before 1972, he had carried on no businesses except by means of the partnership,

exceeds the aggregate of

(*e*) all amounts each of which is an amount in respect of the disposition by the taxpayer before the particular time of a part of his interest in the partnership, equal to such portion of,

(i) where the disposition was made before 1972, the actual cost to him of the interest, and

(ii) in any other case, the adjusted cost base to him of the interest immediately before the disposition,

as may reasonably be regarded as attributable to the parts so disposed of,

(*f*) all amounts each of which is an amount in respect of a fiscal period of the

partnership that ended before 1972, equal to the aggregate of

(i) the amount that the taxpayer's loss from the partnership for the taxation year of the taxpayer in which the period ended would have been, if the former Act had been read without reference to subsection 83(5) thereof,

(ii) the taxpayers' share, determined at the end of the period, of all losses sustained from dispositions in the period of capital assets that were partnership property of the partnership, to the extent that such losses were not included in computing the loss or income, as the case may be, from the partnership, of any member thereof, and

(iii) the taxpayer's share, determined at the end of the period, of such of the drilling and exploration expenses, including all general geological and geophysical expenses incurred by the partnership while he was a member thereof, on or in respect of exploring or drilling for petroleum or natural gas in Canada as were incurred in the period and after 1948, to the extent that such expenses were not deducted in computing his income from the partnership for his 1971 or any previous taxation year, and

(*g*) all amounts received by the taxpayer before 1972 as, on account or in lieu of payment of, or in satisfaction of, a distribution of his share of the partnership profits or partnership capital.

Clause 29 (page 650)

That the French version of clause 29 of the said Bill be amended by striking out line 24 on page 650 and substituting the following:

'par le présent article ou l'article 66 de la loi modifiée,

Clause 32 (page 653)

That clause 32 of the said Bill be amended

(*a*) by striking out line 11 on page 653 and substituting the following:

'Application of ss. 69(1) of amended Act

32. (1) Paragraph 69(1)(*a*) of the amended

(*b*) by adding, immediately after line 20 on page 653, the following subclauses:

'Idem

(2) Paragraph 69(1)(*b*) of the amended Act does not apply to deem a taxpayer by whom anything has been disposed of at any time before the 1972 taxation year to have received proceeds of disposition therefor equal to its fair market value at that time.

Idem

(3) For greater certainty, paragraph 69(1)(*c*) of the amended Act is applicable to property acquired by a taxpayer either before or after the end of 1971.'

Clause 33 (page 654)

That clause 33 of the said Bill be amended by striking out lines 21 to 24 on page 654 and substituting the following:

'of the former Act, a new corporation) was incorporated in 1971 and its 1972 taxation year was its first taxation year, for the purposes of computing its paid-up'

Clause 34 (pages 657 and 658)

That clause 34 of the said Bill be amended

(*a*) by striking out line 42 on page 657 and substituting the following:

'its income under Part I of the amended Act for a taxation year,'

(*b*) by striking out lines 28 to 31 on page 658 and substituting the following:

'Tax payable

(5) Where there has been an amalgamation of two or more corporations before 1972 and the first taxation year of the new corporation is its 1972 taxation year, if any amount is required by paragraph 85I(2)(*k*) of the former Act to be added to the'

Clause 35 (page 659)

That clause 35 of the said Bill be amended by striking out lines 30 to 37 on page 659 and substituting the following:

'Idem

(3) Section 91 of the amended Act shall be read as if

(*a*) the reference in paragraph (1)(*a*) thereof to "for each taxation year of the affiliate ending in the taxation year of the taxpayer" were read as a reference to "for each taxation year of the affiliate commencing after 1972 and ending in the taxation year of the taxpayer", and

(*b*) paragraph 1(*b*) thereof were not applicable in respect of any amount received by a foreign affiliate of a taxpayer during any taxation year of the taxpayer commencing before 1973.'

Clause 49 (page 679)

That clause 49 of the said Bill be amended by adding thereto, immediately after subclause (2) on page 679, the following subclause:

Income Tax Act

'Computation of tax deemed payable under amended Act

(3) In computing, under any provision of sections 39 to 48, any tax that is payable in addition to or in lieu of any amount of tax payable under Part I of the amended Act by an individual for a taxation year,

(*a*) a reference to section 120 of the amended Act does not include a reference to paragraph 33(1)(*a*) of the former Act, and

(*b*) for the purposes of paragraph 33(1)(*a*) of the former Act and subsection 120(1) of the amended Act, all of the income of the individual for that or any previous taxation year shall be deemed to have been income earned in the year in a province.'

Clause 50 (page 679 and 680)

That clause 50 of the said Bill be amended

(*a*) by striking out line 40 on page 679 and substituting the following:

'Status of certain corporations

50. (1) For the purposes of the amended Act, a'

(*b*) by adding, immediately after line 5 on page 680, the following subclauses:

'Election to be public corporation

(2) For the purposes of paragraph 89(1)(*g*) of the amended Act, where at any particular time before August, 1972 a corporation has elected in the manner referred to in clause (ii)(A) thereof to be a public corporation, and at the time of the election the corporation complied with the conditions referred to in that clause, the corporation shall,

(*a*) at such time after 1971 and before the particular time as is specified in the election to be the effective date thereof, or

(*b*) where no time described in paragraph (*a*)is specified in the election to be the effective date thereof, at the particular time,

be deemed to have elected in the manner referred to in that clause to be a public corporation and to have complied with the conditions referred to therein.

Designation by Minister

(3) For the purposes of paragraph 89(1)(*g*) of the amended Act, where at any particular time before the 90th day after the day this Act is assented to the Minister has, by notice in writing to a corporation, designated the corporation to be a public corporation or not to be a public corporation, as the case may be, and at the time of the designation the corporation complied with the conditions referred to in clause (ii)(A) thereof or (iii)(A) thereof, as the case may be, the corporation shall, at such time as is specified by the Minister in the notice, be deemed

(*a*) to have been designated by the Minister, by notice in writing to the corporation, to be a public corporation or not to be a public corporation, as the case may be, and

(*b*) to have complied with the conditions referred to in clause (ii)(A) thereof or (iii)(A) thereof, as the case may be.'

Clause 51 (pages 680 and 681)

That clause 51 of the said Bill be amended

(*a*) by striking out lines 14 and 15 on page 680 and substituting the following:

'(*a*) determine the tax under Part I of the amended Act that, but for this subsection, would be payable by it'

(*b*) by striking out lines 27 to 35 on page 680 and substituting the following:

'(*b*) determine the tax under Part I of the amended Act that, but for this subsection, would be payable by it for its 1972 taxation year on the assumption that

(i) its amount taxable for the year were an amount equal to the amount, if any, by which its amount taxable for the year, determined without regard to the provisions of this subsection, exceeds its net capital gains for the year, and'

(*c*) by striking out lines 6 and 7 on page 681 and substituting the following:

'(*d*) determine the aggregate of the taxes that, but for this subsection, would be payable by the corporation'

New Clause 57.1 (page 689)

That the said Bill be amended by adding, immediately after clause 57 on page 689, the following clause:

'Cooperative corporations

57.1 (1) Notwithstanding any other provision of this Act, the tax under Part I of the amended Act payable by a cooperative corporation (within the meaning assigned by section 136 of the amended Act) for a taxation year ending after 1971 and before 1981 is the aggregate of

(*a*) the tax under that Part that, but for this subsection, would be payable by the corporation for the year if

(i) subsection 75(3) and paragraph 75(4)(*b*) of the former Act were applicable and subsection 135(3) and paragraph 135(4)(*f*) of the amended Act were not applicable, and

(ii) the references in subsection 75(3) and paragraph 75(4)(*b*) of the former Act to section 27 of that Act and to paragraph 62(1)(*k*) of that Act were references to section 111 and to paragraph 137(6)(*b*) respectively, of the amended Act, and

(*b*) an amount in respect of the taxation year equal to

(i) where the year is the corporation's 1972 taxation year, 1/10

(ii) where the year is the corporation's 1973 taxation year, 2/10

(iii) where the year is the corporation's 1974 taxation year, 3/10

(iv) where the year is the corporation's 1975 taxation year, 4/10

(v) where the year is the corporation's 1976 taxation year, 5/10

(vi) where the year is the corporation's 1977 taxation year, 6/10

(vii) where the year is the corporation's 1978 taxation year, 7/10

(viii) where the year is the corporation's 1979 taxation year, 8/10

(ix) where the year is the corporation's 1980 taxation year, 9/10

of the amount, if any, by which the tax under Part I of the amended Act that, but for this subsection, would be payable by the corporation for the year exceeds the amount determined under paragraph (*a*) in respect of the corporation for the year.

Ss. 51(1) not applicable

(2) Subsection 51(1) does not apply for the purpose of computing the tax payable by a cooperative corporation (within the meaning assigned by section 136 of the amended Act) for its 1972 taxation year.'

Clause 58 (pages 690, 691, 692 and 693)

That clause 58 of the said Bill be amended

(*a*) by striking out lines 20 and 21 on page 690 and substituting the following:

'the product obtained when the number of full taxation years in the period'

(*b*) by striking out lines 35 and 36 on page 690 and substituting the following:

'of such improvement or addition, as the case may be, exceeded $10,000),'

(*c*) by striking out lines 30 to 49 on page 691 and lines 1 to 27 on page 692 and substituting the following:

'Deemed deductions

(2) For the purposes of paragraph 137(1)(*c*) of the amended Act, a credit union shall be deemed to have deducted, in computing its income for its 1971 taxation year

(*a*) under paragraph 137(1)(*a*) thereof, the maximum amount determined in prescribed manner that would have been claimable by the credit union under that paragraph as a reserve in respect of property described therein in computing its income for its 1971 taxation year if section 137 of the amended Act had been applicable to that year, and

(*b*) under paragraph 137 (1)(*b*) thereof, the maximum amount determined in prescribed manner that would have been claimable by the credit union under that paragraph as a reserve in respect of debts described therein in computing its income for its 1971 taxation year if section 137 of the amended Act had been applicable to that year,

except that where the amount of the credit union's 1971 reserve is less than the aggregate of the amounts described in paragraph (*a*) and (*b*), it shall be deemed to have deducted in computing its income for its 1971 taxation year,

(*c*) under paragraph 137(1)(*a*) of the amended Act, such portion of its 1971 reserve as it may claim, not exceeding the amount described in paragraph (*a*), and

(*d*) under paragraph 137(1)(*b*) of the amended Act, such portion of the amount, if any, by which its 1971 reserve exceeds the amount determined under paragraph (*c*), as does not exceed the amount described in paragraph (*b*).

Tax for 1972 to 1980 taxation years

(3) Notwithstanding any other provision of this Act except subsection (3.1), the tax under Part I of the amended Act payable by a credit union (within the meaning assigned by section 137 of the amended Act) for a taxation year ending after 1971 and before 1981 is the aggregate of

(*a*) the tax under that Part that, but for this subsection and subsection (3.1), would be payable by a credit union for the year if section 137 of the amended Act were read without reference to subsections (3) and (4) thereof, and

(*b*) an amount in respect of the taxation year equal to

(i) where the year is the credit union's 1972 taxation year, 1/10

(ii) where the year is the credit union's 1973 taxation year, 2/10

(iii) where the year is the credit union's 1974 taxation year, 3/10

(iv) where the year is the credit union's 1975 taxation year, 4/10

(v) where the year is the credit union's 1976 taxation year, 5/10

(vi) where the year is the credit union's 1977 taxation year, 6/10

Income Tax Act

(vii) where the year is the credit union's 1978 taxation year, 7/10

(viii) where the year is the credit union's 1979 taxation year, 8/10

(ix) where the year is the credit union's 1980 taxation year, 9/10

of the amount, if any, by which the tax under Part I of the amended Act that, but for this subsection and subsection (3.1), would be payable by the credit union for the year exceeds the amount determined under paragraph (*a*) in respect of the credit union for the year.

Special rule applicable to 1972 taxation year

(3.1) Where a credit union has a taxation year part of which is before and part of which is after the commencement of 1972, the tax under Part I of the amended Act payable by it for that taxation year is that proportion of the amount thereof computed under subsection (3) that the number of days in that portion of the taxation year that is in 1972 is of the number of days in the whole taxation year.'

(*d*) by adding, immediately after subclause (4) on page 692, the following subclause:

'Amount of non-capital loss

(4.1) The amount, if any, by which

(*a*) the aggregate of amounts each of which is the amount, as of the commencement of the credit union's 1972 taxation year, of any share in the credit union of any member thereof,

exceeds

(*b*) the amount that would be the credit union's 1971 reserve if paragraph (5)(*c*) were read with reference to subparagraph (vi) thereof

shall, for the purposes of section 111 of the amended Act, be deemed to have been the credit union's non-capital loss for its 1971 taxation year, and, for greater certainty, section 37 does not apply for the purpose of computing a credit union's taxable income for any taxation year.'

(*e*) by striking out lines 13 to 23 on page 693 and substituting the following:

'"1971 reserve"

(*c*) "1971 reserve" of a credit union means the amount, if any, by which the aggregate of amounts each of which is

(i) the amount of any money of the credit union on hand at the commencement of its 1972 taxation year,

(ii) an amount in respect of any property described in paragraph (1)(*a*) or (*b*), equal to the amount at which it is required by those paragraphs to be valued at the commencement of its 1972 taxation year,

(iii) an amount in respect of depreciable property of a prescribed class owned by the credit union on the first day of its 1972 taxation year, equal to the amount determined under paragraph (1)(*d*) to be the undepreciated capital cost thereof to the credit union as of that day, or

(iv) an amount in respect of any capital property (other than depreciable property) owned by the credit union at the commencement of its 1972 taxation year, equal to its cost to the credit union computed without reference to the provisions of section 26,

exceeds the aggregate of amounts each of which is

(v) the amount of any debt owing by the credit union or of any other obligation of the credit union to pay an amount, that was outstanding at the commencement of its 1972 taxation year, excluding, for greater certainty, any share in the credit union of any member thereof, or

(vi) the amount, as of the commencement of the credit union's 1972 taxation year, of any share in the credit union of any member thereof.'

Clause 59 (Pages 693 and 694)

That clause 59 of the said Bill be amended by striking out lines 24 to 47 on page 693 and lines 1 to 9 on page 694 and substituting the following:

'Non-resident owned investment corporation

59. (1) In its application to the 1972 to 1975 taxation years of a corporation, section 133 of the amended Act shall be read as if

(*a*) subsection (3) thereof were read as follows:

"(3) The tax payable under this Part by a corporation for a taxation year when it was a non-resident-owned investment corporation is the aggregate of

(*a*) 25% of the lesser of

(i) the corporation's taxable income for the year, and

(ii) the amount determined under subparagraph (9)(*b*)(iii) in respect of the corporation for the year, and

(*b*) 15% of the amount, if any, by which the amount determined under subparagraph (*a*)(i) exceeds the amount determined under subparagraph (*a*)(ii).", and

(*b*) the references in subsection (9) thereof to "1/3", and "4/3" were read as references to "15/85" and "100/85" respectively.

Idem

(2) In its application to the 1972 and subsequent taxation years of a corporation, section 133 of the amended Act shall be read as if, in respect of such portion of any period described in paragraph 133(8)(*d*) as ended before the

commencement of the corporation's 1976 taxation year, subparagraph 133(8)(d)(i) were read as follows:

"(i) at least 95% of the aggregate value of its issued shares, and all of its bonds, debentures and other funded indebtedness, were

(A) beneficially owned by non-resident persons (other than any foreign affiliate of a taxpayer resident in Canada),

(B) owned by trustees for the benefit of non-resident persons or their unborn issue, or

(C) owned by a corporation, whether incorporated in Canada or elsewhere, at least 95% of the aggregate value of the issued shares of which and all of the bonds, debentures and other funded indebtedness of which were beneficially owned by non-resident persons or owned by trustees for the benefit of non-resident persons or their unborn issue, or by two or more such corporations;".'

Clause 62 (page 696)

That clause 62 of the said Bill be amended by striking out lines 1 and 2 on page 696 and substituting the following:

Assessments

62. (1) Subsections 152(4) and (5) of the amended Act are applicable in respect of any assessment made after the coming into force of this Act, except that subsection 152(5) thereof is not applicable in respect of any such assessment made in consequence of a waiver filed with the Minister before the coming into force of this Act in the form and within the time referred to in subsection 152(4) thereof.

Interest

(2) Subsections 161(1) and (2), 164(3) and (4), 183(2), 195(1), 202(5) and 227(8) and (9) of the amended Act, in so far as those subsections relate to the rate of interest payable thereunder, are applicable in respect of interest payable in respect of any period after the coming into force of this Act.

Penalties

(3) Subsection 163(1) of the amended Act is applicable in respect of any return of income required to be filed after 1971 and subsection 163(3) thereof is applicable in respect of any appeal instituted after the coming into force of this Act.

Appeals

(4) Subsection 165(3) of the amended Act is applicable in respect of any notice of objection served on the Minister after the coming into force of this Act.

Idem

(5) Division J of Part I of the amended Act is applicable in respect of any appeal or application instituted or made, as the case may be, after the coming into force of this Act.

Appeals to Federal Court

(6) Any appeal to the Federal Court instituted within 2 years after the coming into force'

New Clause 64.1 (page 697)

That the said Bill be amended by adding, immediately after clause 64 on page 697, the following clause:

'Life insurance corporation's control period earnings

64.1 Notwithstanding anything contained in subsection 192(10.1) of the amended Act, the amount of a life insurance corporation's earnings for a control period that was available for payment of dividends at a particular time is the aggregate of the amount thereof determined under that subsection and all income or profits taxes paid or payable by the corporation, for taxation years ending after 1968 and before 1971 that are in the control period, to a government of a country other than Canada or to a state, province or other political subdivision of a country other than Canada.'

Clause 65 (pages 698 and 699)

That clause 65 of the said Bill be amended

(*a*) by adding, immediately after subclause (1) on page 698, the following subclause:

'Idem

(1.1) Where, at any particular time after October 13, 1971 and before 1972, a taxpayer to whom Part XI of the amended Act applies has acquired a foreign property that was a share of the capital stock of a corporation that would be an investment corporation if subparagraph 130(3)(*a*)(i) of the amended Act were read without reference to the words "that was a public corporation", for the purposes of subsection (1) the share so acquired shall be deemed to be a share described in paragraph (1)(*a*).'

(*b*) by adding, immediately after subclause (2) on page 699, the following subclauses:

'Foreign property acquired by registered retirement savings plan

(3) Where, at any particular time after 1971 and before 1974, a trust governed by a registered retirement savings plan has acquired a foreign property described in paragraph (1)(*a*) or (*b*) or a foreign property that would be described in paragraph (1)(*c*) if the references therein to the "1971 taxation year" of the trust were read as references to the "1972 and 1973 taxation years" of the trust, the property shall, to the extent that the cost to the trust thereof does not exceed the amount, if any, by which the trust's foreign reinvestment limit exceeds

Income Tax Act

the aggregate of the cost to it of all such foreign properties so acquired by it after 1971 and before the particular time, be deemed

(*a*) for the purposes of Part XI of the amended Act, to have been acquired before June 19, 1971 and not to have been acquired after June 18, 1971, and

(*b*) notwithstanding paragraph 146(1)(*g*) of the amended Act, to have been a qualified investment for the purposes of section 146 of that Act.

"Foreign reinvestment limit" defined

(4) In subsection (3), "foreign reinvestment limit" of a trust governed by a registered retirement savings plan means such portion of the aggregate of

(*a*) the trust's income from property for its 1972 and 1973 taxation years, and

(*b*) all amounts each of which is such portion of any premium paid in 1972 or 1973 by the annuitant under the plan as was deductible under subsection 146(5) of the amended Act in computing the annuitant's income for the 1972 or 1973 taxation years,

as was, under the terms and conditions of the plan as fixed on or before June 18, 1971, required to be invested by the trust in foreign property described in paragraph (1)(*a*) or (*b*) or foreign property that would be described in paragraph (1)(*c*) if the references therein to the "1971 taxation year" of the trust were read as references to the "1971 and 1972 taxation years" of the trust.'

New clause 65.1 (page 699)

That the said Bill be amended by adding, immediately after clause 65, on page 699, the following clause:

'Part XV of amended Act

65.1 For greater certainty,

(*a*) section 9 is not applicable in respect of the repeal, by section 1, of Part V of the former Act and the substitution therefor, by that section, of Part XV of the amended Act, and

(*b*) in its application in respect of any offence described in subsection 239(1) of the amended Act that was committed before the coming into force of this Act, paragraph 239(1)(*f*) of the amended Act shall be read as follows:

"(*f*) a fine of not less than $25 and not exceeding $10,000 plus, in an appropriate case, an amount not exceeding double the amount of the tax that should have been shown to be payable or that was sought to be evaded, or".'

Mr. Knowles (Winnipeg North Centre): On a point of order, Mr. Chairman, was it not also agreed that at this point the Acting House Leader, or someone, would put on the record the agreement that we reached regarding the groups of sections that we will ask the committee to consider after we have finished this group known as 4 to 8?

Mr. Mahoney: Mr. Chairman, again it is my understanding that the House leaders agreed this morning that the following three groupings would be considered in sequence immediately following the disposition of the sections now before the Committee. The first grouping will be sections 56, 57, 58, 60, 61, 62 and 63. The second grouping will be sections 117, 118, 119, 120, 146, 147 and 204. The third grouping will be sections 9 to 13 inclusive, 15, 18, 20, 28 and 29.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, may I just confirm that these are the numbers of the sections we agreed to group for consideration, and it was also understood that in each case we will be doing what we have been doing thus far. Your Honour will call the first one in each group and the discussion will be permitted to range over all the others in that group.

The Deputy Chairman: Is it agreed by the committee that we will follow the same procedure we have previously followed, calling the first section in each of the three categories but allowing discussion on all the other ones mentioned in the groupings outlined by the parliamentary secretary?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): Yes, Mr. Chairman, and may I point out that this is a preliminary grouping. I believe there may be some ancillary ones that may come in subsequently with regard to personal income. However, this is the grouping that has been made now. It is being put on the record so there may be some coherence in the discussion and to take pity on the parliamentary secretary, the minister and his officials, so they will not have to check back and forth too far in replying to questions. When discussion is finished on a grouping, the question can then be put with regard to the various sections.

The Deputy Chairman: Shall section 4 carry?

On clause 1—Section 4: *Income or loss from a source or from sources in a place.*

Mr. Orlikow: Mr. Chairman, yesterday afternoon and last night, we were discussing the question of the $150 exemption which is being permitted to all people for expenses incurred in connection with their work. Members of this party, and some members of the Official Opposition, tired to make the parliamentary secretary understand our concern about what we consider to be the inequities. We tried to point out to the parliamentary secretary that $150 may be too much for some people, but may be much too little for many people.

A number of our members, and also I think the hon. member for Lambton-Kent, pointed out that there are many workers who, because of the housing situation and because of the way in which industries may close factories in one city and open them in another city 25, 50 or 75 miles away, have to travel that distance to and from work. It is not a question of choice for them. Short of disrupting their home life by moving their homes, they have to travel considerable distances to and from work, and this costs them substantially more than $150 a year.

We compared this unfavourably with the treatment given to professional people such as doctors and lawyers. The parliamentary secretary tried to answer our argument on a number of occasions. I do not often quote from *Hansard*, Mr. Chairman, but here is just one of his statements which summarizes what he tried to tell us. I quote from page 9142 of yesterday's *Hansard* where the parliamentary secretary was reported as saying:

> If hon. members opposite wish to continue to perpetuate the fiction that somehow or other wage and salary earners are discriminated against in that they cannot deduct the cost of travelling to a mill or factory, while professional people are favoured in that they can deduct the cost of going from their homes to their offices, there is nothing I can do to stop them. But it simply is not true.

We never said that we wanted people to be able to deduct their expenses for travelling just for the sake of travelling. We were talking about travel which is necessary if a working man is to do his job. I would like the parliamentary secretary to come to Winnipeg, get up early one morning with me, and drive out to St. Boniface where there are three major packing plants. The first shift starts at seven o'clock in the morning. If a worker is to be at his bench at seven o'clock in the morning, he has got to be in the plant by 6.30 in the morning in order to change clothes and get ready.

This is just one of thousands of examples that I can give. I would like the parliamentary secretary to explain to me how that worker can get to work without using his car. Of course, the parliamentary secretary said somewhat facetiously yesterday that the worker could not charge expenses for the car since it would be sitting out in front of the plant for the rest of the day. Of course, the car sits outside the plant for the rest of the day while the worker is at work. We have tried to make the point again and again that the worker has a problem getting to his job if he does not use his car. His expenses are there.

• (12 noon)

I have already put on the record one of the parliamentary secretary's statements to the effect that we are wrong when we say doctors and lawyers can charge car expenses for travelling from home to the office. The parliamentary secretary may be technically correct, but only technically. Doctors are permitted to charge the expenses of their car if they are making calls or going to the hospital. I submit there is no difference between the doctor and the worker who has to drive a considerable distance to work.

I am not an expert in this field so last night I consulted with one of my friends who is an accountant, not with the Department of Finance, but a working accountant who helps doctors, lawyers and others like myself make up their income tax returns. I would like the parliamentary secretary to listen to what my friend told me because I would like an answer. He said that the parliamentary secretary is right, that in recent years the government has become much tougher with regard to doctors and lawyers. Not too many years ago a doctor in any city, Winnipeg, Ottawa or Toronto say, could charge 80 per cent of the expense of his car when calculating his income tax. My friend says that at the present time in Winnipeg, and the same is true of any city in Canada though maybe they are a little easier on rural doctors if there are any left, doctors are permitted to charge 25 per cent of the cost of operating a car.

What does that mean, Mr. Chairman? The cost of operating the car for which they permit the doctor to charge 25 per cent includes gas, oil and automobile insurance. I estimate all this to be in the neighbourhood of $600 or $700 a year. The doctor is also allowed to charge depreciation. My friend the accountant was perhaps a little conservative when he said a doctor may drive a car which costs around $5,000. Most of the doctors I know drive big Buicks and Cadillacs, but let's take that $5,000. In any year the 25 per cent depreciation comes to about $1,250; add the $600 or $700 for gas, oil, maintenance and auto insurance and the doctor is being permitted a deduction of $2,000 a year for his car when calculating his income tax.

I have not got the figures for the average income of doctors in front of me, but as I remember the figures published each year by the Department of National Revenue it is somewhere in the neighbourhood of $30,000. Many make much more than that, and I estimate that most doctors are in the 40 per cent income tax bracket. By permitting a doctor to charge $2,000 for car expenses he is being given an allowance in the calculation of his income tax not of $150 but more in the neighbourhood of $800. Now, Mr. Chairman, nobody has ever questioned the right of the doctor who wears a white coat or jacket in his office to charge off the cost of buying that, or of laundering it. Yesterday my friend the hon. member for Timiskaming mentioned the cost of the doctor's scalpel. I am sure doctors use much more sophisticated instruments than scalpels today, Mr. Chairman. That expense is quite legitimate and I am not questioning it. I would not want any member of this House to think that I am questioning the right of the doctor to deduct legitimate expenses when calculating his income tax. What I am saying to the parliamentary secretary, what I said yesterday and what I think the figures I put on the record today demonstrate very clearly, is that in permitting the $150 deduction for everybody for expenses connected with work without the requirement of filing receipts and statements, we do not have any more equity than we have had in the last 25 years or more.

The government is continuing its policy of giving to those who have and taking from those who have not. As far as I am concerned, Mr. Chairman, that is not good enough.

Mr. Saltsman: Mr. Chairman—

Mr. Peters: How about letting the parliamentary secretary answer?

Mr. Mahoney: They are the same questions as were asked yesterday.

Mr. Saltsman: The parliamentary secretary did answer last night, and I regret to say that his answers were very unsatisfactory. It seems to me that he is making some assumptions about the nature of work and the expenses that people incur which do not jibe with the facts of life. Perhaps the people he knows are different from the people I know. I should like to refer to his remarks as recorded at page 9140 of *Hansard*:

> The government makes no attempt to dictate to people where they should live in relation to their place of work.

That is quite true, but as you read the parliamentary secretary's remarks you become aware he assumed that people are quite free to live where they please or to work where they please and therefore if they have to drive to work it is their own fault. It is a very Calvinist kind of attitude to the situation and does not relate to what is happening. Most of the people I know would like to live reasonably close to their place of work. They would also like to have public transportation but the fact is that they cannot have either.

Offices and plants shift, and this government makes no provision for that or for plants shutting down or consolidating. They just say that is the way our society works. But a man cannot shift around that quickly. If he has a house which costs a considerable amount of money it might cost him from $1,000 to $1,800 to sell that house. Perhaps he does not know how long he will be in the next job, so he is caught in the situation where he follows the plant around. It may shift from Galt to Hespeler and from Hespeler to Guelph and often it shifts from one province to another. Today workmen are very specialized which means that they have to secure work in another shop sometimes if their particular shop contracts out part of its operations. The worker does not really have the kind of freedom to choose where he is going to work or where he is going to live that the parliamentary secretary infers. This creates problems because under these circumstances the car becomes an instrument of work just as much as the hard hat or safety shoes.

I am not happy to see this kind of thing take place. I am very much in favour of public transport and I would not want to see any further encouragement of private transport because of all the problems it creates, but nevertheless this anomaly exists in the government. They display one attitude towards the self-employed and professionals and another towards the ordinary workman. I know the government does not take into account the cost of going to and from work, no matter whether professionals or working people are involved. So far, our income tax regulations have not recognized such costs. Those who observe the scene in this country know that it is almost impossible to say whether a car is being used for professional reasons or for going to work. I realize that the government faces difficulties in this regard, as do those who administer our income tax regulations. Nevertheless, let us admit that fringe benefits so far as automobile use is concerned accrue to some people and do not accrue to others. Let us find a realistic solution to this problem. Let us say, "That is the way the system works for some. In all equity we must give all elements of our population these advantages, regardless of the type of work involved". Let us do that instead of moralizing and saying that it is a workman's fault if he does not live near his job.

• (12:10 p.m.)

Few workmen can choose where they may live in relation to their place of work, particularly in these days of high unemployment. A workman cannot guarantee that he will be working tomorrow; he does not even know where he will be working. He takes a job when it comes up and then looks for ways and means of getting there. It is often difficult for a man to travel to his work. I know of many families that spend 20 per cent of their total budgets on necessary transportation so that the breadwinner can hold down a job. He must spend that much because, without transportation, he cannot hold down the job. Surely, considering all the wisdom that is supposed to reside on the government side of the House which has at its disposal the great brains of the civil service, it ought to be possible to bring in some measure of equity in this regard in order that all persons in our society may be fairly treated under our taxation system.

The grievance I have mentioned will not vanish after passage of this clause. This is a long standing grievance and has been a constant source of irritation to people who must work for a living in the factory or mill, to use the words of the parliamentary secretary. The grievance will continue until some decent arrangement is made with regard to the deduction from taxable income of transportation costs involved in going to work. I am glad to see the parliamentary secretary taking notes. He appears to be listening. The other day he said that he was pleased workmen need no longer live close to the smelly factories in which they must work. What kind of suggestion was he making? Does he think that by moving to the suburbs our people can escape from smog and gasoline fumes? Does he not know that you cannot run away from the effects of air pollution simply by moving away from the factory? His attitude is typical of the sort of Liberal moralizing we have heard in the past. Instead of asking people to move away from the factory, why does the government not remedy the pollution at its source? The effects of pollution are not confined to any geographic area.

Mr. Mahoney: What has the Clean Air Act to do with income tax?

Mr. Saltsman: Why not stop factories polluting? After all, there is some relationship between where a person lives and where he works, and I do not think the answer lies in asking people to travel vast distances between where they live and work. In some ways the worker's condition when he lived beside the mill was an unhappy one; yet, in others, it was good. If the mill is polluting the environment, stop the pollution. Do not ask people to

move away from the mill. If they move away they will encounter transportation problems. We ought to deal with the problem of pollution at its source. Mr. Chairman, that concludes my remarks at this time. I was prompted to make them by what I thought was a somewhat insensitive response by the parliamentary secretary to matters we had raised. I admit I was most surprised to hear what he said.

Mr. Skoberg: Mr. Chairman, I thought that the parliamentary secretary would answer some of the questions and concerns which have been raised by my two colleagues who have spoken. I have noted the parliamentary secretary's answer with regard to subparagraph (e) on page 17 of the bill, which has to do with, "telegrapher or station agent's expenses". It appears that the parliamentary secretary is still not familiar with that which I tried to draw to his attention yesterday. I know that railway terminology is not easy to understand and the parliamentary secretary, coming from Calgary, probably has not talked with many railroaders to any extent. He may not be aware of the concerns which have been raised with respect to this subparagraph. May I read in part what the parliamentary secretary said yesterday about the point I was trying to bring to his attention. He said, as recorded at page 9137 of *Hansard*:

I should point out that under section 62 the transfer costs of the employee moving from one location to another are covered when he actually moves his home to the site of his new employment.

I was not talking about employees moving to new employment. I was talking about a situation over which they have no control. Sometimes the company instructs the employee to go to a particular location and to assume certain duties, which might be of a non-operating or operating nature. The employee must go to that location as directed and fulfil the directive of the company. This is not a case of the employee moving to that location and to that employment of his own free will, so to speak. I do not think the parliamentary secretary quite realizes the significance of what I was trying to bring to his attention. I think he missed the point.

May I quote, in part, another answer of the parliamentary secretary, as recorded at page 9137 of *Hansard*:

I must say I question very much the thesis that a particular group of taxpayers who because of collective bargaining arrangements have a certain problem, should have preference over other taxpayers.

I suggest to the parliamentary secretary that a provision of the law at present covers telegrapher's and station agent's expenses in this regard, as is proper. These people, however, are in exactly the same position as other groups of employees who, as I am trying to emphasize, are not being treated fairly. Would the parliamentary secretary explain why their expenses could not be allowed as deductions? The parliamentary secretary went on to say:

I do not think the fact that this problem may be enshrined in a collective agreement is a good reason for the government to make an exception in the income tax provisions.

The collective agreement has nothing to do with the type of arrangement to which I refer. You cannot e..pect a company to hire a new set of employees every time that company needs employees with certain skills and expertise at a different location.

Mr. Mahoney: I wonder if the hon. member would clarify something for me. I may have misunderstood him last evening. It was my impression from the hon. member's remarks that the necessity for a particular railway employee to drive, for example, from Moose Jaw to Regina arose from the seniority rights that he had. It was also my impression that those rights flow from the collective agreement.

Mr. Skoberg: The first part of the parliamentary secretary's statement is correct. He was mistaken, however, with regard to our system of seniority rights which do not involve questions of ability or the lack of it. If the question of ability were part of the picture, management personnel could place their sons and daughters in certain jobs. What I raised was a separate issue. I used the example of an employee driving between Moose Jaw and Regina merely to show that some employees do not have job opportunities at their respective places of residence. They must then move elsewhere to try to obtain employment. This does not have anything to do with the collective agreement. In that particular case, they have to go wherever the job is. It is not a case of saying they will stay at this point and work. There is no work, so they have to move. This is where the seniority provision comes in under the collective agreement.

• (12:20 p.m.)

In this case, the situation is exactly the same as the one which is already covered by this section in two areas, telegraphers' and agents' expenses. These people live at a terminal, whether they be non-ops, maintenance, crane operators, bridge builders, engineers, firemen, trainmen or brakemen. These people have to go outside on an assignment for the company. They are not exercising seniority but are acting upon the instructions of the railway company. The words contained in paragraph (e) should include other railway employees who are affected in the same way as those referred to in that paragraph. I agree there could be a point of discussion when a man exercises seniority to move to another point.

I appreciate the fact that the parliamentary secretary pointed out the provisions of section 62. I am sure many are pleased to see this wording put into the bill. This is a new section. If we do not allow those people to whom I am referring the same concession as that contained in the bill, we will have two sets of rulings for the same type of people working for the same company. This has been a bone of contention for a long time. I cannot understand how we can have two sets of rules and regulations for the same area of concern.

We should look at the various areas across the country. The hon. member for London East is fully aware of this problem to which I am referring. There are railway people in his constituency. He is a railway man, just as I am. He knows the concern of these people who, through no fault of their own, are forced away from home on an assignment for the railway company. These are the people whose problems I am trying to emphasize to the parliamentary secretary. They should receive equal treatment under paragraph (e). The hon. member for Bourassa, the hon. member for Labelle and the hon. member for Lachine must have received the same type of approach. We are all familiar with it.

If it were possible to acquire new employees at a certain location to fill the job requirements of management, possibly there would be room for argument. In each and every case I am referring to, these people have long-standing seniority. They have long-time service records with the railway companies. In many cases, they have to leave their homes and work away from home for a limited length of time. They should be entitled to the same deduction as the two other groups of railway employees. The deduction should be allowed to all employees whose working conditions are the same. I wish to emphasize that point. At this time, I move:

That Bill C-259 be amended at page 17, in line 6, by inserting therein immediately after the word "work" the following words:

"or any employee working away from his home terminal."

The Deputy Chairman: Order, please. It is the feeling of the Chair at this time that the amendment just put by the hon. member for Moose Jaw is acceptable to the Chair. Unless members have opinions as to the procedural acceptability, the Chair is ready to put the amendment.

Mr. Mahoney: Mr. Chairman, I am very much afraid that I cannot accept the logic in the hon. member's argument. The section in which he proposes to insert this clause deals with relieving station agents, telegraphers and people on maintenance and repair work on the railway who, in the course of their employment, are ordinarily away from their home base. By the very nature of their work, these people are required to travel away from home base.

The hon. member has described a situation that has arisen in many parts of western Canada at least. I am aware of many situations where the location of a man's permanent job shifts away from the place he has been accustomed to living. By this amendment, the hon. member is attempting to allow people to be reimbursed for expenses involved in commuting from their ordinary residence to their ordinary place of employment, which is one location, not a man travelling as a relieving telegrapher or maintenance-of-way employee to point A this week, point B next week and so on. It is not the same situation at all. For that reason, Mr. Speaker, I must say that the government cannot accept the amendment.

Mr. McCleave: Mr. Chairman, I think this could have been expressed in somewhat neater language. If the hon. member had moved to delete certain words, the section would read: "amounts disbursed by the taxpayer in the year for meals and lodging while employed by a railway company away from his ordinary place of residence to the extent that he has not been reimbursed, etc." Be that as it may, I think the wording is cumbersome. The point is quite clear. I think it states a principle which my colleagues can support. We intend to do so.

Mr. Skoberg: Mr. Chairman, the parliamentary secretary has again failed to grasp the significance of what I am trying to bring to his attention. There is absolutely no difference between an operator or telegrapher relieving at various points throughout his particular seniority (district) and a trainman, bridgeman, sectionman, engineer, conductor and all railway employees who are also relieving for temporary periods of time. I agree that he has a point. If I were trying to create two home terminals, there would be no argument. But all I am asking is that the same consideration be given in this case as is given to two groups of people already. And all they are doing is relieving. Relieving in the industry as it is today may be for four days, or for a week, or for two weeks. The holiday relief system has assumed increasing importance in recent years. When staff are relieving, they are not exercising seniority. It is not by choice. They are directed by management to go to a particular place to fulfil an obligation the company has undertaken.

• (12:30 p.m.)

I am not asking for the world. All I am suggesting is that we should be consistent—that there should not be two sets of rulings affecting the same people. I wish the hon. member for London East would rise to speak in support of the argument I am putting forward. He knows that this is what happens. We have seen it happen year in and year out, all along the line. I am not asking that special consideration be given to one particular group. I would not try to do that. All I am asking is that consideration be given to people in the railway industry who through no fault of their own are assigned by the company to work away from home. I hope that instead of rejecting this plea out of hand, the parliamentary secretary will agree to take it under further advisement. If he will agree to do so I will certainly be prepared to allow my amendment to stand while he takes a further look at this question.

Mr. Orlikow: As a member for the City of Winnipeg, the home of such a large number of railway workers, I rise to join my hon. friend from Moose Jaw in his plea. I was interested to note that this time the parliamentary secretary did not reject the idea which my hon. friend has put forward. He contented himself by observing that it was out of place, that it was advanced at the wrong place in our proceedings.

The railway industry has gone through a revolution since the end of the second world war. The number of employees both in the operating and in the non-operating phase has declined each year. This has often meant major moves for those who have been able to keep their jobs. In his amendment, my hon. friend deals with the case of employees who are required to relieve on a job for a few days or a couple of weeks. I can refer to cases of employees in the dining car department who have lived in Winnipeg for 20 years or more. Because of the reduction in railway service during part of the year, they have been required to work out of Prince Rupert or Vancouver. Nobody has suggested they ought to move their families, because in the summer when business picks up, they are back on the run out of Winnipeg. But for part of the year they must leave their families and move to Vancouver, or anywhere else where employment is awaiting them, not because they wish to move but simply because this is the only way in which they can earn a living.

So the situation arises in which for a certain period, four or five days, two weeks, or even longer, a railway worker whose family is living in one city and incurring expenses for rent and food, must live in another city and bear similar expenses. I could refer to cases where this situation has lasted not for two weeks but for four or five months. There should be equity between different groups of railway workers, equity as between people. No one

questions the right of a salesman to travel across Canada from Winnipeg to Regina, to Calgary, to Vancouver, back to Edmonton and Saskatoon and back to Winnipeg, to charge his expenses for hotel accommodation and meals. He needs to visit those cities in order to earn a living. Why do we not permit the railway worker who needs to be away from home in order to earn a living to do exactly what my hon. friend has proposed? I urge the parliamentary secretary and the government to consider favourably what seems to me to be a very reasonable and modest proposal.

Mr. Harding: Mr. Chairman, I should like to endorse the amendment which is before the committee. It seems to me to be a clear and sensible amendment. It seems to me it is good policy, in so far as both labour and taxes are concerned, to be consistent. I suggest to the parliamentary secretary that the privileges given to others should be extended to those who are forced to go away from their home bases.

May I outline some examples from my own area and from adjacent areas? To the north, in the riding of Okanagan-Kootenay, there is the City of Revelstoke. A large number of engineers and other people are forced to leave Revelstoke and go to the east and the west. For example, they might go to Golden and work out of Golden for a number of days. They should be allowed to write off the expenses which they will be obliged to incur as a result of this change of base. I see nothing wrong about this proposition and I urge the parliamentary secretary to take a fresh look at the proposal.

In my own area there is a railway centre at Nelson employing a large number of people. The same situation prevails there. In many instances, men are required to leave Nelson and spend several days outside their home bases. It is far more costly for them than working from home. Again, it comes back to the old story. We have set up privileged groups in our tax society. One of them is doctors. I am not complaining about doctors having exemptions when they use cars to visit patients or hospitals. But the same treatment should apply to other workers, and this is an example. In following their employment at the wishes of the company these railway workers are obliged to incur additional expenses and in my opinion these should be deductible. Once again I urge the parliamentary secretary to look at this amendment. It is a good one and will eliminate one of the anomalies that exist in the bill.

• (12:40 p.m.)

Mr. Rowland: Mr. Chairman, I am not going to reiterate the arguments of my colleague in defending the logic of this amendment; I simply appeal to the parliamentary secretary. This bill is 700 pages or more in length and obviously the parliamentary secretary is not so well acquainted with it that he knows all its details. This particular provision deals with railroaders. My colleague from Moose Jaw knows railroading; he was once a railroader himself.

The hon. member has proposed an amendment which seeks to give equal treatment to all railroaders. I suggest that is a proposition worth examining. I would hate to see this amendment cast aside simply because it is close to the lunch hour. Why cannot the parliamentary secretary stand this particular clause of the bill until he has discussed the amendment with his departmental officials over the lunch hour and decided whether or not the argument advanced by my colleague from Moose Jaw is correct? The parliamentary secretary makes no response. I do not know whether we shall be obliged to talk until one o'clock so that he will have an hour over the lunch period to examine it with his officials. Could we not stand this section and have the amendment examined as I have suggested?

Mr. Mahoney: Mr. Chairman, I have no reason to agree to standing it at this point.

Mr. Turner (London East): Mr. Chairman, as a former railway employee I was many times on the "spare board", which means I had to work on extra jobs. I have been forced to go from London to Toronto, to Windsor, to Fort Erie and to live out at different terminals. I could be at these places for one week or sometimes for two months, and all I received from the company was a place to sleep, which they call a rooming house. I had to supply my own meals. Other groups of railway employees, such as telegraphers and sectionmen, are forced to move around quite a bit in the course of their employment. The system is this: If a telegrapher, for example, at a station becomes sick, you have to replace him with a spare man who is based at the main terminal. I support the amendment because these people are constantly on the go. Sometimes they are on the spare board for ten or 12 years. Their expenses are constantly building up and they receive no relief from the company. In addition to that, their expenses at home are increasing. Therefore, these workers should have some relief from the expenses they incur while constantly moving around while they are on the spare board.

Mr. Mahoney: Mr. Chairman, the example given by the hon. member for London East is that of a telegrapher. A relieving telegrapher is, of course, provided for in section 8(1)(e) of the bill. I should like to hear whether he has any other examples that are not covered of people who ordinarily are required to move around and incur additional expense of this sort.

I should also like to inquire whether the hon. member can tell me why it is that the railway employees find themselves in this particular situation. Ordinarily, when an employee of a company is sent away from his home base to do a particular job he expects to receive compensation from his employer for his hotel, meals and extra expenses on the road. Why is it that in the case of railway employees this is not so, or is it?

Mr. Turner (London East): Mr. Chairman, if I may answer the parliamentary secretary, this is one of the issues over which the unions have been fighting for many years. They have been trying to recover the expenses incurred when these men are forced to work away from home. This moving away occurs because of the very nature of the work—the railroads run from coast to coast and serve many areas. These people cannot always work at the same terminal because, for example, business might be slack. Naturally, when someone has to work away from home it is the youngest or most junior worker who has to move. But we have never been able to get

anything into a contract that will take care of expenses incurred when away from home.

I was away in Mimico for approximately a year. At that time I had a young family and I found that keeping two homes going was hard on the pocket book. Once I returned home, naturally I was relieved of this extra expense. In the old days I could have worked 20 hours a day in Mimico if I has wanted to double up, and I had to do this to take care of the extra expense. Today you work eight hours and that is all. Of course, it is expensive to live in Toronto compared with a small place outside. I think this amendment is definitely a step in the right direction and deserves serious consideration.

Mr. Mahoney: Mr. Chairman, it seems to me that since last night we have pretty well come full circle. I cannot see that this question is anything that could not be covered by the provisions of collective bargaining agreements existing between the railway companies and some of the trade unions in the railroad industry. A round trip, as the defence minister has just commented. To suggest that the general tax law of the country should be changed to accommodate an anomaly existing in collective agreements in a particular industry just does not make sense.

Mr. Skoberg: Mr. Chairman, I do not think the parliamentary secretary appreciates what it is we are trying to bring to his attention. He asked the hon. member for London East why the railway workers find themselves in this situation. Samuel Freedman discovered that railway workers were in a particular situation, and he had to write a report about it. His report well documented the fact that workers in the railway industry are in a situation that is not found anywhere else.

If I may reply to what the parliamentary secretary said, I am not trying to use one group in a particular industry against another group. I am not trying to have them given favourable recognition under the tax laws which others do not have. Nevertheless, at the present time the expenses of telegraphers and station agents are considered to be a legitimate deduction, as they should be. All I am suggesting is that railway workers should have the same consideration. They are working in every area that serves the needs of their customers. By serving the needs of the customers they are serving the needs of management.

Whether or not this obligation should be placed upon management is something I am sure the collective bargaining process will have to decide at some other time. By the same token, these two classifications are bracketed together in the same collective agreement, and there is no question that they are permanently based at home; they have to move at times in order to serve the needs of management. The situation is the same for this classification of employees as for those we have been speaking about this morning. I contend this group of employees should receive the same treatment. If we were asking for something that was completely unacceptable, or if we were just trying to make a point for the sake of trying to do something for the railway workers, then I could understand the bull-headedness of the parliamentary secretary. But we are not. All we suggest is that there be across the board consideration given to all those railway employees who find themselves in the same situation.

[Mr. Turner (London East).]

It was suggested a while ago that relieving workers away from home base is something that is particularly akin to telegraphers and station agents but not other classifications of employees, and if that were so I would buy the argument. But it is not so. The number of people who have to move away from home temporarily for a short period is not that high. As suggested by the hon. member for Selkirk, perhaps if the parliamentary secretary could stand this particular item over until after lunch we could make some progress. In fact, if he would stand in his place and indicate what possible difference there is between that group of people who are included and the group of employees to which I and other members have referred, perhaps we could accept his argument. I suggest he is playing with words when he says that one group is relieving from home base and the other group is not relieving from home base. The people now covered are relieving from home base and this is a legitimate deduction. The people we are talking about are also relieving from home base. They all start from the home base, whatever their classification. Those people relieving from home base are in exactly the same situation as those who are covered by the provisions of the act, and they should receive the same consideration in so far as deductions are concerned.

• (12:50 p.m.)

Surely, the parliamentary secretary and his two advisers could come up with a better answer than the suggestion that this amendment is not acceptable to the government because we are not talking about the same thing. We are not talking about employees from airlines but rather employees of railway companies. These employees have to accept an assignment away from home base in order to fulfil an obligation of the company. We are not talking about expenses, and whether expense deductions should be allowed for all employees of the railway companies. I would urge the parliamentary secretary to stand this part of the section and give it serious thought over the noon hour. We are not asking for special concessions for one individual group in the railway industry, but rather the same type of consideration and deductions for all railway employees who are involved in exactly the same type of relief operation.

We are not talking about a transfer to another point or travelling expenses; we are talking about those people who are forced to go 150 miles away from home to man an assignment of the railway company but who receive no consideration for this. They cannot even stay in the bunkhouses any more. They must provide their own accommodation in a private rooming house, a hotel or a motel and pay their own expenses out of their own pockets. This type of deduction is allowed in respect of salesmen and other individuals, and by accepting this amendment we could close a gap that should be closed.

I cannot understand why the parliamentary secretary is trying to confuse this issue by suggesting there are different classifications involved. We are talking about employees in exactly the same circumstances, namely those relieving at a terminal away from home areas where the company requires their services. The provision of these services is in the interest of the entire travelling public and the nation, whether they are provided at the

little individual whistle stops or elsewhere. People have to assume these assignments which may involve switching at a brickyard or somewhere else, and we feel the same type of consideration should be given those people involved in relief operations.

Mr. Macdonald (Rosedale): Mr. Chairman, there have been some discussions about the business this afternoon, and I wonder if the committee would be agreeable to rising now and reporting progress in order that I might put forward a proposal to the chamber in respect of that business a little later today?

Some hon. Members: Agreed.

Progress reported.

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BUSINESS OF THE HOUSE

ARRANGEMENTS FOR DISPOSITION OF BILL S-9

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the business I was discussing, which I understand was agreed to, relates to Bill S-9, an act to amend the Copyright Act. It is item No. 91 on the order paper. The arrangement is that the business under consideration at three o'clock this afternoon will be interrupted, Bill S-9 will be called and, notwithstanding the provisions of the Standing Orders, all questions necessary to dispose of the bill will be put at this sitting. I wonder whether that is a correct understanding. If it is, perhaps that could be made an order.

Hon. Marcel Lambert (Edmonton West): No, Mr. Speaker, that was not the understanding. We urged that Bill S-9 come on at three o'clock, but it was very clearly understood that private members' hour would not be interfered with this afternoon. I know who is proposing the motion this afternoon, but that was a clear understanding. There is the expectation that the bill will be dealt with in the allotted time.

Mr. Macdonald (Rosedale): Mr. Speaker, my understanding is that there was an agreement which would apply to second reading only, and that during the hour from three to four the bill would be disposed of on second reading.

Mr. Lambert (Edmonton West): Yes.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, there seems to have been some breakdown in communication. There was an agreement that we would call this bill at three o'clock. It was also agreed that if it was possible to get it through in that hour we would waive any rule about second reading, the committee stage and third reading taking place the same day. However, there was no iron-clad agreement that the bill would get through in that hour. There was every expectation it would, but certainly there was no agreement that we would stay with it under any order to finish it, at today's sitting.

Mr. Macdonald (Rosedale): Mr. Speaker, apparently the understanding on this side is not the same, so at this point all I can do is announce that at three o'clock there will be a proposal to adjourn the committee at that point and call Bill S-9.

The Acting Speaker (Mr. Laniel): The House has heard the proposal made by the minister that the committee will report progress at three o'clock for the purpose of resuming the study of Bill S-9. Is that agreed?

Some hon. Members: Agreed.

The Acting Speaker (Mr. Laniel): It is so ordered.

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INCOME TAX ACT

The House resumed consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

On clause 1—section 4: *Income or loss from a source or from sources in a place.*

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2 p.m.

Mr. Skoberg: Mr. Chairman, I am wondering whether the parliamentary secretary has had time to consider the amendment a little more over the one-hour break and whether or not he could possibly give some explanation now concerning why he considers these people should not be covered by this section of the act so far as deductions are concerned.

Mr. McCleave: Mr. Chairman, perhaps I might add my plea. Earlier I indicated that my colleagues would accept the amendment which has been moved although we thought perhaps it was a rather cumbersome way of arriving at a result which could be arrived at in short order. It is not a question of procedure with which we are dealing now but rather a question of substance and of justice. For the life of me, I cannot see why the government should be obdurate about something which, from a revenue standpoint, is not apt to be substantial.

From the standpoint of the way in which we deal with the expenses involved in being able to earn a dollar in Canada, this is probably as important and as basic an issue as we can have. The fact is that what is being asked in this amendment, as I understand it, is that if a person should be wrenched away from the family table as it were—and the hon. member for London East I thought put it very well because he had gone through this and the hon. member for Moose Jaw put it very well because he had gone through it also—he should not have to suffer a disability as a result of being forced to go out and get his meals, his living and everything else. We have made a provision for ourselves in this regard in this Parliament. It is recognized. I am not allowed to sit down at my table in Halifax or my hon. friend is not allowed to sit down at his

table in Calgary during much of the year. This is part of the handicap we suffer. He does not have his wife's good cooking and I do not have my wife's good cooking, either. We have to eat our meals out and have to pay for them. What is being proposed here relates to a similar situation.

The railway people do have their own bunkhouses, but probably the employees should be paid danger pay to live in them. I shall not deal with that aspect of the question. Simply from the point of very elementary justice, however, I really would hope if the question is too involved to be answered today this item could be allowed to stand so that the cabinet, would have a chance to consider what has been said by the hon. member for Moose Jaw, and all the other people, and deal with it as a basic issue on which I believe most Members of Parliament feel very strongly, even though some of them are on orders to stand up and vote against it. I think a sufficiently strong case has been established here today that, as a matter of elementary justice, we should pass everything else and let this stand, even if we have to hold it back for a month so that people will have a chance to examine it. Let us do it in that way and then get a reasoned response. If we are turned down, we are turned down; if we win, we win. Surely, we do not want to just shoot off opinions from the tops of our heads and make judgments on very short notice when perhaps some pretty lengthy deliberation is needed.

The other point I should like to make to my friend the parliamentary secretary, who is a pretty human fellow, is that we are not being asked to overturn the world by accepting a proposition such as this. We are simply being asked to give justice to people who, because of the way in which they earn a living, have to accept a rather different way of life than that of perhaps the parliamentary secretary who would go to his law office in Calgary or I would go to mine if I were practising law at home. These people have to move about. I think these people deserve some extra consideration, and I would hope we would immediately get on to the job of passing sections 4 to 8, while leaving this open for some extra consideration. Mind you, we may come back and still have the government say no, but it is so important an issue that I make this request.

• (2:10 p.m.)

Mr. Knowles (Norfolk-Haldimand): Mr. Chairman, I wish to speak on this matter since it relates in a small way to the area I represent. The establishment of servo centres for the movement of freight by the railway systems will require a great many employees to travel beyond the communities in which they have established homes, and this is a fundamental, basic reason the government should yield on this point.

It would be no disgrace for the government to admit that members of the opposition once in a while do have some sound ideas, and some pretty basic principles of justice to put forward. I can only add my voice to the many others who have spoken on this. I urge the parliamentary secretary not to force a vote on it, but to yield to reason and allow the amendment to pass.

Mr. Anderson: Mr. Chairman, the views already expressed in this part of the debate lead me to say a few words. It seems to me that once again we, on behalf of the people of Canada, are giving in to some of the most powerful organizations in the country, the railways. The hon. member for London East graphically explained the difficulty that he, as an individual, faced. I just cannot understand why the railway companies, on the general principle of fair treatment of their employees, would not take care of this type of problem themselves. Here we are being asked to expand an exception, one which I regard as doubtful in principle. Perhaps instead of expanding section 8(1)(e) we should be restricting it. I fail to see why we should be encouraging through our tax law, a situation in which people are not being given their fair expenses by the companies that employ them. I hope the parliamentary secretary will deal with this matter. I feel that this exception in the statute with respect to telegraphers and station agents is basically wrong in principle, should not be extended further, but should be scrapped. The railway companies, which are probably Canada's most powerful organizations, should not be placed in the position of being able to continue what apparently are very poor labour-management practices.

I also wish to speak on section 8(1)(c) dealing with clergymen's residences. As is well known, there are many large tracts of land in Canada which are held by the churches. One of the reasons they are held in this way is the peculiar tax provisions which we allow to churches and clergymen. If the public which supports churches is willing to pay for a residence, and I think members of that public should, I do not see why we, in turn, after providing a tax deduction for charitable donations to churches, should again give another exception with respect to the residence. I think we should try to put all of this on as fair a basis as possible, so that the tax burden falls more equitably on all members. In that way, members of a congregation can themselves decide, based more on the true cost of a clergyman's residence, to what degree the residence should be supported.

I raise this because of one particular community in Gaspé which I have visited. I know a number of people there. Only 35 per cent of the buildings, residences and property in the town is taxable. All of the other property is either in the hands of the church or of educational institutions. There is a tremendous warping of the tax structure of a municipality when you make all these exceptions for religious and educational purposes. I believe that the people who directly support these establishments should be given a tax rebate for such support. They should not be in a position of getting two sets of tax rebates, as apparently we are providing in section 8(1)(c). It is not my intention to propose an amendment to strike this out, but I think this is a view that should be expressed. It is one that is rarely expressed when we are dealing with taxes that affect church property. Again, I think the parliamentary secretary should comment on why there is this peculiar exception with respect to telegraphers and station agents. I think that in the interests of rationalization it, too, should be struck out.

Mr. Mahoney: Mr. Chairman, I am not sure whether this is a tribute, or the reverse of a tribute, to the eloquence of the hon. member for Moose Jaw, but the longer he talks the longer he seems to take to get his message through clearly, at least to me. Perhaps that is a commentary on my own situation, but I would very much like an oppor-

tunity to read the record of the debate this morning to see if I do understand the point that is being made. I think there has been some element of inequity demonstrated. I think this is an element of inequity as between certain classes of railway employees, that privileges are being granted to telegraphers and relieving station agents, and not to other employees who, in the circumstances and under the conditions mentioned by the hon. member, might merit the same sort of tax treatment. However, I would like an opportunity to be able to look at the record, and then return to the debate on clause 8(1)(e). I do not know whether we are on clauses now or paragraphs, but I suggest that we allow 8(1)(e) to stand over, and proceed to deal with the other items in this block of sections.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, in the light of the suggestion or offer made by the parliamentary secretary, I wonder if I may make a procedural proposal? Technically speaking, you have put section 4 before us. My understanding so far as my colleagues are concerned is that on this group of 4 to 8 my hon. friend from Nanaimo-Cowichan-The Islands is the only one left who has something to say on any of them, and that is on section 6. May I suggest that we carry 4 and 5, have a brief discussion on 6, dispose of it, carry 7, and then let 8 stand until Monday?

Mr. Aiken: Mr. Chairman, I raised this particular subject a couple of days ago and am glad that it has been followed up. I certainly think this section should be allowed to stand, as suggested by the hon. member for Winnipeg North Centre, and that we dispose of the other sections.

The Deputy Chairman: Order. Shall section 4 carry?

Some hon. Members: Carried.

Mr. MacKay: This is on section 8(1)(e), Mr. Chairman.

The Deputy Chairman: Perhaps the hon. member did not listen to what was suggested by the hon. member for Winnipeg North Centre. There seems to be agreement to move on through the different sections. As we get to one on which some hon. members still wish to make comments we can allow further discussion. It was also understood that clause 8 could be stood until Monday when we would have another discussion on it.

Mr. MacKay: As I understand it, this particular section with which the parliamentary secretary dealt a few moments ago will be brought up again on Monday.

The Deputy Chairman: This is the agreement. If the hon. member wishes to speak at this time on section 8 he will more or less negate that agreement. Nobody can prevent him from speaking at this time, but if he agrees with what has been put forward the Chair will make sure that he has an opportunity to speak on this clause when it is next before the committee.

Clause 1—Sections 4 and 5—agreed to.

On clause 1—Section 6: *Amounts to be included as income from office or employment.*

• (2:20 p.m.)

Mr. Douglas: Mr. Chairman, I want once again to raise this matter of the deductions for expenses which workers incur as a result of their employment. For at least 15 or 20 years this has been a matter of great concern to organized workers and has been discussed in the House many times. It is recognized that there is an inequity between wage and salary earners with respect to their right to deduct such expenses from their income tax, and professional groups, travelling salesmen, insurance agents, book agents and others who are able to deduct such expenses.

I must congratulate the government on having finally recognized this problem and trying to do something about it. Our complaint is that the government has followed the usual procedure of bureaucrats in solving the problem by saying that the $150 exemption will be granted to every employee irrespective of what their expenses are in connection with their employment. This $150 exemption will apply where the only thing a man has to buy in order to do his work is a ball point pen as compared to a logger who has to buy a power saw which could cost anywhere from $300 to $600. It will apply equally to a man who lives a few blocks from a plant and can get there by bus and to a man who has to drive 30 or 40 miles. It seems to me that the government could have done a much better job in resolving this problem This is the Procrustean bed theory. You force everybody into the same bed; if they are too short, you stretch them and if they are too long, you lop a piece off without any regard to the circumstances, equity or justice.

I want to draw the minister's attention to two groups in my constituency who will be adversely affected by the inequities of this provision. The first is the men who work in the logging camps. They have to buy special equipment, hard hats, special work boots and they have to provide their own power saws in most cases. This involves an expenditure far in excess of $150 a year. In addition, many have to drive very long distances to work. I know that in subsection 7 there is a definition of a special work site. Under certain conditions a man may claim travelling expenses as an exemption. The special site is confined either to something of a temporary nature, which I take it means simply a construction site and would not cover a logging camp which could operate for several years, or some place where the taxpayer could not reasonably be expected to establish and maintain a domestic establishment. This is going to raise a good deal of controversy.

In my constituency there are logging camps where accommodation is provided for single men. There is limited accommodation for families so men drive 20, 30 or 40 miles morning and night to these camps. They really have no choice in the matter, as it is doubtful that they could get accommodation at the camps. In many cases they already own a home. It is surely not suggested that they try to dispose of their home and move into a bunkhouse in a logging camp. It seems to me that some provision should be made for such a group.

The second group of employees for whom this provision constitutes an injustice is the longshoremen. They have no choice of where their operation may be. A man may live in Chemainus and then he has just the ordinary travelling expenses of going to the docks. But at any time he can be ordered to a port 50, 70 or 80 miles away; he must travel there, work all day, and return at night. Certainly, a port 50 miles away will not constitute a special work site because it is not temporary. He could get housing accom-

modation there but he may only work there for two or three days.

Considering all the thought the government has given to this tax reform legislation, I would have expected the tax experts to come up with something much better than this uniform exemption of $150. In some cases it is unnecessary and in the cases I have cited, as well as many others, it is grossly inadequate and certainly unfair. I can only conclude that either the personnel of the Department of Finance and the minister and his parliamentary secretary have not consulted at all with the people who are familiar with the working conditions of Canadians or they would surely have proposed a better provision than the one presently before us.

I should like to appeal to the minister to revise the definition of the circumstances under which a worker would be entitled to travelling expenses and to board and lodging. The limitation is too narrow. A great many workers have to travel long distances and be absent from home, but they will not qualify under this legislation and will not be allowed to deduct the expenses incurred as a proper exemption under the Income Tax Act.

I hope that before section 6 is allowed to pass the government will undertake to make some changes in order to increase the number of persons to whom exemption will be granted with respect to board and lodging and travelling expenses necessarily incurred in order to carry out the duties related to their employment.

• (2:30 p.m.)

[*Translation*]

Mr. Gauthier: Mr. Chairman, following the remarks of the previous speaker, I should like to point out to the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) that all told this $150 maximum amount of expenses allowed for tax deduction will represent for the ordinary worker a tax reduction of only $20 or $25, which I believe totally inadequate.

Besides, we have begged for many years in the House for such a taxation relief, and the government always turned a deaf ear when it came to workers. In fact, I stated myself in this House that there was shameless discrimination against the worker. One must consider that other professional groups, such as insurance agents, businessmen, doctors and dentists have the right to deduct from their gross income the cost of their equipment and all travelling expenses incurred in the discharge of their duties.

Workers are right to protest against injustice because I believe that the lumbermen, both in my constituency and throughout Canada, are entitled to a better treatment. Everyone knows that today the lumberman's work is so mechanized that he must spend thousands of dollars to buy machines such as mechanical saws, etc., but he will be allowed to deduct only $150 from his total income. I ask the parliamentary secretary to give more consideration to this group of workers who make up almost 85 per cent of the labour force in the area. In fact, only 15 per cent of the workers will get anything out of this while an injustice will be committed against the others who quite often are the most in need because they earn less.

[Mr. Douglas.]

For example, I am thinking of the plumber or mechanics whose tools may cost up to $1,000 or $1,500. These tools must be constantly renewed so that the amount of $1,000 which could be deducted for tax purposes would be over a period of two or three years. This gives you an idea of the cost of those workers' tools, which I call third-class workers, in relation to those who have been granted advantages by the government and who managed to have special laws passed to enjoy tax exemptions. I wonder whether this was not due to their influence in this Parliament against the workers of our regions.

I believe they exerted a great influence and had great supporters. I have no grudge against them! I have nothing against the professional classes because I myself as a merchant am very happy to be able to deduct travelling expenses incurred while looking after my business.

However, I want as much fairness for everybody and I want those workers to be in a position to deduct the cost of their tools and their transportation. It must be realized that the worker no longer lives in a lumber camp today, that he uses his car in the morning to cover 70, 75 or even 80 miles in order to cut wood the whole day long and returns at night, because lumber camps are no longer maintained, as in the past, when the lumberman "hibernated" for four, five or six months, in short, as long as the contract lasted.

Today, because work stops on Friday afternoon, the worker must come back to town, return home on the weekend because there is no cook at the camp.

He cannot even be repaid, if only one third of the expenses related to his work.

I could talk about all the other trades which do not seem to be considered in this bill. It seems to me that this would have given the minister a unique opportunity to say: At last, justice will be done to them. For the last seven or eight years, the government has been urged to try and give justice to this group of workers who will be voting in a proportion of 85 per cent in the next election.

This group is large enough, Mr. Chairman, for the minister and his parliamentary secretary to give them consideration, and I urge the government, before passage of those sections, to give them a second thought and not to think only of themselves but also of those who elected them. They deserve some sort of tax relief once in a while.

I do not want to take up too much time, but I could not let this section be passed without calling upon the minister and asking him to amend it so that all will be treated equally. All I am asking for is an act of social justice. In fact, we heard it so often said during the last election campaign: Fellow Canadians, from now on, we will have a just society.

We are calling for a positive act of social justice for the workers. We are not asking for special exemptions but only what has been always granted to the others. They have a right to an equal treatment and let us stop making this group that makes up 95 per cent of the population a group of underprivileged citizens, a third class group in our society.

I hope the parliamentary secretary will note those remarks and that before passage of this section, he will introduce something more sensible, more positive and more equitable.

[*English*]

Mr. Harkness: Mr. Chairman, I should like to say a word or two about subparagraph (e) of subsection 6(1) and about subsection 6(2), entitled respectively, "standby charge for automobile" and "reasonable standby charge minimum amount". I want to relate my remarks to people employed particularly as salesmen for automobile firms. I will not go into the question of whether there should be such a charge or not. It has been brought to my attention that some salesmen employed by automobile firms are required, as part of their duties, to drive cars as demonstrators. The value of these cars may vary greatly. One day a car salesman may demonstrate a car selling for $2,000 and the next day he may demonstrate one selling for $7,000 or $8,000. In the case of salesmen of this type it would be impossible to apply these provisions in any equitable way.

Also, salesmen like these are in a different position from, say, salesmen selling products for Burns & Company, a furniture company, or some company like that. In other words, the vehicle supplied to such salesmen for their own use is the vehicle which they are selling. It is the merchandise which they are selling and they are, therefore, in a position different from that of a salesmen to whom automobiles are supplied. As a result, there ought to be included in the bill a provision exempting them from the particular subsections I have referred to; or some type of special provision ought to be introduced to make sure they will not be unfairly discriminated against and placed in an impossible situation in determining what they ought to pay. I hope the government will make a modification along the line I have suggested. I should like to hear what the parliamentary secretary has to say about this matter.

Mr. Mahoney: Mr. Chairman, the particular matter raised by the hon. member for Calgary Centre was brought to the government's attention yesterday by a delegation, perhaps the same group which saw the hon. member. Certainly, it is recognized there is a genuine problem here. We are looking at it. At this time, I cannot indicate what the solution might be. However, I can assure the hon. member that it is being given very serious consideration. As I say, unfortunately it was only flagged for us very recently.

• (2:40 p.m.)

Mr. Harkness: Mr. Chairman, might I ask if we can take it for granted that this section will not be finally passed until some amendment is introduced in connection with the matter?

Mr. Mahoney: Mr. Chairman, I do not think that is an agreeable solution to the problem. We intend to face up to it. It is going to require some study in order to determine the magnitude of the problem. As the hon. member may know, the suggestion has come forward from the people who are concerned with this problem that a flat amount of some sort or other be assessed each month or each year in order to take care of the situation where the gentleman is driving a Cadillac one day and a Volkswagen the next, because the computation problems would obviously be somewhat horrendous. I can only say at this point I am not prepared to suggest we will necessarily have the solution by the time we feel that the bill should be passed. I do not think this solves the problem, but we will look for a solution.

Hon. Marcel Lambert (Edmonton West): Mr. Chairman, I wish to speak briefly on this. This is a classic example of the way the government trys to deal with something. They think they have a problem and, in dealing with it, they create more problems. There is one other area on which I would like to speak very briefly. I will refer back to section 74(3) and (4) and also section 63; this deals with the worker's employment allowance. A married woman working for a firm which is owned by her spouse, one that is not incorporated or in which her spouse is a partner, provides the services of an employee but will be denied the worker's allowance because she is not considered to be an employee. As I said, by trying to do something, the government is creating more problems.

Mr. Barnett: Mr. Chairman, I wish to return for a few minutes to the subject matter recently raised by the hon. member for Nanaimo-Cowichan-The Islands and followed up by the hon. member for Roberval. If the congenial parliamentary secretary is becoming a little weary over the persistence with which this matter is being discussed, I remind him that this Pandora's box, if that is what he regards it as being, was opened by the government in the white paper.

The provision in the white paper of this flat rate $150 deduction for those in receipt of employment income was put forward and at that time was hailed by the Minister of Finance as being a great reform in the tax system. If I recall correctly, when we had the discussion on the white paper, I was the first member in the House to jump on that proposal with both feet. I remember the rather startled look on the faces of some of the government members when I condemned it out of hand. I concede that as I read the white paper, it appeared to me that this $150 proposal was being put forward as a substitute for the partial recognition of board, lodging and travelling expenses which exist in the present Section 5 of the Income Tax Act which had reference only to construction workers. Some hon. members will recall that particular proposal was brought forward and put into the act in 1957 by the first Conservative Minister of Finance when the right hon. member for Prince Albert was Prime Minister. It has remained in that position ever since.

As one read the white paper, it appeared that that concept, partially recognized in the present Section 5 of the act, was to be removed and this $150 flat rate was to be put in its place. As I said in the committee discussion yesterday, I am happy that that surmise on my part has not proven to be correct when the bill came forward, whether or not, as a result of the representations made concerning it at the time. However, recognition was given to what I consider to be the grossest discrimination against people whose income comes from employment. I remind the parliamentary secretary through you, Mr. Chairman, that it was on the initiative of the government that this proposal was put forward. The more one talks about it, the more unrealistic and unfair that proposal is in its present form. As the hon. member for Nanaimo-Cowichan-The Islands pointed out, some workers will really get a bonanza as a result of this proposal. When we were discussing the white paper, I said it brought in a new

form of discrimination against some of the people who are self-employed. To that extent at least, one can regard it as a retrogressive step.

Last night I listened to some members of my party and members in other parts of the House who come from urban areas discussing this particular proposal. They tried to point out this weakness. The parliamentary secretary attempted to provide a rationale for the proposal as it stands. I admit he made a valiant attempt, but he certainly did not convince me he was on the right track in his thinking in the arguments he presented.

I wish to come back to the point made by the hon. member for Winnipeg North Centre at the very outset of this current phase of discussion on the bill. He quite properly drew a parallel between the $150 proposal as a basic exemption and the existing plan with regard to medical expenses. All taxpayers are able to claim a $100 falt rate if that, in fact, covers the incidental medical expenses they have incurred. However, if they have the documentation necessary under the regulations, they can claim an additional amount if, in fact, they have incurred additional expenses over and above the minimum amount. It seems to me that when it brought forward this $150 proposal in the white paper the government failed to recognize the principle which has been generally accepted as being reasonable, fair and just with respect to medical expenses. For the life of me, I cannot see why the government is not prepared to recognize the same principle in the case of transportation expenses.

• (2:50 p.m.)

When arguments have been presented in the past in favour of improvements in the law, they have often been resisted on the grounds that administration would be difficult or costly. This used to be the reply to proposals which some of us put forward in the House for the establishment of a pension plan. The position today is that a great many calculations, including calculations in respect of income tax returns, are put through computers and this has opened up a whole new range of administrative possibilities when dealing with large numbers of forms. In the light of this development, I believe that properly vouchered claims for transportation expenses should not be too difficult for the administration to handle. Having gone so far as to make this $150 flat rate proposal, the government should now be prepared to go the rest of the way to make it possible for workers who have a bona fide claim to expenses above that level to receive proper consideration.

The parliamentary secretary can advance all the arguments he likes about it not being the responsibility of the government to decide where a person should live in relation to his job. But the fact of the matter remains that in both urban and rural areas workers who may be able to stay in their own homes every night must, of necessity, incur substantial travelling expenses. This is the only way in which our industrial machine can continue to operate. I am sure it is possible for those who devise the working rules under which the Income Tax Act is administered to work out the necessary regulations and requirements with regard to documentation so that a proposal which would meet the situation outlined by my hon. friend from Nanaimo-Cowichan-The Islands could be put forward.

[Mr. Barnett.]

In my view, it would be more equitable for the government to withdraw this $150 flat rate proposal altogether than to leave the clause as it is, because it is simply not fair that all workers should be put into this same box; it is simply not fair that this formula of the 3 per cent or $150 maximum should be attached. As the arrangement stands, it means that the lower income workers will suffer the heaviest discrimination. I have in mind workers who must travel long distances in order to secure or to hang on to a job. It will be the least well established members of the work force who are likely to be the most heavily penalized under this proposal. I do not know whether my hon. friends agree with me or not, but I would personally prefer to see the whole thing forgotten rather than write this $150 thing into the bill as it now stands.

Mr. Peters: It is obvious that the minister and the parliamentary secretary will, in any case, have an opportunity to consider this question overnight, at least. I should like to know what we are talking about. How much money are we talking about? Is it a sizeable sum? The sum of $150 has been used as a cut-off. What does the 3 per cent amount to? Are predictions as to the probable cost available? What escalation has there been during the last ten years in this field? Are we getting into it deeper, or getting into it less than was the case previously and, if so, what is the cost of this proposition to the treasury? I am sure this just did not come out of a hat, this figure of $150 or the 3 per cent figure. On second thought I am not so sure but, hopefully, the department does have some figures as to what this proposal would cost.

We have drawn an analogy between professionals and the labour force with regard to the tools of their trade. And we have pointed out that not all the returns made are beyond question. The minister is always sending inspectors around the country to assess the validity of some of the claims made by those in the self-employed and professional fields. So I ask the parliamentary secretary to tell us, if he can, whether or not the proposal advanced from this corner of the House can be adopted without great cost to the treasury.

The Deputy Chairman: It being three o'clock, pursuant to the order previously adopted by the House, it is my duty to report progress and ask leave to consider the bill again at the next sitting of the House.

Progress reported.

* * *

COPYRIGHT ACT

AMENDMENT RESPECTING RECORDS, PERFORATED ROLLS OR OTHER CONTRIVANCES FOR MECHANICALLY REPRODUCING SOUND

Hon. Donald S. Macdonald (for the Minister of Consumer and Corporate Affairs) moved that Bill S-9 to amend the Copyright Act be read the second time and referred to the Standing Committee on Justice and Legal Affairs.

Mr. P. M. Mahoney (Parliamentary Secretary to the Minister of Finance): Mr. Speaker, I think this bill merits some brief explanation here, although I recognize there is a general disposition in the House to deal with it expedi-

tiously because of some deadlines of which all hon. members are aware.

• (3:00 p.m.)

The purpose of this bill is to remove any legal right that may exist for record manufacturers to obtain royalties through the use of a performing right on their records. As hon. members may know, composers, authors and publishers of music have a right to charge for the public performance of their works. This is an inherent part of the Copyright Act and results in substantial annual payments being made to these groups of persons. Each year the performing rights societies file a proposed tariff of fees with the Copyright Appeal Board which in turn assesses and fixes the fees that are to be paid to them by users for the public performance of their works. This right allows these societies to examine the financial records of the users and to extract a fee based on the gross revenue, in many cases, of the user.

Four years ago an additional performing rights society was created, that of Sound Recording Licenses Ltd. This society consisted of a group of some 18 Canadian record companies, approximately 90 per cent of the record manufacturers in Canada but which are principally subsidiaries of foreign corporations. In due course they claimed a "performing right" in their sound recordings, a right that is distinct and apart from any right they had to prevent the copying of their records by others. The result would be to exact from the Canadian broadcasting industry rather substantial fees for their use of recorded music.

Their claim to a performing right is based on a technical and complex provision of the present Copyright Act which the bill now before the House amends. While the original tariff of fees filed with the Copyright Appeal Board would have resulted in fees payable somewhere in excess of $3 million per year, the Copyright Appeal Board allowed a somewhat lower fee. However, the question is really one of the principle that no performing right should exist in a record, that is, the purely mechanical apparatus upon which sound or images are recorded, as distinct from the intellectual and human input to those products. They are already taken care of by the other performing rights societies.

In 1966 the government asked the Economic Council to study the law of copyright and its economic effect upon Canadians. Subsequently they were specifically asked to consider the question of performing rights for record manufacturers. The Economic Council reported its findings this spring and it reaffirmed the recommendations of the Ilsley Commission in its report on copyright in 1957 which recommended that the act be amended to ensure that no such performing right could be claimed. While the Minister of Consumer and Corporate Affairs (Mr. Basford) would have preferred to await a complete overhaul of the Copyright Act before considering this matter, the fact is that the Copyright Appeal Board awarded a tariff to SRL this spring and it is the government's feeling that such a tariff is in principle wrong.

It should be pointed out that there is no conflict with any international obligations we may have under copyright, nor does the United States, where the parent companies of SRL's member firms are located, have such a provision in its copyright legislation, although there is at present and has been for some years a bill before the United States Congress which would change that. I am led to believe that it has little likelihood of passage.

SRL has offered to keep a substantial part of the money in Canada and has also offered to pay a part of any fees collected to the musicians who record the music. While this is admirable, it is an attempt to evade the issue. If the singers and musicians who make a recording should have a performing right, that is something that should be dealt with on its own and not through the back door of providing a performing right and a tariff for the record companies.

It should be made clear that the government is not denying copyright protection to records. The protection of records against copying exists in our law and will continue to exist. Bill S-9 does not affect the protection provided record companies against copying or against piracy. However, in the government's view that is all the record companies are entitled to. It is the government's position that even though the Copyright Appeal Board allows only a small fee now, SRL recently filed a new tariff of fees and applied for a substantial increase in its tariff. It is wrong, therefore, to allow a totally new vested interest to be built up at this time and it is now that appropriate steps must be taken. Accordingly, Mr. Speaker, the government asks the co-operation of the House in disposing of this very important item of legislation.

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, the government, as is usual, of course, will have the co-operation that it seeks in processing this legislation. However, it is something of an anomaly that in the case of the grain stabilization act the excuse given for not proceeding with the bill was that there was a court action, while in the case of this bill a court action is to be nullified by statute. I suppose it depends which band you play in.

Mr. Mahoney: The court action is not against the government in this case.

Mr. Fairweather: I am not going to waste part of Friday afternoon on an argument of semantics; I should just like the anomaly brought to the attention of the House. We are going to co-operate because we feel that this is really a matter for debate by, or a battle to be fought between two very large and important interests, interests that the government has to adjudicate upon or with regard to which it must act as referee.

I agree with the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) that it is a very great pity that the fundamental reform of the Copyright Act has not yet seen the light of day in spite of the fact that since the Copyright Act of 1921 there have been numerous royal commissions and studies, the latest of which was a most excellent report published by the Economic Council of Canada. This was a report on intellectual and industrial property which at page 258 gives a very lucid exposition of the principle that this bill is designed to embody.

As the parliamentary secretary said, we are not dealing here with the fundamental rights of singers and musicians; hopefully, their rights will be underlined in legislation that will have to come before the House at a later date. However, when the bill gets to committee, presumably the rights of singers, musicians and performers as

enunciated by ACTRA and other trades union organizations will be aired, and doubtless SRL and other such organizations will also want to appear before the committee.

Copyright consists of an exclusive right in a musical, literary or dramatic work. A necessary consequence is that such work may not be reproduced except by permission of the copyright owner. Secondly, copyright consists of a performing right in the work so that no one may perform the work except upon payment of a royalty to the copyright owner.

In 1921, upon a revision of the Canadian Copyright Act, parliament enacted in subsection (3) of section 4—the provision we are dealing with here—that copyright should subsist in records, perforated rolls and other contrivances by means of which sounds may be mechanically reproduced in like manner as if such contrivances were musical, literary or dramatic works. This provision was copied from the United Kingdom prototype and, as the parliamentary secretary has reminded us, there is no such provision in the copyright law of the United States.

It is my understanding—I think the parliamentary secretary mentioned this in his brief remarks—that there has been for some time a bill on this issue before the United States Congress. I presume that if this Parliament did deal with the issue it would mean that increasing pressure would be brought to bear to move along the bill in the United States Congress. No one appeared to assert performing rights under the provision, which is perhaps not strange because it really has something to do with the whole expansion of the recording industry. There was no assertion of the right from 1921 until 1968. In that year, Sound Recording Licenses—a consortium of the eight major record companies in Canada of which six are subsidiaries of United States companies—a Canadian company, filed an application with the Copyright Appeal Board for approval of a tariff. The parliamentary secretary has told us of the outcome.

• (3:10 p.m.)

In 1968 the government introduced Bill S-20. I am sorry to take a minute or two on this matter but I think that the bill having come to us from the Senate, when future historians are trying to discover what we were doing on October 29, 1971, they will need some historical perspective in this regard. I will take a minute or two to bring the House up to date on the various emphases, and so on, placed on this question. I can assure the Parliamentary Secretary that there will be no difficulty, in so far as this party is concerned, in giving the bill second reading in the time allocated.

The government introduced in the Senate Bill S-20, the prototype of Bill S-9 which we are discussing. There was an explanation given in the records of the other place. I am not going to use that cliché any longer. I prefer to call the Senate, the Senate because that is a perfectly sensible word. I will hereinafter refer to the Senate as the Senate and to Senators as Senators. I believe that the ancient system of discussing that part of Parliament as "the other place" is unnecessary.

There was a short debate on second reading during which the opposition House leader questioned the principle of the action the government was taking, and on February 6, 1969, the government withdrew the bill. This action was taken in agreement with SRL, which undertook not to proceed with its tariff application until the Economic Council of Canada reported on the reference made to it to study the question. The government was anxious to have the advice of the Economic Council. That advice covered many aspects but in particular the government was seeking advice about the whole copyright field.

It might be of interest to recall that in June, 1954, a royal commission under distinguished Chief Justice Ilsley, a great Nova Scotia parliamentarian, had been appointed to inquire into patents, copyright, trademarks and industrial designs. This report was printed in 1957, but unfortunately very little action followed. In other words, there was the usual non-action on the part of successive governments to the activities of royal commissions. The commission recommended that copyright subsisting in a sound recording should continue to subsist but for a period of 40 rather than 50 years from the first publication, but that record manufacturers' performing rights and broadcasting rights in records or in the recording embodied in the record should be abolished.

The Economic Council reference was ordered in July, 1966, and it reported five years later. The Economic Council recommended that the performing right in a sound recording should be removed. However, the chairman of the council, in a preface to the report, advised that two members of the council could not concur completely with the analysis and recommendations on copyright. Then, as the parliamentary secretary has said, SRL revised its application to the Copyright Appeal Board applicable to the year beginning January, 1971. Then in December of 1970 the government introduced Bill S-9. It will be noted that clause 2 provides that the bill is to take effect January 1, 1971. So the principle embodied in the bill has had a rather chequered career; it came forward and was dropped almost as fast as Parliaments come and go.

The bill was referred to the Senate Committee on Banking, Trade and Commerce. At the second meeting of the committee the Minister of Consumer and Corporate Affairs (Mr. Basford) appeared for the purpose of announcing that the Copyright Appeal Board had granted the SRL claim and fixed a scale of tariffs. That is really the chronology, although other members may be interested in different aspects of this matter which they will want to discuss. I want to underline on behalf of this party the comment of the parliamentary secretary, that in no way does the Official Opposition wish to see the right of a singer or musician circumscribed or nullified in any way by this bill, and that issue must be faced in spite of what Parliament may do with this legislation.

There is a second aspect which I am sure will grip the attention of hon. members even more than those first few minutes of chronological presentation. I refer to the constitutional aspect of the bill. Under the British North America Act, copyright comes under paragraph 23 of section 91—that great division of powers—but there it simply states that it is, in legal effect, a subtraction from the exclusive provincial authority to legislate upon property and civil rights in the province. We are advised in this regard, although the courts are not allowed to look to the draftsmen for help in interpreting the constitution—and

this is an anomaly that some day Parliament might get around to reforming.

The draftsmen of the BNA Act had before them for guidance two existing constitutions, that of the United Kingdom and, equally important to the draftsmen, the federal system as it was in effect in the United States. The United Kingdom, because of its unitary nature, has authority over property and civil rights. Within this broad scope the United Kingdom Parliament can define "copyright" in its own terms, either limited to the accepted conceptual idea of copyright or artificially and, therefore, conceptually inexact.

The attention of the draftsmen of the BNA Act was no doubt also directed to article 1, section 8 paragraph 8 of the Constitution of the United States. That paragraph empowers Congress to promote the progress of science and the useful arts by securing for limited times to authors and inventors the exclusive rights to their restrictive writings and discoveries. Whatever the inspiration, however, in respect of the copyright part of the British North America Act, I think it is important to take a minute or two to remember this bit of historical background when considering the bill before us.

Parliament, in the definition in the bill that we are considering today, appears to be saying that sound recordings are not original musical, literary, dramatic or artistic works as defined in section 2 of the Copyright Act. The point of taking an extra minute or two was only to once again emphasize how essential it is for us to consider at an early date the whole matter of the right of a singer, a musician or other artist. The philosophy, if I can put it that way, of this bill has had fairly thorough examination by the Senate. It also has the merit of being reinforced by the report on intellectual and industrial property.

• (3:20 p.m.)

There is one other aspect which I should like to discuss in a sentence or two to remind the House that the SRL's dividing the spoils, if I can put it this way, really does not mean that those spoils accrue to the benefit of Canada. As a matter of fact, the division will largely be made by the American Union of Musicians. I am not entering into a philosophical debate on international unionism but am reminding the House that the division of those funds will take place under a formula worked out by the American Union of Musicians and the various other trade unions and groups representing not only musicians but the technical people who are involved in the making of recordings.

Therefore, when we think about the bill I believe we should ask ourselves where the benefit will accrue, or what I might call the windfall. In other words, there would be a windfall if this legislation is not passed. A substantial part of this windfall would accrue to the United States of America. Here, as a caveat, I say I am not conducting a rather unpleasant discussion such as has been going on in this country vis-à-vis the United States; I am just saying that a very large amount of money which until 1968 had never been the subject of an assertion would accrue and be distributed to the benefit largely of another country.

I urge the government with its experience and, as the parliamentary secretary said, having to meet a deadline, to let the whole subject matter of copyright law be subject to a good and progressive piece of reform legislation. With that admonition and with the suggestion that we are really dealing with an adjudication between two variable interests, I may say that we support the bill. We hope that these large interests will have an opportunity for their day in court, so to speak, before the Standing Committee on Justice and Legal Affairs and that the fundamental right of those whom we should seek to help—that is, the performers—will be kept very much in mind.

Mr. Max Saltsman (Waterloo): Mr. Speaker, after listening to the explanation of the government's position by the parliamentary secretary and the rather interesting subcommentary by the hon. member for Fundy-Royal (Mr. Fairweather) I am inclined to support the motion that the bill receive second reading and go to committee. I was worried for a while when the negotiations were under way that perhaps the bill would not go to a standing committee for examination and that it was the intention of the government to seek to have all stages concluded in the House. I would think, despite the impression I have that justice lies essentially with the performers and that on balance we should be supporting their position rather than that of the recording companies, the recording companies have a right to appeal to the Commons directly and to have their case heard.

There is an interesting aspect to this bill. The Commons really is being asked to adjudicate between two conflicting pecuniary claims. The government has taken the position that the income of performers should be protected and should not be diminished by the inclusion of the recording companies in this field. I have stated our feelings on the matter and we are quite prepared to see the bill go to committee and receive quick passage thereafter.

Mr. J.-T. Richard (Ottawa East): Mr. Speaker, I would like to say a few words on this bill. I take this opportunity to remind the government, as I have on many occasions in the past, that it is high time we got down to serious business and revised not only the Copyright Act, which is about 60 years old, but also the Patent Act, the Trade Marks Act and the Industrial Design and Union Label Act.

We talk a great deal about the economy, labour and finance of this country, but the Acts to which I refer are all restrictive to our economy. They make it possible for Canadians to export as royalties or otherwise about 60 per cent, 80 per cent or 90 per cent of the income derived under them to foreign countries, and to restrict the use by Canadians of patents of inventions, processes of manufacturing, and so on; trademarks in the use of words and copyrights to perform or to use reading matter in the case of books. I would have hoped, especially after all the royal commissions that were in action 10, 12 or 15 years ago, and after the reports of these commissions and of the Economic Council of Canada, that at this time we would seriously be discussing not a simple amendment, important as it may be, but new legislation which would be drafted in the interest of Canadian citizens.

A great deal has been made about everyone wanting to be a great Canadian nationalist; but we are still servants, under so many of these acts, to our foreign competitors and producers. I hope the government will look at this

particular type of legislation as well as the other legislation which affects our lives but perhaps not as directly from an economic point of view as the Patent Act, the Trade Marks Act, the Industrial Design and Union Label Act and the Copyright Act. In the meantime I would remind the government that it is well for it to participate in some of the international meetings relating to the protection of industrial property but not to be in too much of a hurry to sign agreements which would make it impossible at a future time to draft laws relating to copyright which should be in the interest of Canadians. I have already attended a number of such conferences. Our hands are already tied in respect of many international agreements. Let us not be in too much of a hurry in the future to agree until we have drafted an act which is in the interest of all Canadians.

This legislation apparently is necessary because action by the SRL would impose another burden on broadcasters in Canada, and surely any burden on them means more expense on the part of our citizens who will have to contribute to the expenses of the broadcasters. For these reasons I hope this bill will be given second reading immediately and be referred to the Standing Committee on Justice and Legal Affairs.

• (3:30 p.m.)

Mr. Deputy Speaker: Is the House ready for the question?

Some hon. Members: Question.

Motion agreed to, bill read the second time and referred to the Standing Committee on Justice and Legal Affairs.

Mr. Macdonald (Rosedale): Mr. Speaker, there have been discussions about the order of business. In view of advanced hour of the afternoon I think agreement has been reached that the time is ripe now to hear the hon. member for Winnipeg North Centre on his private member's bill. I think there is an upswell of sentiment that rather than divert to anything else we should go into private members' hour right away so that we could have the advantage of the hon. member's particular wisdom. Could that be agreed?

Mr. Aiken: Mr. Speaker, I thought the minister was going to rise in connection with the bill that we have just concluded. There is some anxiety to have that bill brought to a conclusion as quickly as possible. I merely want to indicate that our party is anxious to get the committee proceedings concluded quickly and get it back into the House for third reading. Hopefully, this can be done before the time limit which has been mentioned.

Mr. Macdonald (Rosedale): Mr. Speaker, supplementary to my comments on the order of business and while we look forward to hearing the hon. member for Winnipeg North Centre, I suggest that the period for private members' hour be only one hour from the time we commence, rather than one hour and 25 minutes.

Mr. Deputy Speaker: Is there agreement that by leave it shall be called four o'clock.

Some hon. Members: Agreed.

[Mr. Richard.]

PRIVATE MEMBERS' PUBLIC BILLS

HOUSE OF COMMONS

DESIGNATION OF SPEAKER AS MEMBER FOR PARLIAMENT HILL

Mr. Stanley Knowles (Winnipeg North Centre) moved that Bill C-52, respecting the designation of the Speaker of the House of Common as the member for the electoral district of Parliament Hill, be read the second time and referred to the Standing Committee on Justice and Legal Affairs.

He said: Mr. Speaker, this is an interesting afternoon. I shall certainly underline the things that the Minister of National Defence (Mr. Macdonald) said about me when I get a copy of today's *Hansard*. I also want to express my thanks to the hon. member for Fundy-Royal (Mr. Fairweather) for once again seconding my motion with respect to this bill.

Another preliminary remark I should like to make is that I hope I can be permitted, for the sake of the record, to draw attention to the fact that when during the course of this debate we address you, Sir, as Mr. Speaker, it is Your Honour, Mr. Deputy Speaker, who is in the chair at this time. In other words, I am drawing attention to the fact that we are debating this matter in the absence of His Honour the Speaker himself, and I think that is as it should be.

The purpose of this bill, as hon. members are fully aware, is to open the question of finding a way to provide for a continuing Speakership. This is a matter that has been discussed a good many times over the years. It gets the most serious discussion when we have in the chair an occupant such as the present Speaker. I am sure that all of us in this House feel that this institution itself is the better for the kind of leadership being given to us by today's occupant of the chair—and because of that leadership, because of what His Honour does for us, I suggest that right now there is even more discussion than usual on the desirability of finding a way to provide for a continuing Speakership.

I confess I have to express some regret that with the next election probably not more than a year away, no formal steps seem to have been taken to make sure that the present incumbent will be in the chair when we come back after the next election. I still hope that some way may be found to make this possible, and in particular I would hope that the Prime Minister (Mr. Trudeau), the leader of this House, would meet for discussions with the leaders of the other parties to see if something cannot be done to achieve this desirable end.

Sir, with respect to the bill itself I should like to say that I have given the matter a good deal of thought and I have discussed it with a good many people. I have no hesitation in saying that I think the provisions that are spelled out in my bill meet the various problems and that my bill represents the best solution of this matter that has yet been put forward. At the same time, I want to say that my concern is not with the details that I have put into this bill but with the principle. It will not offend me at all if persons speaking on this bill find details in it that they think should and could be improved. Indeed, I would welcome any other

device that might be brought forward as a means of achieving the purpose. However, I hope that if anyone is going to propose another device or another bill it will be something that is better than this one, something that copes with the problems that in my bill I have endeavoured to resolve.

Having said that may I, just for the purposes of the *Hansard* record, indicate the way my bill would provide for a continuing Speakership. The bill is entitled, "An act respecting the designation of the Speaker of the House of Commons as the member for the electoral district of Parliament Hill." It would provide that when a Member of Parliament has been elected in the normal way and has subsequently been elected to the chair by the House of Commons—the way we have done it for over 100 years as spelled out in the British North America Act—that that incumbent once he had two full sessions in the chair could, by a resolution of the House of Commons, be designated as the member for Parliament Hill.

May I make the point that that is an optional provision; the House would not have to do it. It would be free to do it if it was satisfied, as we are in this Parliament, with the job being done by the person in the chair. But in any case, the resolution to declare an incumbent of the chair the hon. member for the electoral district of Parliament Hill could be made only in the case of a member who had been in the chair for two full sessions. The present occupant has many more sessions than that. If this bill were to become law, of course it could be applied immediately in this case.

• (3:40 p.m.)

The step that would immediately follow from the designation of Mr. Speaker as the member for the electoral district of Parliament Hill would be that the constituency that had elected him at the previous election would be declared vacant and a by-election would be called there in the normal way. This is achieved in my bill by having, in addition to the amendments it makes to the British North America Act, the amendment that it makes to the Canada Elections Act. Thus, a vacancy having been declared in the constituency from which His Honour the Speaker had come, that constituency could hold a by-election and elect another member who would be a voice for that constituency on the floor of the House of Commons.

My bill expressly provides that in that circumstance Mr. Speaker, as the member for the electoral district of Parliament Hill, is a full member of the House of Commons in every other way. Indeed, it provides that the number of members of the House of Commons would be one more than is normally the case. In other words, if this bill were made law and came into effect at the present time, a new member would be elected for Stormont-Dundas and there would be a total of 265 seats in the House of Commons.

This bill goes on to provide that at the time of dissolution Mr. Speaker, who even under the present law continues in his office as the person in charge of staff and other arrangements in the House of Commons, would continue to be the member for the electoral district of Parliament Hill. He would not have to run anywhere to continue to hold that membership. He would be that member until the day the next Parliament, following an intervening election, meets as required by law to elect its Speaker. At that point my bill provides that he would be an eligible candidate for the Speakership of that new Parliament.

I trust it is clear from the way I put it that it would not be automatic; he would not be forced upon the succeeding Parliament. Presumably he would know and everyone else would know from what had happened in the previous Parliament whether it was likely he would be wanted. That being the case, the incumbent of the chair could carry on. He would be free, if he did not want to exercise that right, to run in a normal constituency and revert to the more normal role of us ordinary mortals who make up this chamber.

I believe, Mr. Speaker, while there are arguments about whether Mr. Speaker throughout his time in the chair should be a member in the sense that the rest of us are, having connections with a constituency, the argument comes down on the side of the proposition that the Speaker should in the first place be an ordinary Member of Parliament, should know what it is to run and get elected, perhaps run and get defeated and all the rest. But I think there comes a time when the incumbent of the chair has done such a good job, as is the case with the present incumbent, that it means more to Parliament as a whole to have him continue in that role than to put him in the position of having to go back and run in a partisan contest at a succeeding election.

I said earlier, and perhaps I may be permitted to repeat it, that the time when one considers this sort of thing, the time when it is most desirable to consider it, is when one has a person in the chair concerning whom there is a unanimous feeling of support and respect. You do not get a continuing Speaker—and you note that I prefer that word to the word "permanent", a bit of semantics I suppose but I cannot see anyone being a permanent fixture although I can see a continuing operation—by just deciding to one day go out and pick up a university professor or a worn-out politician, or a brand new one either, and put him in the chair. He might succeed or fail, no matter what his recommendations may have been.

You get a satisfactory continuing Speakership by seizing the moment when you have someone in the chair who is doing the job, who has proven his capacity, and saying that now is the time to continue this relationship. That is why I think there is a fair amount of discussion about the matter at the present time and I hope the discussion this afternoon will indicate that there is support for finding a way of putting this idea into practice before the next election.

As I have already said, I think my bill meets the various problems and meets them well. However, I do not have the kind of pride of authorship that would make me offended if changes in the details are proposed. I hope there will be some discussion, and I hope it will be favourable, of the general principle of finding a way to provide for the Canadian House of Commons a continuing Speakership and I hope we can find a way to keep in the chair the illustrious occupant we have at the present time.

May I conclude my remarks by simply pointing out that there are four things in particular that I believe are problems related to this whole question, all four of them being problems that my bill solves. In the first place, to become a continuing Speaker one cannot be just a choice that was

picked out somewhere; he has to have been a Member of Parliament elected in the first place in the ordinary way. My bill so provides.

In the second place a Speaker, once elected to the chair, does not automatically become a continuing Speaker; he has to prove himself through at least two sessions. This is called for in my bill.

In the third place, although my bill makes provision for a continuing situation it does not deny the right of each succeeding Parliament to make its choice. The good Speaker of one Parliament is there for the next Parliament to choose, but that new Parliament does not have to take him unless it, too, is satisfied.

My final point is that my bill makes it possible for a constituency that has done so well by electing a person who can fill the chair also to be a constituency that would have the right, in two years or so, to choose a member who would speak for it on the floor. This is achieved by the vacancy that is declared and the by-election that is to be held, as set out in Bill C-52.

I present the bill and its various points believing it is a matter that is of interest not only to members but to all Canadians who are concerned with the good image and the good functioning of Parliament, and I hope the debate on the bill this afternoon will be in that vein.

[*Translation*]

Mr. Albert Béchard (Parliamentary Secretary to Minister of Justice): Mr. Speaker, may I ask a question to the hon. member?

Mr. Knowles (Winnipeg North Centre): Yes.

Mr. Béchard: Under Bill C-52 introduced by the hon. member for Winnipeg North Centre regarding the designation of a permanent Speaker, an hon. member must have acted in that capacity for at least two sessions. What would happen should the occupant of that office die or resign? Should the same procedure be started over? I do not see at all the permanency that can exist in such a case.

[*English*]

Must we have a member sitting as the Speaker for two years before he can be appointed permanent Speaker?

Mr. Lambert (Edmonton West): There is a probationary period.

Mr. Knowles (Winnipeg North Centre): First of all, may I revert to my reference to semantics and say that I do not like the word "permanent". I prefer "continuing". Perhaps the difference is not as meaningful to my hon. friend as it is to me.

• (3:50 p.m.)

The second point is that we have that situation now. Somebody excellent occupies the chair. A Parliament lasts for two, three or four years. Parliament is dissolved and the Speaker is out, so to speak, and we must go through the process of electing another Speaker. I think that giving ourselves the right to arrange for the Speaker to continue from Parliament to Parliament makes good sense, both for the Speaker and for ourselves. There must be what my parliamentary secretary to my right calls a probationary period in which we make sure that the person we have chosen is as good as we thought he would be.

Mr. Hogarth: Mr. Speaker, I wonder if the hon. member would permit a question. My question relates to the second Parliament in which Mr. Speaker might serve. Let us suppose the first Parliament lasts for two sessions, Mr. Speaker is confirmed and then Parliament is dissolved and a new Parliament is formed. If he is not elected in that second Parliament he will be without a seat.

Mr. Knowles (Winnipeg North Centre): That is right, and that is a query a number of people have put to me. My answer to them is this. At the end of a Parliament or when Parliament has reached the point of dissolution, surely the members of that Parliament, the leaders of the parties and Mr. Speaker will know whether he is the sort of man who will be wanted for the next Parliament. If the relationship has not been good, he will know it and make other plans. Otherwise, he gambles. He does not run. He is the member for Parliament Hill, and even though there might be a change and somebody else might be chosen, even from his point of view it will be worth taking the gamble to maintain his independence.

An hon. Member: But he cannot run.

Mr. Knowles (Winnipeg North Centre): I do not think you should impose upon the new Parliament a choice that it has the right to make.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I suppose it might be considered an impropriety for me to speak here, since I held the position of Speaker of this House. I would approach this question with, shall we say, equanimity and impartiality.

An hon. Member: You lost the job.

Mr. Knowles (Winnipeg North Centre): The hon. member was not given the full probationary period.

Mr. Lambert (Edmonton West): May I say right from the start that I am unequivocally opposed to the idea of this bill. Let me make that clear from the beginning. I realize what the hon. member for Winnipeg North Centre (Mr. Knowles) is trying to achieve, yet somehow there is a fatal flaw in the whole idea. First, although I should like to read copiously from a certain book I hold I shall content myself with reading part of what is printed inside the dust-jacket. It ought to be on the record, and reads as follows:

> The Speaker is the representative of an institution which is a mocrocosm of the British nation and his prestige is immense. As the historic guardian of its privileges and its spokesman in its relations with the Crown, the House of Lords and authorities and persons outside Parliament, he is approached with ceremony and deference. His is a high and lonely office, above sectional interests and immune from party influences, and an extremely onerous one. He presides over debates, maintains discipline, interprets Standing Orders and gives rulings, and in addition has many administrative duties.
>
> The idea of an impartial Speaker is a modern one.

That is the point I want to emphasize.

> From the end of the fourteenth century, when the Speaker's name first appeared in records, he was for more than 250 years the King's man and as such liable to sudden rises to power and even quicker, sometimes fatal, falls.

If I may interpose, seven of them lost their heads.

After the Civil War the office became the perquisite of the government of the day and things began to improve, though of one Speaker it could still be said that 'nothing can exceed the badness of his character even in this bad age'. Great Speakers stalk the pages: Onslow, who served for a record thirty-three years in the eighteenth century and who is largely responsible for the modern concept of the Speaker; and Peel who, with his austere personality and splendid figure, dominated the House like a great actor and whose very presence was sufficient to quell disorder. Less happily, there was Speaker Gully who, in one of the House's worst moments, called in the police in 1901 to remove some recalcitrant Irish members.

There have been included in the *Hansard* of Westminster, in the *Hansard* of this House, in the Australian *Hansard* and the New Zealand *Hansard* very fine passages about the duties and responsibilities of the Chair. I have a quote from one of the recent Speakers of the New Zealand House on this point. It is noteworthy, however, that most of those speeches were made by members who did not occupy the chair. One ought to know that such paragons of virtue are exceedingly rare. One of the best descriptions of the duties, responsibilities and qualities of the Speaker is to be found in the *Hansard* record of this House for the year 1935. It is recorded in an exchange that took place between the Leader of the Opposition, Mr. Bennett, and the returning Prime Minister, Mr. King, during the only really contested election for the office of Speaker. The contest had arisen as the result of some action taken rather precipitously by the Speaker-designate.

I hope the House will forgive me if some of my views are subjective. May I say that Mr. Speaker derives his authority and the respect of the members of this House from essentially being one of them. To my mind he is the first among peers, and to be first among peers he must be one of the peers; he must be one of the members of the House. I have always believed that.

There have been motions and bills presented in the British House and elsewhere supporting the idea that has been advanced, with some variations, by the hon. member for Winnipeg North Centre. In Britain they wanted to call the Speaker the hon. member for St. Stephen's Hall. However, as soon as a member is elected to a position in which he is not one of the members of the House he becomes a super-official and is not one of the members. To my mind that is a fatal flaw. Even though the Speaker may represent a pseudo constituency, that is only a thin camouflage. Saying that he is elected to represent the constituency of Parliament Hill only thinly camouflages what he is.

One quality that we want of a Speaker is that he shall be scrupulously impartial. To be scrupulously impartial he must be independent—independent of government and independent of the opposition. This independence is fairly apparent in many ways in the United Kingdom where the custom has grown up that changes in government do not bring changes in the Speaker's office unless the Speaker has conducted himself in a completely unacceptable manner; otherwise he is expected to continue in office.

I recall what happened when the Labour government came to power in 1945. There is a famous story about the then Speaker. He was at King's Cross railway station, on his way home, and met Mr. Ernest Bevin, a minister in the Labour government. Mr. Bevin asked the Speaker, "Where are you going?" The Speaker replied, "I am going home to my constituency." "And what are you going to do there?" Mr. Bevin asked. The Speaker said, "Well, I am no longer wanted; isn't that so?" Mr. Bevin, who was a senior member of the then new Labour government, said, "Of course not. Don't be silly. Go back to your office; that is where you belong." I have paraphrased the story.

• (4:00 p.m.)

A little over a year ago I had the pleasure of seeing the only Labour Speaker of the House of Commons elected under a Conservative government. At that time there was no question that there would be any change. There has now been a change. The Speaker was nominated from government ranks only because Dr. King, the former Speaker, resigned for reasons of health. There is only one minor flaw in the British House. For the past year or two it has been said that at the end of a Speaker's term it is automatic that he shall be given a peerage. However, there is also the determination of his pension. What shall be the quantum of his pension? There has been a natural inclination to be rather pleasant to all members so that Mr. Speaker's pension will go through without any difficulty. I suggest it is a human failing, but that has been a trait.

Let us follow the procedures suggested by Bill C-252. An hon. member elected as Speaker of this House has, shall we say, a probationary period of two years. He must then wait and see whether the shoe fits. Will there be a resolution on the order paper proposing him as the hon. member for Parliament Hill? What will assure him of that? The bill is silent. Whose resolution will it be? Will it be that Mr. Speaker is appointed by government resolution? Mr. Speaker is the presiding officer of this House.

Mr. Knowles (Winnipeg North Centre): So it cannot be a government resolution.

Mr. Lambert (Edmonton West): How does a resolution get on the order paper to guarantee debate and that it will be taken up? Does it have precedence at the time of an election? Parliament will have met but the new session will not have started. There are some procedural difficulties. Will the resolution come after informal discussions through normal channels between the opposition and the government? This is a point. Human nature being what it is, there is a very grave danger that we will see in that section some equivocal acts in the mind of the occupant of the chair to guarantee that resolution appearing on the order paper next year.

During the first two years, is Mr. Speaker going to be independent of government? He may incur the wrath of the government or even the wrath of the opposition. He may incur the wrath of the government by a tough decision which is right. In recent years we have seen some reactions from government as the result of decisions by the Chair. Displeasure has been expressed in no uncertain terms. As a result, the House will suffer. I am concerned about the effect on the House and the protection of members on both sides, the protection of members one against the other, the private member from the government and the government from the opposition.

It is quite a job to protect the rights of this House. Mr. Speaker must not merely act as a referee and let the

players slug one another as long as they do so above the belt. That is not the position of Mr. Speaker: he is much more than that. He must protect one member from another on both sides of the House. I wish to read what was said by Mr. Speaker Algie of the New Zealand House:

> Since I have been in this House, I have listened with pleasure to a very great number of extremely able debaters and I have noted that the best of them are brief, terse, concise, relevant, and constructive. I have noted also that in their best moments they have been supremely polite, courteous, and free from personalities. That is the standard, honourable members, that we would like to attain and which the public would like us to reach.

I subscribe to that view. In order to achieve it, Mr. Speaker must take that attitude toward hon. members. By qualifying through a probationary period, Mr. Speaker's position might be very difficult. I come to a very practical problem, namely, the decision of an hon. member to accept an invitation to become Mr. Speaker. It has always been difficult. I assure hon. members that I wrestled with the problem. For a younger man it means a political derailment. Once Mr. Speaker takes the first step to the chair he must put aside partisan politics. There is no caucus, no special friends in any caucus and no political meetings. He becomes like Caesar's wife; there cannot be a finger of reproach pointed at him in this regard. This affects a person. Having occupied the chair I can assure hon. members that it still affects me in many ways.

Where does a man relatively young in service go from the chair unless there is to be a continuation? Is it going to be from the chair to the other place? That has been the record of a number of Speakers in this House, men of senior years. Is it going to be as some, myself included, who because of circumstances went from the chair into the cabinet? There is nothing wrong with that. I have seen the reverse, from the cabinet into the chair. The Speaker of the British House is a former cabinet minister. Former Speakers of this House have been chief whips of the government party.

What is to be the Speaker's career after the chair? One of the most serious deficiencies is that nothing is provided at the end of the road for Mr. Speaker. The pension scheme was thin; it is even thinner now. I think what we do is scandalous. Mr. Speaker as to abandon his private career. Being Speaker is a 150 per cent job. If Mr. Speaker is a young man he must consider his family, the future of his wife and himself. These are all factors to be considered.

• (4:10 p.m.)

But under this bill an hon. member who accepted the invitation to go into the chair would pass the probationary period, be elected by resolution, named to be the member for Parliament Hill and his constituency would disappear as far as he was concerned because his constituency would be represented by another member. We then have a general election. He is the representative for Parliament Hill. He does not go through a general election. There is a change of government, and where is he? There is no guarantee that he is going to continue, and he is out of the House.

Mr. Knowles (Winnipeg North Centre): His guarantee is the decency of Parliament.

[Mr. Lambert (Edmonton West).]

Mr. Lambert (Edmonton West): He is out of the House when he has taken the step that all hon. members have taken. They have made a conscious decision in many instances to give up business or professional careers. They have dedicated themselves to becoming Members of Parliament on behalf of their constituents, to a career in Parliament, that is, a career in public life. Again, the Speaker does not know. How is he to know he is going to carry on? There is a new administration. Remember, if this bill becomes law there is no alternative open to him, no certainty that a new administration would come along and accept Mr. Speaker. I much prefer the British system which we have seen put into practice following the last election, the steps which were taken at that time, albeit tentative.

It seems to me that now Parliament is a year-round proposition and has been for some years, and we have taken this tentative step, if Mr. Speaker indicates he wishes to continue as a member of a constituency he is not officially opposed and he does not contest the election. And let me tell you that the status of Mr. Speaker in his constituency during election time is very high. Other people can campaign on his behalf. It seems to me this does not put him at a disadvantage as far as the election is concerned.

So on a number of grounds I cannot endorse the proposal before us. First, I find that the last part of the probationary period would be very difficult for Mr. Speaker and I think deleterious to the interests of this House. I wish to be perfectly objective here without considering the personality of any man who has been in the chair.

Second, when we see a change in administration or even if there were a continuance of the same administration, what guarantee is there that the man who is in the position of the member for Parliament Hill, the outgoing Speaker, will be asked by the new administration to resume the chair? Suppose he has been called upon to make some very hard decisions—and sometimes they are very hard, decisions which incurred the wrath of the leader of the government party? That has happened and it will happen again in the future. It seems to me that by developing a system where by if Mr. Speaker has been conducting his office to the best of his ability and if, by reason of health and so forth, he is willing to continue, and if we also make sure in due course, as a major reform to come, that there is a proper pension available for him, we shall achieve what we want to achieve by way of an independent, continuing Speaker.

Mr. D. Gordon Blair (Grenville-Carleton): Mr. Speaker, I think all hon. members have had the benefits of listening to a good discussion by two of the most experienced members of this House. The hon. member for Winnipeg North Centre (Mr. Knowles) has not sought to retreat from the difficulties of the proposal he is advancing. His solutions to some of those difficulties are ingenious. On the other hand, the hon. member for Edmonton West (Mr. Lambert) has not only portrayed for us the intrinsic difficulties of this proposal but has made specific comments critical of the solutions proposed by the hon. member for Winnipeg North Centre.

I begin my remarks by suggesting that we are discussing something which is highly important to the work of

this chamber and to parliamentary government in this country. It seems to me that this is the kind of proposal which should be referred to a committee in order that it may be studied further. I am surprised that the hon. member for Winnipeg North Centre has suggested it should go to the Standing Committee on Justice and Legal Affairs rather than to the distinguished committee of which we both are members. But I attribute this to his well known modesty.

Mr. Knowles (Winnipeg North Centre): Perhaps the hon. member would permit me to point out that the decision as to the committee to which a bill is referred after second reading is made not by the member concerned but by the Chair and the officers at the table.

Mr. Blair: In this debate today, above all others, one should not say anything which could be considered as the least critical of the decision of the Chair and the officers of the House.

All hon. members are aware that we have made many important and constructive changes affecting the office of the Speakership even in the brief time during which I and others who first came here in 1968 have been in the House. To begin with, an important tradition has been supplanted. Formerly it was a tradition of Parliament that, after an election, a new Speaker should be chosen. I understand that it was also a tradition that the Speakership should alternate between a person whose mother tongue was English and a person whose mother tongue was French. But if I am not mistaken, it was determined for the first time before the election of 1968 that it would be advantageous to ask Mr. Speaker to continue in office. Arrangements were made between the parties during the election of 1968 which permitted Mr. Speaker to continue in office unembarrassed by a major political contest.

Other changes have been made which have increased the independence and the role of Mr. Speaker. Perhaps the most significant was the change in the rules which prohibited appeals from the Speaker's rulings. We know that the terms of Standing Order 26—a great favourite of hon. members opposite—having to do with emergency debate have also been revised so as to place much greater discretion in the hands of Mr. Speaker when determining which debates shall be allowed and the manner in which those decisions should be reached. One could mention other important changes which have been made in the rules conferring greater discretion on Mr. Speaker—for example, those dealing with the question period.

• (4:20 p.m.)

As we approach this debate we must realize that the force of recent opinion in this Parliament and, I suggest, also in the country has been in favour of creating a situation where the independence of the Speakership can be assured. This is the occasion that gave rise to the present debate and I think we are all equally concerned to find the best method of achieving this independence in the future.

I believe that the rules of this House, if not the rules of good manners, prevent me from saying anything more than the hon. members for Winnipeg North Centre and Edmonton West have said about the present Speaker, but perhaps I might just say this. His distinction in his office is an added reason why all members of the House are now seeking and striving to find a way of ensuring the continuity of an independent Speakership of excellence and great quality. We must realize that, more than any other member of the House, the Speaker faces certain problems of membership. He is detached from many of the concerns of ordinary life. Under present circumstances, where Parliament sits for many months of the year, the Speakership itself is more than a year-round office.

In addition to this, in his office as Speaker he is deprived of any of the usual political arrangements that maintain contact in his constituency. At each election he faces the problem of determining how to go to the people and seek reaffirmation of his mandate when, by the very nature of his office, he is prevented during his term from participating in any of the usual activities associated with membership of this House.

If I might be permitted a personal observation, it has been my privilege as a member of this House to represent a constituency which lies beside that of Mr. Speaker. In addition, my provincial colleague during most of my term has been Speaker of the Ontario House. I am well aware of the feeling—which is not entirely justified, I must say—on the part of the people in the constituencies that a person who is Speaker is not representative of his constituents in the same sense as an ordinary member. I say that this feeling is not entirely justified because I have been able to observe rather closely how well the respective Speakers of this House and of the Ontario House have represented their constituents. But none the less the feeling persists and it is one which in a democratic society has to be recognized.

Coming more directly to the motion before us, we are all well aware of the history and traditions of the British Speakership. At least, we are well aware of them in general, though I think there is a certain mythology which attaches to the Speakership at Westminster. There are a great number of people in this country who believe there is a permanent Speakership at Westminster. People believe that there is a seat that is set aside for the Speaker. We know that this is not so. In fact, the independence of the Speakership at Westminster is the product of a long history, some of which might be regarded as fortuitous.

It happens that no Speaker since, I think, the year 1710 has been defeated in an election at Westminster. It also happens that for more than 180 years there has never been a contest in the House of Commons at Westminster over the election of a Speaker. As I understand it, this has been removed from all types of partisan consideration. In each election in the United Kingdom the Speaker stands as a candidate in his constituency and a determination has to be made by all political parties whether or not there will be a contest or whether there will be an acclamation. In the early years of this century, perhaps for almost 50 years, Speakers were acclaimed, but I believe the practice which has prevailed since 1945 is that British Speakers have gone through contested elections.

It is said, and I think not without reason, that the situation that prevails in the United Kingdom is rather different from that which prevails in this country. There the territory is smaller, the opportunity of people who may be represented by the Speaker to have access to other Members of Parliament is much more apparent than it might

be here. This is the reason for the added weight given to the arguments in this country for the creation of what might be called a fictitious constituency which Mr. Speaker might represent.

This matter, as hon. members I am sure know, has been studied in a number of different areas. The British Parliament in 1939 had a very select committee consider this problem, the members of which included Winston Churchill, David Lloyd George and other parliamentarians of great reputation. They concluded in their report that it was an artificial solution to create a fictitious constituency for the Speaker. This conclusion appears to have been reinforced by a short debate that occurred in the United Kingdom Parliament on April 24, 1963.

In our own Parliament, as all hon. members are aware, extensive consideration was given to procedural matters prior to the election of 1968 and a great deal of work was done by our predecessors and by various people who contributed to their deliberations. Professor Denis Smith of Trent University filed a report entitled, "The Speakership of the Canadian House of Commons: Some Proposals", published as an appendix to *Votes and Proceedings* for June 2, 1965. There we find in a full blown way—unhappily, I cannot refer to the report except briefly—the argument for the creation of a permanent Speakership in which the Speaker would represent an artificial constituency, perhaps called the constituency of Parliament Hill.

Another important academic contribution was made by Professor J. H. Aitchison, who gave extensive attention to the office of Speaker and whose findings were published and reported, among other places, in the Ottawa *Citizen* for April 19, 1963. His conclusions are roughly the same as those of Professor Smith and both of their studies are entitled, I think, to great weight in any consideration that we give to this question.

On the other hand, I might mention the views of two distinguished parliamentarians of our generation which are to the opposite effect. The right hon. member for Prince Albert (Mr. Diefenbaker), speaking in this House on May 20, 1965, as reported at page 1517 of *Hansard*, declared himself firmly against this idea. He said:

• (4:30 p.m.)

> I do not believe in the principle that a constituency should be set up for the purpose of providing a Speaker. He would then cease to be the first Commoner that he is, because he would be there by choice and not election.

To the same effect are the words spoken by the then Prime Minister, Right Hon. L. B. Pearson, on May 19, 1965, as reported at page 1483 of *Hansard* as follows:

> This possibility has its attractions, but it seems to me that it also has its disadvantages, and I am not sure that it would achieve the objective it was desired to achieve in putting it into effect. This device would certainly transform the Speaker from being an equal with his fellow members over whose deliberations he presides into—I say this in no derogatory sense—some type of parliamentary functionary, and I suggest that the change might even reduce the prestige of your office.

Finally, I should like to refer to the important words spoken by the Leader of the Opposition (Mr. Stanfield) at the time of the election of Mr. Speaker on September 12, 1968, as reported at page 3 of *Hansard* of that day. The Leader of the Opposition said:

> The appointment of a permanent Speaker remains one of the necessary objectives of parliamentary procedure and parliamentary improvement. I hope we can all agree upon the urgency of taking action in this regard . . . is urgent in that respect as well as for the regulation of parliamentary procedure that early consideration be given to alternative methods of removing the election of the Speaker from partisan considerations.

We face a difficult problem. The best method of providing continuity of the independent Speakership of this House is one which we should earnestly seek and search for. We should also seek a method which would guarantee to the person who holds the onerous responsibility of our Speaker the greatest measure of security and independence. For this reason I urge all hon. members to support this motion so that it may be more fully considered in committee.

Mr. Deputy Speaker: Order. The hour provided for the consideration of private members' business has now expired.

At 4.35 p.m. the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Monday, November 1, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Frank Howard (Skeena): Mr. Speaker, pursuant to Standing Order 43 and because of a matter of urgent and pressing necessity, the imminence of the nuclear bomb test at Amchitka, I seek the permission of the House to move the following motion, seconded by the hon. member for Comox-Alberni (Mr. Barnett):

That this House express its best wishes to the *Greenpeace Two*, hopes that it and the crew thereof have a safe journey and that the mission upon which the *Greenpeace Two* is embarked is successful to the end that President Nixon, in the interest of mankind and for humanity's sake will cancel the proposed nuclear bomb test at Amchitka Island.

Some hon. Members: Hear, hear!

Mr. Speaker: The motion proposed by the hon. member for Skeena requires the unanimous consent of the House. Is there unanimous agreement?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity and the motion cannot be put.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk)

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION GRANTS

Question No. 1,277—**Mr. Rondeau:**

1. Since its inception, has the Department of Regional Economic Expansion made any grants for tourism or para-industrial projects and, if so, on what criteria are such grants made?

2. For each grant made (a) what was the amount (b) what were the names of the recipients?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): 1 and 2. The Department of Regional Economic Expansion has not made any grants for tourism or para-industrial projects. However, during 1970-71, contributions were made to provincial governments for Tourism and Recreation, under agreements listed below. Reimbursements to cover Canada Land Inventory and other research costs are not included.

FRED

	$	$
Prince Edward Island	707,615.20	
Mactaquac	1,184,613.00	
Northeast New Brunswick	76,501.84	
Lower St. Lawrence, Gaspé	1,025,692.00	
Interlake	454,316.33	
	3,448,738.37	3,448,738.37
Special Areas —		
Quebec		4,626,001.15
ARDA 2 and 3—		
Newfoundland	83,637.20	
Nova Scotia	206,153.22	
New Brunswick	121,347.11	
Quebec	519,680.39	
Ontario	195,837.90	
Manitoba	175,295.96	
Saskatchewan	213,149.29	
Alberta	62,107.03	
	1,577,208.10	1,577,208.10
		9,651,947.62

[*English*]

PUBLICIZING OF OPPORTUNITIES FOR YOUTH PROGRAM

Question No. 1,495—**Mr. St. Pierre:**

1. How many persons on the staff of Information Canada were assigned to the distribution of announcements of the Opportunities for Youth Program?

2. Was any agency other than an agnecy in the government service employed for publicizing the announcement of this program and, if so, (a) what agency (b) at what fee (c) for what reason?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by Information Canada and the Department of the Secretary of State as follows: 1. Three members of the staff of Information Canada assisted with the initial distribution of the announcements.

2. Yes. (a) A firm of public relations consultants, Carleton-Cowan Public Relations, was hired for advisory services by the Department of the Secretary of State in connection with the announcement of the Summer '71 student employment and activities programs, which included the Opportunities for Youth Program. (b) A total of $1,155 was paid to Carleton-Cowan Public Relations to publicize the announcement of the Summer '71 programs. (c) In light of the considerable interest which would be

generated by the new programs, additional resources to the existing information services in the Department of the Secretary of State were required to cope with the information and publicity needs of these programs on an urgent basis.

WRITS OF ASSISTANCE (CUSTOMS ACT)

Question No. 1,708—**Mr. Howard (Skeena):**

Since January 1, 1971 have any writs of assistance been issued pursuant to the Customs Act and, if so (a) how many such writs have been issued (b) what is the name and office held by each person to whom a writ was issued (c) on what dates whas each such writ issued?

Hon. Jean-Pierre Goyer (Solicitor General): (a) Eight. (b) Corporal L. R. McKergow, RCMP, Federal Law Enforcement (Ontario); Constable A. C. Moores, RCMP, Federal Law Enforcement (Ontario); Constable J. L. R. LaPerriere, RCMP, Federal Law Enforcement (Ontario); Corporal J. G. L. Boivin, RCMP, Federal Law Enforcement (Quebec); Constable J. J. G. Bouffard, RCMP, Federal Law Enforcement (Quebec); Constable J. L. G. Dionne, RCMP, Federal Law Enforcement (Quebec); Constable P. M. Laxson, RCMP, Federal Law Enforcement (Quebec); Constable A. R. Lockwood, RCMP, Federal Law Enforcement (Quebec). (c) All eight writs of assistance were issued on May 25, 1971.

IMPOSITION OF TARIFF TO PROTECT CANADIAN APPLE INDUSTRY

Question No. 1,710—**Mr. Fairweather:**

Does the government intend to protect the Canadian apple industry by the imposition of a tariff equal to the tariff imposed by the United States on the importation of Canadian apples?

Hon. E. J. Benson (Minister of Finance): No. Although the Government is studying a full range of possible measures which might be adopted to mitigate the effects of the U.S. economic measures on the Canadian economy once their impact is clearly defined, it does not plan to retaliate against the effects of the U.S. surtax on Canadian exports. Recent reports suggest that the United States will implement the last of its Kennedy Round cuts on January 1, 1972; Canadian fresh apples would then enter the U.S. duty free. The U.S. surtax would not then apply to U.S. imports of fresh apples.

QUEEN'S HONOURS

Question No. 1,796—**Mr. Coates:**

Are all honours awarded by the Queen to outstanding Canadians made on the basis of recommendations from the government and, if not, are awards granted on Her recommendation?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): The Government of Canada does not recommend to Her Majesty the Queen the award of British honours to Canadian citizens. The Order of Canada provides for the recognition of outstanding achievement and merit of high degree. Canadians are eligible, however, to receive certain classes of honours which are bestowed by the Queen on the recommendation of the United Kingdom Government and with the prior consent of the Government of Canada, e.g. for meritorious service as an employee of a British Government agency in Canada. Certain categories of honours, e.g. the Order of Merit, are the personal gift of the Queen alone and are not subject to recommendation.

OPERATIONS PERFORMED AT WHITEHORSE GENERAL HOSPITAL

Question No. 1,800—**Mr. Nielsen:**

1. How many hysterectomies or other similar operations having as their result the sterilization of female patients have been performed at the Whitehorse General Hospital over the past two years?

2. Of such operations, how many have been performed on Indian patients and how many have been performed on white patients?

3. In each such case where such operations were performed, was a form of consent signed by the patient and obtained from such patient before such operation?

4. If such consent signed by such patient was not obtained, what other authority, if any, was obtained for the performance of such operation?

5. In the case of each operation, what was the name of the doctor performing the operation?

Hon. John C. Munro (Minister of National Health and Welfare): 1. One hundred and forty. NOTE: Hysterectomies, although they result in sterilization, are usually performed in the course of treatment of benign and malignant tumours and other pathological or functional disorders affecting health.

2. Twenty seven Indians; 123 others.

3. Yes.

4. See question 3.

5. It is not in the public interest to give such information without consent of the doctors.

PUBLIC SERVICE—POSITION OF CUSTOMS AND EXCISE OFFICER, CHARLOTTETOWN, P.E.I.

Question No. 1,820—**Mr. MacLean:**

1. Did the Public Service Commission advertise in July, 1971 for the position of Customs and Excise Officer located in Charlottetown, Prince Edward Island?

2. What are the duties of this position which require proficiency in both official languages?

3. What percentage of the population of Prince Edward Island is not proficient in both official languages and was thus disqualified from this position?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): I am informed by the Public Service Commission as follows: 1. Yes.

2. "Under general supervision, applies the provisions of Customs and Excise laws and regulations for the prevention of smuggling and other evasions and the collection of revenue; enters and accepts reports covering vessels and aircraft arriving from abroad; examines the baggage of passengers and crew; provides for the return of articles exported in the company of residents visiting abroad; composes reports and correspondence and performs other related duties".

3. 92.5 per cent according to the 1961 Census. The justification in requiring the incumbent of the position to be

bilingual was, however, to provide service in both official languages to the travelling public as required by the Official Languages Act.

[*English*]

PERCENTAGE OF ATTRIBUTABLE COSTS OF MAILINGS PAID FOR BY USERS

Question No. 1,833—**Mr. Robinson:**

What percentage of attributable costs of (*a*) bulk mailings (*b*) first class mailings (*c*) second class mailings (*d*) air mailings, is paid for by the users?

Hon. Jean-Pierre Côté (Postmaster General): (*a*) Bulk mailings are included in the class which applies to the items conveyed; (*b*) 97 per cent; (*c*) 38 per cent; (*d*) air mailings are included in the class which applies to the items conveyed.

SUMMER EMPLOYMENT—APPLICATION BY MR. IAN HAYES, VANCOUVER

Question No. 1,836—**Mr. Nesbitt:**

1. Was an application for summer employment by Mr. Ian Hayes of Vancouver made to the Public Service Commission on or about March 15, 1971?

2. In response to this application, was any reply ever sent to Mr. Hayes by the Public Service Commission and, if so, on what date was the reply sent?

3. What was the purport of the reply?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): I am informed by the Public Service Commission as follows: 1. Yes.

2. Yes. June 1971.

3. He was advised that it appeared unlikely that he would be offered employment.

[*English*]

DEPARTMENT OF JUSTICE—LEGAL SECTION

Question No. 1,840—**Mr. Fortin:**

1. How many people work in the Legal Section of the Department of Justice and of them, how many are legal officers and what are their names?

2. Which ones have (*a*) civil law training (*b*) common law training?

3. How many are (*a*) bilingual (*b*) unilingual (French) (*c*) unilingual (English)?

4. Is legislation drafted simultaneously in both languages or is the French version a translation of the English?

5. What action is being taken to ensure that legislation respects both legal systems?

Hon. John N. Turner (Minister of Justice): 1. In the Legislation Section there are 30 persons employed, exclusive of the jurimetrics division and other services attached to the Section. There are 13 legal officers whose names are: Beseau, P. Boileau, P. Dawson, Mrs. M. du Plessis, R. Geoffrion, R. L. J. Gibson, F. E. Juteau, G. Lindsay, R. F. MacDonald, Miss E. I. Pepper, M. H. Popp, A. H. E. Shepard, M. Ryan, J. W.

2. Messrs. Boileau, du Plessis, Geoffrion and Juteau and Mrs. Dawson have civil law training; Messrs. Beseau, Gibson, Lindsay, Pepper, Popp, Shepard and Ryan and Miss MacDonald have common law training. Mrs. Dawson is trained also in common law.

3. (*a*) Five, (*b*) nil, (*c*) eight.

4. First drafts are prepared in the Legislation Section in the language in which the instructions are given by the Department primarily concerned with the sponsorship of the legislation. A translation of the first draft is then prepared, which is then sent to officers in the section working in the other language or legal discipline. Subsequent drafts are adapted to both the requirements of the two legal disciplines and two official languages. The draft printed bill is then prepared concurrently in the two language versions. Because of the method used, the French version of a bill is not, nor is it intended to be, a translation of the English version or vice versa.

5. See question no. 4:

HOUSING IN URBAN CENTRES, 1970

Question No. 1,863—**Mr. Orlikow:**

1. How many houses were begun by builders in urban centres in 1970 and of this number, how many were in (*a*) Halifax (*b*) Montreal (*c*) Toronto (*d*) Hamilton (*e*) Winnipeg (*f*) Regina (*g*) Calgary (*h*) Edmonton (i) Vancouver?

2. How many apartment units were begun by builders in urban centres in 1970 and of this number, how many were begun in (*a*) Halifax (*b*) Montreal (*c*) Toronto (*d*) Hamilton (*e*) Winnipeg (*f*) Regina (*g*) Calgary (*h*) Edmonton (i) Vancouver?

Hon. Robert K. Andras (Minister of State for Urban Affairs):

Dwelling Starts, by Type of Dwelling, Urban Centres and Selected Metropolitan Areas—Canada, 1970

Area	Single-detached	Semi-detached and Duplex	Row	Apartment	Total
Canada—Urban Centres (10,000 + Population)	40,859	8,993	15,359	85,788	150,999
Selected Metropolitan Areas					
Halifax	401	162	10	1,700	2,343
Montreal	4,961	1,295	1,935	14,826	23,017
Toronto	3,249	1,862	1,906	23,504	30,521
Hamilton	997	175	727	2,646	4,545
Winnipeg	1,685	767	868	3,341	6,661
Regina	393	4	12	9	418
Calgary	2,865	462	789	2,624	6,740
Edmonton	1,920	162	1,369	2,879	6,330
Vancouver	4,482	350	839	7,766	13,437

Questions

REDUCTION IN TAX ON TELEVISION SETS

Question No. 1,890—**Mr. Robinson:**

Will the government ensure that the 15% reduction in tax making for a like reduction in the price of TV sets is passed on to the consumer?

Hon. E. J. Benson (Minister of Finance): The government does not have a system of price controls. Vendors of television sets announced price reductions immediately following the announcement of the tax removal.

COMBINES INVESTIGATION—ALLEGATIONS RELATIVE TO CARTIER REFINERIES INCORPORATED

Question No. 1,929—**Mr. Macdonald (Egmont):**

Has the Minister of Consumer and Corporate Affairs issued any directive to the Combines Investigation Branch that would serve to either hastne or postpone completion of investigations relative to allegations made by Robin Austin and John Featherstonhaugh, Q.C., in relation to Cartier Refineries Incorporated?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): No.

ANNUAL PENSIONS TO WIDOWS OF FEDERALLY APPOINTED JUDGES

Question No. 1,944—**Mr. Kaplan:**

How many widows of federally appointed judges are currently receiving annual pensions in respect of their spouses' office of less than (a) $2,000 (b) $3,000?

Hon. John N. Turner (Minister of Justice): (a) nine; (b) 47 for a total of 56.

QUESTION PASSED AS ORDER FOR RETURN

REGIONAL DEVELOPMENT INCENTIVES ACT—APPLICATIONS FOR ASSISTANCE

Question No. 1,701—**Mr. McQuaid:**

1. Since the coming into effect of the Regional Development Incentives Act, how many applications for assistance from each of the Provinces of Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick were (a) received (b) accepted (c) declined (d) allowed to lapse after approval?

2. What were (a) the applications accepted from the Province of Prince Edward Island (b) the estimated capital cost of each approved project (c) the type of industry benefited (d) the rate of offer (e) the estimated additional employment to be provided in each case?

3. Of the applications accepted from Prince Edward Island, how many projects have actually commenced?

4. What is the total amount paid to date for each of the approved applications from Prince Edward Island?

Return tabled.

[Mr. Andras.]

ORAL QUESTION PERIOD

INDUSTRY

SUBMISSION OF INDUSTRIAL DEVELOPMENT STRATEGY TO FINANCE MINISTERS' MEETING—APPROPRIATENESS OF PROPOSED CORPORATE TAXATION CHANGES

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, may I ask the Prime Minister whether, in view of the urgency expressed a few weeks ago in the interim report of the Science Council with regard to the development of an industrial strategy and the importance that the council placed upon co-ordination, the government of Canada is placing any proposals with regard to a co-ordinated industrial development strategy before the Ministers of Finance from the provinces who are meeting with the federal minister in Ottawa?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, I do not believe such a detailed strategy will be proposed to the Ministers of Finance. The House knows that we appointed a Minister of State for Science and Technology some time ago, and one of his priorities is, indeed, to arrive at some policy formation in this area.

• (2:10 p.m.)

Mr. Stanfield: I am sure the Prime Minister has had an opportunity to study the report. In view of the urgency stressed in it, has the Prime Minister ordered any study of this report and, in particular, has he ordered any study of the tax legislation now before the House in order to determine whether those parts of it that particularly relate to proposals for changes in corporate taxation are relevant to an industrial development strategy under present conditions in this country?

Mr. Trudeau: Mr. Speaker, this is only one of many reports that have dealt with the subject, both external and internal reports. The House knows that the government has taken various measures to encourage science and technology and the industrial application of science both in our internal operations and through negotiating agreements with other countries, to wit, the recent agreement with the Soviet Union to have exchanges on the industrial application of science. The government has been moving in these fields. We are continuing to determine if there are other ways in which we can continue this movement.

Mr. Stanfield: I asked the Prime Minister whether he had ordered any examination of the appropriateness of the tax reform bill now before the House with regard to an industrial development strategy. Will the Prime Minister consider asking the Minister of Finance, now that the minister is continuing to introduce amendments to the tax bill, to bring in one very far reaching amendment, namely, to drop all of the bill other than those parts concerning personal income tax exemptions and related matters?

Mr. Trudeau: Mr. Speaker, this type of consideration was in our mind when we drew up the taxation reform bill and when we brought in some of the amendments. The Leader of the Opposition will have an occasion to explain his point of view when that part of the bill is reached and discussed in the House. I am saying at this time that we are not proposing to bring in any further amendments.

[*Later:*]

Hon. George Hees (Prince Edward-Hastings): I have a supplementary for the Prime Minister following the question asked by the Leader of the Opposition. Is it the intention of the government to have the Minister of State for Science and Technology make a report to the cabinet for study and consideration of action thereon by the government in the same way as the government had the Minister of National Revenue study the question of foreign investment in Canada and report to the cabinet? If that is to be the case, does the government intend to completely ignore the scientific report, as it ignored the report made by the Minister of National Revenue?

Mr. Speaker: Order, please. The hon. member's question is not asked in a way that would make it acceptable procedurally.

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ADMINISTRATION OF JUSTICE

POSSIBLE LEGISLATION RESPECTING RIGHT OF ACCUSED TO COUNSEL, LENGTHY DETENTION IN JAIL BEFORE TRIAL

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): I want to direct a question to the Minister of Justice. It arises out of the study made by the Canadian Civil Liberties Association and financed by the Ford Foundation. This study shows that almost half of the accused persons whose cases were studied went through their entire trials without a lawyer and that in about a fifth of the cases the accused were kept in jail anywhere from one week to three months before coming to trial. In view of the facts that have come to light as a result of this study, is the minister going to propose any amendments to deal with this state of affairs?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I would like to take a look at that report. The newspaper commentaries indicated that the report was limited to five major cities in Canada. I would hope some of the alleged facts might be reversed when the bail reform bill is proclaimed on January 2.

Mr. Douglas: In view of the fact the study showed that a great many persons had been refused permission to telephone from the police station at the time of their arrest and that a great many had given self-incriminating evidence prior to seeing their lawyer, is the minister prepared to introduce legislation which will make it mandatory for an accused person to have legal counsel before a conviction can be registered against that person?

Mr. Turner (Ottawa-Carleton): I am considering whether the right to counsel ought to be embodied in the Criminal Code. It will be recalled that we were unsuccessful in having it inserted in the Canadian constitution as a result of the failure to ratify the recommendations of the Victoria conference. At any rate, right to counsel has to be supplemented by legal aid, and I am reviewing that aspect as well.

[*Later:*]

REQUEST FOR REFERENCE OF CIVIL LIBERTIES ASSOCIATION REPORT TO LAW CONFERENCE OR STANDING COMMITTEE

Mr. John Gilbert (Broadview): My question is directed to the Minister of Justice. In view of the statement in the report that the courts are insensitive to the problems that face people who come before them, would the minister include this subject of this report on the agenda for the law conference next February so that it can be discussed and relayed to the judges who will be in attendance?

Hon. John N. Turner (Minister of Justice): I will consider the suggestion, though it might be difficult to carry out at this stage. The primary responsibility for the administration of the courts falls, of course, within the purview of the provincial Attorneys General. It might be that the proper recourse would be to take the matter up with them.

Mr. Gilbert: Would the Minister of Justice refer the subject matter of this report to the Standing Committee on Justice and Legal Affairs so that the committee might study it in depth, invite the persons who prepared the report to appear, and engage in a full discussion on the subject?

Mr. Turner (Ottawa-Carleton): That is a suggestion worth considering.

* * *

FINANCE

NEWFOUNDLAND REPRESENTATIVE AT MEETING OF FEDERAL AND PROVINCIAL MINISTERS

Mr. James A. McGrath (St. John's East): I should like to ask the Prime Minister whether he can tell us who is representing the province of Newfoundland at today's finance ministers' conference in view of the fact that the Minister of Finance for Newfoundland went down to defeat with the Smallwood government in that unknown election to which the Prime Minister referred in Halifax on Saturday when he was asked about the Newfoundland election. I should like to ask the Prime Minister specifically who is representing the province of Newfoundland today at the meeting with the provincial Ministers of Finance in view of the fact that the Minister of Finance for Newfoundland, together with the Smallwood government, went down to defeat last week?

Right Hon. P. E. Trudeau (Prime Minister): Not only did I not refer to an unknown election, but I was not in Halifax on Saturday. The facts are all wrong.

Mr. McGrath: May I, without repeating the premise of my original question, which was accurate—it was perhaps last Friday—ask the Prime Minister who certainly knows

now that there was an election in Newfoundland last week—

Mr. Speaker: Order, please. I thought the election was over.

Some hon. Members: Oh, oh!

Mr. Bell: It has just started.

Mr. McGrath: I apologize, Mr. Speaker, for getting carried away. I should like to ask the Prime Minister to tell us who is representing the province of Newfoundland today at the finance ministers' conference in view of the fact that the Newfoundland Minister of Finance was defeated in last week's provincial election?

Mr. Trudeau: The premise was still wrong. As to the question itself, I do not know.

Mr. R. Gordon L. Fairweather (Fundy-Royal): Can we be assured by the Prime Minister that the paving which is going on outside this building is not left over from the Smallwood campaign?

Some hon. Members: Oh, oh!

Mr. John Lundrigan (Gander-Twillingate): I am sure there is none left over. It was all used in my riding.

Some hon. Members: Oh, oh!

Mr. Lundrigan: May I ask the right hon. gentleman to tell us who will be invited from the province of Newfoundland to attend the conference of first ministers to be held later this month?

Mr. Trudeau: The premier of Newfoundland, Mr. Speaker.

Mr. Lundrigan: Can the Prime Minister tell us who that man is?

Some hon. Members: Oh, oh!

* * *

• (2:20 p.m.)

NATIONAL DEFENCE

REPORTED APPROVAL OF PURCHASE OF CF-5 AIRCRAFT—POSSIBLE REOPENING OF CANADAIR PRODUCTION LINE

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, I am sure Frank Moores will get the invitation. In welcoming the Toronto *Sun* to Canadian journalism I wonder whether I could ask the Minister of National Defence a question based on an article which appeared in this new publication this morning indicating that Treasury Board has approved $10 million for the purchase of more CF-5's to replace equipment to be sold to Venezuela. Will this in fact entail the opening up of the production line at Canadair again?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the discussions with Venezuela are currently in process and I do not think it would assist them or the Canadian aviation industry to indicate at this point the exact stage the discussions have reached. However, the White Paper on Defence indicated that some of the CF-5 aircraft would be used in an advanced training role and for this purpose the department's budget would be increased so that some of the aircraft now in inventory can be converted. As to whether the existing aircraft will be sold to Venezuela and replacement dual aircraft purchased to put into inventory or whether the existing single aircraft will be converted to duals, this will depend, of course, on the outcome of the proposed sale to Venezuela.

Mr. Forrestall: Do I gather from the Minister of National Defence that Treasury Board has not yet approved an item of $10 million so that the production line at Canadair might be reopened?

Mr. Macdonald (Rosedale): In view of the fact that at the moment we do not know whether there will be a sale or a conversion of the existing aircraft, because we do not know yet whether the sale will be completed, it is a little difficult for Treasury Board to arrive at any conclusion.

Mr. Forrestall: May we have some assurance from the Minister of National Defence that a statement will be made by himself, or by his colleague the Minister of Supply and Services or by the Minister of Industry, Trade and Commerce at the conclusion of the negotiations with Venezuela?

Mr. Macdonald (Rosedale): Mr. Speaker, it is the Minister of Industry, Trade and Commerce who is now in the process of negotiating the sale. I am sure that if he brings off an advantageous contract he will not be loath to announce it to the House.

Mr. Hees: A supplementary, Mr. Speaker.

Mr. Speaker: Order, please. I suggest to hon. members that we should try to limit supplementaries so as to give effect to the very valuable advice given to the Chair last week. The hon. member for Saskatoon-Biggar.

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GRAIN

LIFT PROGRAM—REPAYMENT REQUESTS TO FARMERS—REFERENCE TO LEGAL OFFICERS OF GOVERNMENT

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, may I direct a question to the Minister of Agriculture. In view of the fact that the minister's parliamentary secretary said in the House on October 28 that whether or not prosecutions in regard to the Lift program would be undertaken in individual cases if repayment is not made voluntarily would be determined at a later time and depend upon the circumstances of each case, would the minister inform the House whether the question of overpayments under the Lift program has been referred to the legal department of the government both as to cases pending and as a question of principle?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, there are a variety of reasons why there appear to be overpayments. In some cases the figures in the application do not correspond with the figures in the permit book for the previous year; in other cases the figures do not

correspond with the aerial photographs, and so on. Some of these, hopefully, will be settled when further explanation is given either to the farmer or by the farmer to the officer inspecting. These cases are not all exactly the same, but I am sure the hon. member would expect us to collect any overpayments made or, indeed, any payments that were made that were not in accordance with the regulations under the program.

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I have a supplementary question. Without accepting the understanding the minister has attributed to me, I should like to ask whether individual cases of farmers were examined by counsel in the Department of Justice or any other department of government before payment was demanded by letter from these farmers?

Mr. Olson: No, Mr. Speaker, not each individual case, although we will be referring some of them to the Department of Justice. The simple answer to the question is that each individual case was not examined by the Department of Justice before we asked for repayment.

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ATOMIC ENERGY

BASIS FOR LOAN TO REHABILITATE GLACE BAY HEAVY WATER PLANT

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, my question for the Prime Minister concerns a reported announcement made by him on Friday that the federal government will make a $95 million loan to Atomic Energy of Canada to rehabilitate the heavy water plant at Glace Bay. Is the government taking this action on the basis of the results of the $300,000 engineering study announced by the Minister of Energy, Mines and Resources on January 29 and, if so, is that report now public?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, this decision was not based essentially on that report; it was based on a requirement that the country has for heavy water and on an examination of the proposition put to us by Premier Regan to the effect that we can rehabilitate this plant and obtain heavy water from Glace Bay sooner and, hopefully, cheaper than we could by building a completely new plant elsewhere.

Mr. McBride: Mr. Speaker, I have a supplementary question which is also directed to the Prime Minister or the minister answering for the Minister of Energy, Mines and Resources. In the Prime Minister's statement to the House on April 10, 1970, which appears at page 5711 of *Hansard*, he made federal assistance to Nova Scotia conditional on a satisfactory operator being found. In view of evidence given to a committee of the House at a more recent date that no such operator had been found, I should like to ask whether such an operator has been found and who is it?

Mr. Speaker: The hon. member for St. John's West.

Mr. Broadbent: I rise on a question of privilege, Mr. Speaker. Since we now have persistent and dangerously high levels of unemployment, since the rate of close-downs in factories in the province of Ontario is at its highest level since 1929, and since some 2,000 auto workers are effectively out of work as of today, I should like to know why neither the Minister of Manpower nor his parliamentary secretary are in the House today when according to the roster system they should be. Perhaps the Prime Minister can answer that.

Mr. Trudeau: Mr. Speaker, the very simple reason is that the minister is at the federal-provincial conference today dealing with the provinces on the very subject on which the opposition has said we should be dealing with the provinces.

Some hon. Members: Hear, hear!

Mr. McBride: Mr. Speaker, on a point of order—

Mr. Speaker: Order, please. The hon. member has asked a question, and I will recognize the hon. member for Oshawa-Whitby in a moment for the purpose of asking a question if he wishes to do so. For the moment the Chair recognizes the hon. member for St. John's West.

Mr. McBride: Mr. Speaker, I rise on a point of order.

An hon. Member: Oh, sit down!

Mr. Speaker: I recognize the hon. member on a point of order.

Mr. McBride: My point of order or question of privilege is very simple, Mr. Speaker. Just because those characters on the other side start hollering does not mean that a question is not deserving of an answer.

An hon. Member: Vice versa.

Mr. McCleave: Onward Christian Soldiers.

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ELECTIONS

ALLEGED THREAT TO NEWFOUNDLANDERS BY MINISTER OF TRANSPORT

Mr. Walter C. Carter (St. John's West): Mr. Speaker, my question is directed to the right hon. Prime Minister. Will he reassert the rights of Canadians to political self-determination without fear of reprisals from his government? I am prompted to ask this question in light of a statement made by the Minister of Transport last week which contained veiled threats to Newfoundlanders if they did not vote Conservative.

Some hon. Members: Oh, oh!

An hon. Member: Explain.

Mr. Speaker: Is the hon. member rising to ask another question? We really have to move on. I recognize the hon. member for Oshawa-Whitby. Order, please. The Chair will recognize the hon. member for St. John's West to ask a question and then the hon. member for Oshawa-Whitby.

• (2:30 p.m.)

Mr. Carter: Mr. Speaker, I should like to correct the record. It should have read "if they did not vote Liberal".

This is a very important matter, Sir. When a member of this government has stated during an election campaign that it would be unfortunate if Newfoundlanders did not see fit to support his party, I think this affects the democratic rights and the franchise of all Canadians.

Mr. Speaker: The hon. member for Oshawa-Whitby.

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MANPOWER

LAY-OFF OF AUTO WORKERS IN ONTARIO AND QUEBEC—RETRAINING FOR OTHER JOBS

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, my question is for the Prime Minister and I should like to preface it briefly with a comment on his answer. It may be the case—

Mr. Speaker: Order, please. The hon. member has been recognized for the purpose of asking a question. He raised a question of privilege a moment ago and I am sure did not expect a ruling from the Chair. The matter having been looked at in this way, perhaps the hon. member should be allowed to ask a question.

Mr. Broadbent: Mr. Speaker, my question is addressed to the Prime Minister since the parliamentary secretary is not in the House although he is in the building. What steps is the government taking to deal specifically with the 2,000 auto workers who are being laid off today in the provinces of Ontario and Quebec in terms of retraining them, with their considerable experience in this industry, for other jobs?

Right Hon. P. E. Trudeau (Prime Minister): I will take the question as notice, Mr. Speaker.

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CANADIAN NATIONAL RAILWAYS

APPLICATIONS FOR REMOVAL OF STATION AGENTS IN PRAIRIE PROVINCES—REQUEST THAT GOVERNMENT APPOINT COUNSEL TO OPPOSE

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, in the absence of the Minister of Transport following Waterloo I should like to direct my question to the Minister of Agriculture. Notice has been given by Canadian National Railways that it intends to remove the station agents at more than 100 stations in Saskatchewan, Alberta and Manitoba, following similar action involving some 285 in the last four years thereby translating these localities into ghost towns as similar experience has shown. As up to the present time the Canadian Transport Commission has not shown any desire to protect the western towns that will suffer as a result, even though the chairman was born in Manitoba and is a former Newfoundlander, would the minister ask the Minister of Transport to have counsel representing the government of Canada appear before the Canadian Transport Commission in order to argue how wrong it would be to grant the orders sought by Canadian National Railways?

[Mr. Carter.]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I would be very happy to take that question as notice for the Minister of Transport, but I should like to advise the right hon. gentleman that this process took place in that part of Canada I know best between 1958 and 1962.

Mr. Diefenbaker: That answer, so-called, does no social credit to the hon. gentleman.

Mr. Speaker: Order, please. Is the right hon. member rising on a supplementary question?

Mr. Diefenbaker: A supplementary question, Mr. Speaker.

Mr. Speaker: I thought that was the supplementary question.

Mr. Diefenbaker: And also on a question of privilege, Sir. That statement is false. The minister will argue it is not false, but 285 have been closed since 1968 and a large number more are to be closed. Will he give his assurance as a western minister—

Mr. Olson: What about those in 1958 to 62?

Mr. Diefenbaker: —that counsel will be appointed—

Mr. Speaker: Order, please. The minister is entitled to respond as the Acting Minister of Transport but I suggest to him and to hon. members that the minister is not allowed to respond in his capacity as a western member.

Mr. Olson: In taking notice for the Minister of Transport I can assure the right hon. gentleman that they will be given more consideration than they were given about ten years ago.

Mr. Diefenbaker: That statement is false.

Mr. Speaker: Order, please. We are running short of time. The hon. member seeks the floor on a supplementary but many members have not yet had an opportunity to direct a question. The hon. member for Lanark-Renfrew-Carleton asked a question a moment ago and suggested that he did not have an opportunity to hear a reply. My understanding was that no one rose to reply to the supplementary he asked and this is why someone was given an opportunity to ask a subsequent question. Is the hon. member rising on a supplementary?

* * *

ATOMIC EMERGY

BASIS FOR LOAN TO REHABILITATE GLACE BAY HEAVY WATER PLANT—REQUEST THAT BILL C-5 BE PROCEEDED WITH

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, I understand why the opposition is embarrassed on this subject—

Mr. Speaker: Order, please. The hon. member is not allowed to debate the matter. That ruling applies to the hon. member as it does to all hon. members and I would ask his co-operation.

Mr. McBride: Mr. Speaker, my question is directed to the House leader. When does the House leader intend to call Bill C-5 for third reading so that adequate debate may ensue on this whole sordid and tragic question?

Mr. Speaker: Order, please. The question as asked is not in order.

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OIL

PROPOSED TAKEOVER OF SUPERTEST BY BRITISH PETROLEUM—INQUIRY AS TO GOVERNMENT COMMITMENTS

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is addressed to the Prime Minister because of the absence of the Minister and the Acting Minister of Energy, Mines and Resources. On Thursday night the Parliamentary Secretary to the Minister of Energy, Mines and Resources indicated to the hon. member for Burnaby-Coquitlam that the government had decided not to intervene in the takeover of Supertest by British Petroleum. Would the Prime Minister advise the House whether there have been any undertakings or any commitments by the government of Canada to any of the parties involved, particularly involving Panarctic Oils Limited?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, there have been no undertakings given.

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GRAIN

POSSIBLE REVIVAL OF STABILIZATION PLAN

Mr. Gordon Ritchie(Dauphin): Mr. Speaker, my question is for the Prime Minister. In view of the Prime Minister's interview in which he stated that the federal government had failed to get its message across to the western farmers in the matter of Bill C-244 because of the clever opposition tactics—

Mr. Speaker: Order, please. Will the hon. member ask the question.

Mr. Ritchie: Will the government bring back a true stabilization plan in the near future?

Right Hon. P. E. Trudeau (Prime Minister): Well, Mr. Speaker, it is rather late in the game for the opposition to tell us it is now going to support this bill.

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NATURAL RESOURCES

OFFSHORE MINERAL RIGHTS—RENEGOTIATION WITH PROVINCES OF SHARING OF REVENUES—RECOGNITION OF EXCLUSIVE PROVINCIAL OWNERSHIP

Mr. Robert McCleave (Halifax-East Hants): Mr. Speaker, my question is for the Prime Minister. May I ask the right hon. gentleman whether the federal government is prepared to negotiate again its original stand on the sharing of revenues from offshore mineral rights with the provinces and, if so, does the federal government recognize exclusive provincial ownership of such rights?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, since December of 1968, I believe, we have been prepared to negotiate a settlement with the provinces and we put forward a proposal to the provinces to see if we could achieve some agreement on the matter. Since that time there has been no specific counter-proposal made to us. Indeed, there has been no indication by the opposition that it has a better suggestion for the solution of this problem.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Prime Minister whether he has received no specific proposal from the Premier of Nova Scotia?

Right Hon. P. E. Trudeau (Prime Minister): On the whole problem of the offshore, the answer is no. There has been a discussion between us but there has been no proposal put forward of a firm and final nature.

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EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—SUGGESTED ASSISTANCE TO "GREENPEACE TWO" BY CANADIAN NAVAL FORCES

Mr. Frank Howard (Skeena): Mr. Speaker, I wonder if I might direct a question to the Minister of National Defence. In light of the fact that on a couple of occasions this year the United States Coastguard has invaded Canada's territorial waters in pursuit of fishing vessels, and in light of the peaceful mission of the *Greenpeace Two* in respect of the Amchitka bomb test, would the minister be prepared to keep the naval forces under his jurisdiction on the alert to assist the *Greenpeace Two* in case of harassment by United States forces in international waters?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, it would seem to me that those on a ship called *Greenpeace* would want this matter settled by peaceful rather than by warlike means.

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• (2:40 p.m.)

INDUSTRY

PULP AND PAPER—TAX RELIEF MEASURES BECAUSE OF DIFFICULTIES

Mr. Jack Marshall (Humber-St. George's-St. Barbe): My question is for the Parliamentary Secretary to the Minister of Finance. In view of the crucial employment situation in the pulp and paper industry and its particular difficulties, is the government considering tax relief measures for the industry and, if so, will the government be taking immediate steps?

Mr. P. M. Mahoney (Parliamentary Secretary to Minister of Finance): Any tax relief measures would have to be announced in the House in the usual way.

Mr. Marshall: In view of the fact that the Pulp and Paper Association has asked the government to give tax relief of up to one-third on measures for controlling pollution and on investment in expansion, is the government considering this and when will an announcement be made?

Mr. Mahoney: The government is aware of the pulp and paper industry's representations but any response must await an announcement in the usual way.

* * *

YOUTH

SUGGESTED CONVENING OF YOUTH PARLIAMENT

Hon. W. G. Dinsdale (Brandon-Souris): My question is for the Secretary of State. Was the minister expressing the position of the government in applauding the Committee on Youth report and will legislation based on the report be introduced soon?

Mr. Speaker: Order, please. The hon. member is well aware that questions referring to statements made outside the House should normally be addressed to the Prime Minister as leader of the government.

Mr. Dinsdale: May I ask a supplementary question and perhaps make the question legal. In view of the obvious desire on the part of Canadian young people to be involved in devising programs of their own to deal with their problems, would the Secretary of State call together the long delayed youth parliament so that they might engage in this useful exercise?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, the hon. member for Brandon-Souris should know that the young do not wait for governments to take action. Up till now, they themselves have convened some fifteen interprovincial, intermunicipal or intercultural meetings to discuss the report on youth. And this goes on with the support of the youth movements, some of the oldest and most respected in the country, and I believe that the public debate that we wanted is presently taking place without any help from the government.

[*English*]

Mr. Dinsdale: Would the Secretary of State answer the specific question with respect to the youth parliament? Is the government considering activating this group as was recommended strongly by a parliamentary committee?

[*Translation*]

Mr. Pelletier: Mr. Speaker, it seems to me that I gave an unequivocally negative answer, but since one has to use the word "no", the answer is "no".

[*English*]

REQUEST FOR STATEMENT ON FUTURE OF OPPORTUNITIES FOR YOUTH PROGRAM

Mr. Lorne Nystrom (Yorkton-Melville): I have a supplementary question for the Secretary of State. Would the minister undertake within the next week or ten days to make a statement on motions regarding the future of the Opportunities for Youth program and the whole question of summer student employment for the coming year?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, the government intends to make a statement soon. As for saying that it will be forthcoming within a week or two, I cannot make such a commitment at this time.

[*English*]

REQUEST FOR REFERENCE OF REPORT AND OPPORTUNITIES PROGRAM TO COMMITTEE

Mr. Steven E. Paproski (Edmonton Centre): My supplementary question is for the Secretary of State. In view of the minister's enthusiastic endorsement of the youth report, will he take the necessary steps to refer this report along with the Opportunities for Youth program to the appropriate House committee for further study?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I think that the matter of submitting various reports to parliamentary committees is one that we should consider carefully. The hon. member knows that some of these reports are worth being considered by a committee; as for others, the committee itself decides that they are not worthy of any consideration. A decision will have to be made in the light of the views of hon. members in this regard.

* * *

[*English*]

INDUSTRY

AUTO PACT—RECOMMENDATION THAT ASSEMBLED VEHICLES IMPORTED FROM UNITED STATES HAVE SPECIFIED CANADIAN PARTS CONTENT

Mr. H. W. Danforth (Kent-Essex): My question normally would be directed to the Minister of Industry, Trade and Commerce, but in his absence and since it does reflect government policy perhaps I may be allowed to direct it to the Prime Minister. In light of the very serious effect on Canadian employment implied in any modification of the Canada-United States automobile pact, will the government now reconsider its rejection of the Automobile Parts Manufacturers Association's recommendation that assembled vehicles imported into Canada from the United States be required to have a specified portion of Canadian parts content?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I will be glad to take that question as notice on behalf of the minister.

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EXTERNAL AFFAIRS

INDIA—CANADIAN ASSISTANCE FOLLOWING TIDAL WAVE

Mr. Heath Macquarrie (Hillsborough): My question is directed to the Secretary of State for External Affairs. It

concerns the tragedy which has recently befallen India in the state of Orissa where thousands of citizens of that country have died in a tidal wave. Can he indicate whether the government of this country is showing its concern for a fellow Commonwealth nation by making an immediate grant of assistance to that country?

Hon. Mitchell Sharp (Secretary of State for External Affairs): The matter is under discussion in the department now and I hope I will be able to make an announcement soon one way or the other.

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NATIONAL SECURITY

QUEBEC—EVIDENCE OF BROAD SUPPORT FOR UPRISING

Mr. R. Gordon L. Fairweather (Fundy-Royal): My question is for the Secretary of State. Is it the position of the minister that the potential danger of broad support for a popular uprising in Quebec is probably greater today than it was a year ago, and will the government provide us with whatever evidence it has that there was broad popular support for an uprising a year ago and, to avoid a supplementary question, what new evidence does the Secretary of State have regarding this year's broad support?

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, on the first part—

Mr. Speaker: Order, please. I have very serious doubts about that kind of question. I would think it should be placed on the order paper because it is so general in nature and also because the hon. member is inviting the minister to express an opinion.

* * *

YOUTH

OPPORTUNITIES FOR YOUTH PROGRAM—SIMILAR PROGRAM FOR OLDER PEOPLE

Mr. Barry Mather (Surrey-White Rock): My question is supplementary to those asked a few moments ago of the Secretary of State in connection with the Opportunities for Youth program. Having in mind the interest in and the need for such a program, can the minister say whether his department or other departments at other levels are giving any consideration to initiating an opportunities for age program on behalf of senior citizens?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): No, not by my department, Mr. Speaker.

[*English*]

Mr. Speaker: Perhaps the hon. member for Saskatoon-Biggar might be allowed to ask a supplementary question. He has had difficulties with his supplementary questions this afternoon.

OPPORTUNITIES FOR YOUTH PROGRAM—AMOUNTS OUTSTANDING IN RESPECT OF PROJECTS

Mr. A. P. Gleave (Saskatoon-Biggar): I should like to ask the Secretary of State whether there are still amounts outstanding in respect of projects which were undertaken by students and, if so, can he tell the House how much is involved?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): There is certainly no important balance, Mr. Speaker, but I will inquire and give a precise answer to the hon. member.

* * *

[*English*]

EXTERNAL AFFAIRS

REQUEST FOR MEDICAL AID TO PERSON IN RUSSIAN LABOUR CAMP

Mr. A. D. Hales (Wellington): My question is directed to the Secretary of State for External Affairs. It is based upon a representation that has been made to me by the cousin of Miss Silva Zalmanson who is currently serving a ten year sentence in a labour camp in Russia and who is seriously ill. Part of the representation reads as follows:

She is losing her hearing and cannot eat. Life is leaving her not by days but hours.

Would the minister use his good offices and perhaps those of the Red Cross to give urgent medical aid and care to this person?

Hon. Mitchell Sharp (Secretary of State for External Affairs): I should like to thank the hon. gentleman for bringing the case to my attention. I will see what can be done as urgently as possible.

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NATIONAL DEFENCE

INQUIRY AS TO PAY INCREASE FOR MEMBERS OF ARMED FORCES

Mr. J. P. Nowlan (Annapolis Valley): My question is for the Minister of National Defence. Have the long overdue pay increases for the armed services cleared all the administrative hurdles in the Department of National Defence and Treasury Board? Are they to be announced in the near future and, if not, when?

Hon. Donald S. Macdonald (Minister of National Defence): As the hon. member has put it, consideration of a pay increase has not cleared all the administrative hurdles. I would hope to be able to make an announcement very soon, but I cannot give an exact date.

Mr. Nowlan: In view of the answer I must ask a supplementary question. Can we expect that the next period will reflect these increases. Will the decision be made before then?

Mr. Macdonald (Rosedale): Does the hon. member mean the forthcoming month? If so, that will depend on when the announcement is made.

• (2:50 p.m.)

GRAIN

LIFT PROGRAM—REPAYMENT REQUESTS TO FARMERS—POSSIBLE FORGIVENESS IN CERTAIN CASES

Mr. Les Benjamin (Regina Lake Centre): I have a supplementary question on a matter raised by my colleague the hon. member for Saskatoon-Biggar. In view of the large number of requests for refund of alleged overpayments under Operation Lift and the fact that the administrative costs may amount to more than the overpayments, may I ask the Minister of Agriculture whether consideration will be given to forgiving overpayments of any amounts under $50? Further, where overpayment was caused by Lift officials misreading aerial photographs, can the minister tell the House whether demands for such refunds will be stopped?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, in any case where we find that the photographs were interpreted wrongly, and there is a discussion between the farmer and the officials which brings that to the fore, of course no further action will be taken. We are certainly not attempting to collect money that has been paid out properly.

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POWER

BAY OF FUNDY TIDES—DISCUSSION BY PRIME MINISTER AND NOVA SCOTIA PREMIER AT HALIFAX MEETING

Mr. Robert C. Coates (Cumberland-Colchester North): I have a question for the right hon. Prime Minister. During his meeting in Halifax with the Premier of Nova Scotia—the three maritime premiers were there—were there any discussions about re-examination of the programming board report on Fundy tidal power? If discussions were held, can the Prime Minister inform the House as to their extent and the results?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, no such discussions took place.

* * *

FISHERIES

PROPOSALS TO PREMIER KOSYGIN DURING RECENT VISIT RESPECTING CONSERVATION

Mr. John Lundrigan (Gander-Twillingate): My question is directed to the Prime Minister. Can the Prime Minister tell the House whether any specific proposals were made to the Soviet premier during his recent visit to Canada on the offshore fishery conservation problem?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the Minister of the Environment answered this question while the hon. member was in Newfoundland last week.

Mr. Lundrigan: I am asking the Prime Minister whether he himself made any specific proposals and recommendations to the Soviet premier which would help the conservation of fishery resources off the east coast of Canada. If he did, would he be kind enough to table them in the House so that all east coast Canadians can understand what the specific proposals he made were?

[Mr. Macdonald (Rosedale).]

Mr. Trudeau: Mr. Speaker, if the hon. member will refer to *Hansard* he will see what the minister answered.

Mr. Lundrigan: I am not asking what the Minister of Fisheries did; I am asking what the top official of the Canadian people did. Did the Prime Minister make specific proposals or did he not make specific proposals?

An hon. Member: The answer is obvious.

Mr. Speaker: Order, please. We have just about reached the end of the question period. We should normally go on to orders of the day but the hon. member for Battleford-Kindersley might be allowed to ask a rapid question. Is the hon. member for Gander-Twillingate rising on a question of privilege? I have just indicated to hon. members that I thought I was extending the question period by allowing the hon. member for Battleford-Kindersley to ask a question, but if that is not the desire of hon. members we will call orders of the day. The hon. member for Gander-Twillingate has asked the same question three times. He may not be satisfied with the reply which was given but as he will appreciate that does not give rise to a question of privilege.

Mr. Lundrigan: Mr. Speaker, my question of privilege is quite simply that the Minister of Fisheries has answered in the House that they got no response. There was no reference to the fisheries problem in the communiqué. No reference was made to the fisheries problem during the premier's visit. I want to give the Prime Minister the opportunity to tell a lot of east coast Canadians that this is not a bluff. That is what they are saying and I would like him to clear up whether—

Mr. Speaker: Order, please. The hon. member for Battleford-Kindersley.

* * *

ATOMIC ENERGY

GLACE BAY HEAVY WATER PLANT—AGENCY IN CHARGE OF RECONSTRUCTION AND OPERATION

Mr. Rod Thomson (Battleford-Kindersley): I have a question for the right hon. Prime Minister. Will Atomic Energy of Canada Limited be doing the reconstruction in regard to the Glace Bay heavy water plant and will Atomic Energy of Canada Limited be operating the said plant once it is completed?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, it has not been decided whether we will operate it through Atomic Energy of Canada Limited or whether ACEL will do it through an agent.

Mr. Speaker: Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Friday, October 29, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: When the committee rose on Friday, October 29, 1971, Section 6 was before the committee. Sections 4, 5, 6, 7 and 8 had been grouped for the purpose of debate and Sections 4 and 5 were agreed to.

On Clause 1—Section 6—*Amounts to be included as income from Office or Employment*

The Chairman: Shall section 6 carry?

Some hon. Members: Carried.

Clause 1—Section 6—agreed to.

On clause 1—section 7—*agreement to issue shares to employees.*

The Chairman: The hon. member for Halifax-East Hants.

Mr. McCleave: Mr. Chairman, I just have a question which arises out of the proposal that I presented on Friday that the amendment proposed by the hon. member for Moose Jaw be held over until today. I should like to have an answer for the parliamentary secretary.

Mr. Mahoney: Mr. Chairman, it was my intention, when we reached section 8, to ask that the amendment be allowed to stand. Hon. members will appreciate that the Minister of Finance is occupied with the provincial treasurers for the next few days, and I should like to give him an opportunity to consider the problem which the hon. member for Moose Jaw and the hon. member for London East have very forcibly brought to our attention.

Mr. McCleave: And others.

Mr. Mahoney: And others as well.

Clause 1—Section 7—agreed to.

On clause 1—section 8—*Deductions allowed.*

The Chairman: Shall section 8 carry?

Mr. Mahoney: Mr. Chairman, I should like to request that this section be allowed to stand.

Mr. McCleave: Mr. Chairman, I was the one who originally made the suggestion, but in light of the motion by the hon. member for Moose Jaw supported so ably by the hon. member for London East, I may say that we are perfectly agreeable to letting it stand. However, I just want to make a point about the interest in this debate and the calibre of reporting of this debate that we are getting from our press gallery. There is an article in the *Mail Star* of Saturday, October 30, by one Dan Turner, that never makes the point the hon. member for Moose Jaw made or the very thoughtful speech that the hon. member for London East made or the point that I made. I think that is lousy reporting, and I think the Canadian public is ill served by this type of reporting on what is perhaps a most fundamental piece of legislation. Certainly, this piece of legislation affects more people in this country than any other legislation of which I am aware. I just want to put that on record. I am distressed and I am disturbed that we cannot get a better report when we provide all the facilities in this place. We are spending tens of thousands of dollars to give better facilities to the press gallery to report to the Canadian people what is going on in this place.

It does not matter to me. My name could be left out of the dispatches because my part was a small one. I am simply saying that since the hon. member for London East, certain members to my left and some of my colleagues were so exercised about the matter I thought the issue could have been postponed for second thought by the government over the weekend. That idea was accepted by the parliamentary secretary, and I give him credit for that.

The hon. member for London East did something that is very very rare around here and anytime it happens it should be commended. The hon. member had the guts to look his own party in the face and say, "Look, you are making a mistake. I was a railway man before I came here and I can tell you that this is the way it is; in order to give these people a break you should adopt the course that the hon. member for Moose Jaw recommended." I think it is disgusting, I think it is disheartening and I hope that the Canadian Press will take a second look at the way it is represented in the press gallery. If it does not—

Some hon. Members: Where are they?

Mr. McCleave: —something else will take its place.

The Chairman: Is it agreed that section 8 with two amendments shall stand?

Mr. Knowles (Winnipeg North Centre): Yes, Mr. Speaker, that is agreed. In order that we may know what we are talking about, I wonder if that could be identified as the part beginning with the numeral 8 on page 15 and going over to the middle of page 23; in other words, the proposed new section 8 of clause 1. Is it agreed that that is what we are standing, with the two amendments which have been proposed thereto?

Some hon. Members: Agreed.

The Chairman: Hon. members have heard the hon. member for Winnipeg North Centre. He has identified the part that is to be allowed to stand. Does the committee agree that that is what is to be allowed to stand?

Some hon. Members: Agreed.

The Chairman: It is so ordered.

Clause 1—Section 8 stands.

The Chairman: Pursuant to the special arrangement made on Friday last, the committee will now proceed to the consideration of a new grouping of sections. As the Chair understands it, the committee is to consider sections 56 to 58 inclusive and sections 60 to 63 inclusive.

On clause 1—Section 56—*Amounts to be included in income for year*

The Chairman: Shall section 56 carry?

Mr. McCleave: Again, Mr. Chairman, we have agreed to consider seven sections together, and I wish to comment on two of them. Other colleagues of mine will deal with other matters contained in these sections. Of the two to which I specifically wish to refer, the first has to do with the day care provisions and the second with the averaging provisions. Perhaps, before I forget, I ought to say that on Friday afternoon I went to the airport with the hon. member for Vancouver-Kingsway, who is probably the biggest booster in this House of the child care provisions and of certain day care laws that she wishes to see introduced. She will not be back until this evening. When she learned that the sections now being discussed were to come before the committee on Monday afternoon, she asked me to say that she would not be back until Monday evening. She hoped that the day care provisions would not slip through by a fluke and that she may have a chance to make a new speech this evening. I say this, realizing that she is not a member of my party. On the other hand, we did share the same cab on Friday afternoon.

Mr. Bell: Explain.

Mr. Knowles (Winnipeg North Centre): I trust the hon. member paid the fare.

Mr. McCleave: She went to fly to the sunny west and I went to fly to the gloom, down east, Mr. Chairman.

May I make one or two points with regard to the child care provisions. I suspect that these provisions are nuisance provisions, and that we are really providing for nuisance taxation of those good ladies of the neighbourhood who are going to look after the children while mother or father or both are downtown earning their living. I notice, further, that in this provision the social insurance number is to play a large part with regard to receipts. I suggest to you, Mr. Chairman, that that requirement is an abuse of the use of social insurance numbers as originally introduced in this Parliament. Perhaps hon. members within earshot of my voice will remember the assurance that was given when the social insurance number concept was introduced in Canada. According to my understanding, the number was not to be used for the purposes set forth in this clause. That is, it was not to be used in such a way as to identify somebody with the earning of a particular income. That is one aspect about which I want to ask the parliamentary secretary.

The present President of the Privy Council introduced this concept when he was minister of national health and welfare. Clearly, one or the other of them must answer my question, namely, did Parliament intend when the social insurance number concept was introduced that the number would be used to pin down people with respect to income tax, as now contemplated in the section we are being asked to pass? I am referring particularly to the matter of day care centres. I think that is an important matter. In any event, I make the point that that tax will be a nuisance tax. It is a pin money tax, because here we are talking about people who earn very little income and we are asking them to file income tax returns with respect to the very modest amounts of money that they might earn as babysitters for small children. That, I suggest, is unjust.

[The Chairman.]

Not only is the measure unjust, but it may also tend to defeat existing relationships in this field. If babysitters have to pay some kind of tax, it is obvious that, to meet that extra expense, they will tack on to the babysitting charge what they must pay, so that the cost of looking after small children will go up. This matter also involves Canada Pension Plan payments as well as income tax, since the babysitting service might grow to such proportions that it becomes a business which uses certain facilities. All these things will be involved. Either way, the low income, working mother will lose and the good old babysitter next door will be put to a great deal of nuisance, if I may put it that way. I hope that the parliamentary secretary, who has become a very reasonable fellow as the debate has been progressing and who sees other viewpoints, will take a second look at this section during the adjournment hour.

The other point I wish to deal with concerns the averaging of rising income. One might call these the Gordie Howe provisions. Perhaps, after all, they should not be called that, because Gordie Howe is retired and has gone to whatever sanctuary the Eaton Company can provide. Let us call these the Rusty Staub provisions. Rusty Staub plays in right field for the Montreal Expos. The weakness of this plan, as I see it, is that it only permits the averaging of a rising income, so that while Rusty Staub is in his prime and able to hit ever more home runs and do the brilliant fielding of which he is capable, this measure will bring him some advantage. On the other hand, when Rusty loses the strength of his legs—and I apologize to Mr. Staub for using him as an example, but I think it is better if you pin these things down definitely rather than leaving them up in the air without definite form—and when management starts cutting down on what he receives as take-home pay, this provision will not be to his advantage.

According to my reading of the section, he will not be allowed to average his income so as to offset the tax charged on the non-recurring, large income made in the first years. He would, in short, pay considerably more tax than another taxpayer who has had an identical total income over the five year period. Well, Mr. Chairman, I hope that we manage to strike a blow for those who do not quit when their incomes are on the rise but quit when they find that the game is no longer worth the salary they are paid. I suggest that the issue of averaging is most important; yet we should not confuse rising incomes with increased salaries and emoluments which are bound to be paid as a result of inflation. The day may come when the fellow we are talking about has reached his peak and gone past it. Management may not need to tell him to get out. He himself may know that he cannot bargain for those salaries that he commanded in the best years of his life. The player or actor may still be good enough to take part in his profession. The legs may still be good enough for a game and the acting, though not as good as before, may still be good. The fellow may still carry on for a few more years. I think that fellow also deserves a break. At least he is contributing out of a healthy salary scale. He is contributing more than any rookie who takes his place.

We have to recognize that. I make a plea for that particular person.

• (3:10 p.m.)

These are the points I wanted to make with regard to these particular sections. The matter of the taxation of scholarships and the like will be dealt with by another member of my party. Other members will deal with the niceties contained in the other sections. I wanted to put in a plea to take a very careful look at the taxation of the person providing day care. I am not referring to large business. I am referring to a neighbourhood mother who takes a few children into her home and looks after them so that their mothers can go to work. I think we can differentiate between a business proposition and a neighbourhood proposition to earn pin money. I ask the parliamentary secretary to look at that. Then, if we grant an averaging system, we have to grant that those who go up also come down. We must look at that aspect as well.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, as the hon. member for Halifax-East Hants has pointed out, these seven sections with which we are now dealing cover a wide range of matters. Therefore, this is hardly the point at which to make a general speech or even one that covers all of the matters. I imagine that each of us who takes the floor will have something to say about some of the items that are included in the seven sections. There are three about which I would like to speak and concerning which I have questions and suggestions to put to the parliamentary secretary.

First, this group of sections includes the provision for taxation of various kinds of pensions. It makes it clear, as it has been from the beginning, that income received as old age security is taxable. However, there is also in this group of sections the provision which makes it unnecessary to regard as taxable the amount received as guaranteed income supplement. At least, I believe this is the place which deals with that point. I am looking at page 129 where the reference to old age security benefits and Canada Pension Plan benefits is followed by the statement that although one must include such benefits, this does not include, and I quote:

> the amount of any social assistance payment made on a means or a needs test basis,
>
> 1. by a registered Canadian charitable organization, or
>
> 2. under a prescribed program provided for by an Act of the Parliament of Canada or a law of a province.

I gather that is the legal provision under which money received as a guaranteed income supplement is not to be taxable. If this is somewhere else in the bill as well, perhaps the parliamentary secretary can advise me.

Mr. Mahoney: On the specific point, Mr. Chairman, I refer the hon. member to section 110(1)(*f*). Rather than have him look it up, perhaps I can read it.

> Deduction for payments of supplement under Old Age Security Act.
>
> (*f*) the amount of any supplement under the Old Age Security Act or of any similar payment under a law of a province, in respect of which any amount has been included in computing the taxpayer's income for the year by virtue of clause 56(1)(*a*)(i)(A).

The preamble to section 110 is for the purpose of computing the taxable income. I quote:

> —there may be deducted from his income for the year such of the following amounts as are applicable.

Mr. Knowles (Winnipeg North Centre): If there was any doubt, Mr. Chairman, it seems to be doubly clear. It strikes me that it is there in both cases. In any event, the question I wanted to ask about the non-taxable nature of the guaranteed income supplement is as follows: Where in the bill is the provision which the minister announced in his speech to the effect that this would apply for the taxation year 1971?

Mr. Mahoney: Mr. Chairman, I will find out for the hon. member. Possibly he would like to carry on with his comments on another point. This is in Part IV.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I have turned up something which I cannot find in the bill and which the parliamentary secretary cannot find, at least not yet. I am sure the parliamentary secretary will find it.

Mr. Mahoney: The parliamentary secretary has found it. I refer the hon. member to clause 71 in Part IV of the bill.

An hon. Member: What page?

Mr. Mahoney: I am sorry I cannot help the hon. member there. I am using a different edition than hon. members. It is in Part IV of the bill which is entitled Amendments to the Income Tax Act, 1952.

Mr. Knowles (Winnipeg North Centre): That is in the clause after we get through clause 1.

Mr. Mahoney: That is correct.

Mr. Alexander: I rise on a point of order, Mr. Chairman. Can the parliamentary secretary advise the House from which book he is quoting his facts and figures, where this is available and whether hon. members have this particular book? It seems to be a condensation of the entire matter, an easy reference for those sitting on the other side.

Mr. Mahoney: The particular clause which the hon. member for Winnipeg North Centre was looking at is on page 702 of the bill. The book I am using is a CCH edition of this bill. The reason I use it is I have to lift it frequently. This is to relieve my bursitis.

Mr. Alexander: I accept that.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, we have it confirmed that payments made under the guaranteed income supplement are not taxable. We also have it confirmed that they are not taxable for the year 1971. This is a welcome change that the government has made. It will solve one of the problems created when War Veterans Allowance recipients were pushed, either in whole or in part off the War Veterans Allowance on to the guaranteed supplement.

There still remains a question which many of us have been asking since June 18. It is this: Why has the government not seen fit to make other changes affecting elderly persons likewise effective January 1, 1971? I refer in par-

ticular, of course, to the increase in the age exemption amount from $500 to $650. I realize that now we are in November the present taxation year is almost over, but even if this bill gets passed this month or some time before Christmas, it will come as a bit of a shock to senior citizens to discover when they make out their income tax returns in April that the returns they make at that time must be on the basis of the old law. It seems to me that just as the government has been willing to make the non-taxability of the guaranteed income supplement apply back to January 1, 1971, it should make the extra exemption retroactive to cover the taxation year 1971.

• (3:20 p.m.)

The second point which comes within the purview of these seven sections is the provision that unemployment insurance benefits paid under the Unemployment Insurance Act, 1971, are taxable. I was a member of the committee which poured over that legislation. I recognize the rationale of granting tax deductibility for payments one makes into the unemployment insurance account and having to pay tax on unemployment insurance benefits if they place one in a taxable bracket, but it does seem to me that this should be put into effect only after things have worked out. Application of the principle should, in my opinion, be postponed. We have already run into a number of anomalies in the Unemployment Insurance Act administration arising mainly from the sudden changeover which took place on June 27 when the new act came into effect. We have come across a great many cases of persons who expected to enjoy a certain benefit but who found they could not obtain that benefit because, for example, they were not unemployed until after June 27. This applies to people who are in receipt of Canada Pension Plan payments, to people who are 70 years of age or older, and so on. This is not directly to the point, Mr. Chairman, but it is related to it. My point is that the sudden change has brought about many anomalies and this is another of them, that people have received less by way of unemployment insurance benefit than they thought they would collect. Some people who believed they would receive payments during the best part of the year got only three weeks. I think it is unfair to add to this unfairness by the application of income tax liability at this point.

I am not now making a plea for cancellation of the decision to apply income tax to unemployment insurance benefits. After all, that battle was fought in the committee. But I am asking the parliamentary secretary to delay the coming into effect of this provision for at least a year until things have sorted themselves out and people in receipt of unemployment insurance benefits are getting them on the basis of a structure which is completely founded on the new act.

I hope I have got my point across. What is happening here is that people are losing out because of the changeover and it is a bit cruel to say that not only should they get less money than they would otherwise have received but that such money as they do get is taxable right away. I would therefore urge that implementation of this part be delayed until at least the end of June, 1972.

The other point on which I should like to comment, among the many subjects to be found in these seven sections, is the provision for income tax consideration with respect to expenses which a working mother is to be allowed. I might add that if the father is the one who is responsible for the children and has to hire help in looking after them, he is entitled under the terms of the bill to the same assistance as is made available to mothers. The consideration is set out in detail in section 63. As my hon. friend from Vancouver-Kingsway has already pointed out, and as she will do again when she gets back, as announced to us by the hon. member for Halifax-East Hants—and I can confirm it—there are some features of this provision which bear looking into. The hon. member for Halifax-East Hants has called attention to one of them, namely, that though there will be some tax savings to working mothers, because of all the reporting which has to be done, extra taxes may have to be paid by those who do the kind of work which makes it necessary for working mothers to use their services.

Apart from that, it seems to me the principal criticism I have to make with this provision is the standard type of criticism we make with respect to most tax concessions. The proposal is that the taxpayer should get a tax concession in terms of an exemption amounting to a maximum of $500 a child. There is a limit on this. No matter how many children a mother may have the amount cannot be more than $2,000. Then, there is a further limit. A mother cannot claim by way of expenditure on child care an amount greater than two-thirds of her earned income. It is the old story. A working mother with a low income may find that this does not help her much. There is not much point in my saying that a working mother with a high income would probably be better off because a mother with a high income would probably not be out at work.

What is to be granted to these working women, I might point out, is not $500 in cash; it is not $500 off their income tax, or $500 toward the cost of child care. It is simply an exemption of that amount, and by the time one applies a marginal rate of 20 per cent, say, it does not mean as much as it might otherwise have meant. It seems to me this is another case where the tax credit principle would have been far more appropriate. I do not understand why the government continues to resist this tax credit concept as it has done in all cases as far as earned income is concerned. It is true the principle has been applied to investment income in certain cases. Yet a tax credit is a method whereby one can ensure that those in the lower income brackets can get the amounts they need, that, as a matter of fact, they will receive the same amount, if they spend the dollars, as will those in the higher brackets. I do hope that in the study which will yet be given to this proposal some thought might be directed to the application of the tax credit method.

Mr. Chairman, I think that is enough comment on these sections for the time being. We shall be back later.

Mr. Fairweather: My hon. friend next to me, in his eagerness to hear what I have to say, almost upset the water, Mr. Chairman. I have a serious proposition to put before the parliamentary secretary. I have discussed it briefly with him and he promised to respond to any submission the opposition might make with regard to it. It has to do with the proposed taxation of scholarships, fellowships and bursaries. Research grants, Canada

Council grants and similar grants will be taxable, and the cost of equipment, fees, travel, lab charges, etc., will be deductible. In commenting on this section I should like to remind the committee that at present such bursaries and scholarships are exempt from tax. The change in the legislation will mean a reduction in income, particularly for graduate students. The provinces' efforts to maintain graduate schools and to compete with attractive scholarship programs in United States universities will only be weakened. Furthermore, students will be able to obtain United States scholarships tax free. In a country like ours which is not comparatively generous with graduate students in general and with their activities, I suggest with great respect this proposal is a retrograde one. If one goes back to the Carter Commission, one learns that this commission maintained that one of the strategic sources of economic growth is a rapid improvement in the educational quality of the labour force. That is really part of the thrust or one of the many aspects of the report with which we have to deal.

• (3:30 p.m.)

The new legislation we are considering not only imposes an extra burden on young students but also on university professors who are receiving grants to conduct research that is essential to their respective fields. By taxing scholarships, fellowships and bursaries with only a $500 exemption, the minister has completely reversed the direction in which the Carter Commission said that tax reform should move. This proposed change will mean that the provinces' efforts to maintain graduate schools and to compete with attractive scholarship programs in United States universities will be seriously hamstrung. I am making this appeal to all members of this committee, no matter what their political persuasion may be, who have an interest in university and graduate school work and in the essential part that this plays in our country. Fellowships are traditionally granted to Ph.D. level graduate students who are engaged in research.

Sabbatical leave at most universities is granted at about 50 per cent of full salary. This means that through careful planning, with perhaps the addition of a research grant, a teacher may be able to move himself and his family abroad in order to consult resource material essential to his field. I suggest the government has not given sufficient consideration to the hardship its proposal will create for those academics who have planned to spend the academic year 1971-72 on sabbatical leave abroad. In other words, midway through their term—a term that has nothing to do with the enactment of this bill—there is to be a major change in taxation for recipients of bursaries and fellowships. From September to December they are not taxable; from January to the end of their year, to put it very simply, they will be taxable should this bill get the approval of Parliament.

The government plans to implement its proposals for taxation of non-residents on income from a Canadian source a couple of months hence, namely by January 1, 1972. I earnestly suggest that even if the bill cannot be changed now, or if the government does not see the merit of my comments, there should be some transitional arrangements for students who are well along in their sabbatical year or their year of research. For those who have already made their arrangements and are now out of the country or about to leave with grants awarded from six months to a year ago, the action the government is taking will almost certainly result in their having to curtail their stay, and consequently their research, unless additional funds are made available to them. It seems to me paradoxical that a government that is anxious to promote excellence, and which has recently appointed a minister of science and technology to look into this and other elements in this field, should narrow the base, so to speak, of taxing proposals which will have a serious effect on our whole graduate student program.

It seems to me strange that the minister has made transitional periods available for such industries as mining and petroleum, as well as the transitional period for corporation income tax which has been written into the act. Just the other day we had the minister's amendments to the co-operatives and caisse populaire provisions, yet the area concerning me at the moment has apparently been disregarded. I suggest that the graduate program is of equal validity in the argument for flexibility of approach upon the part of the government. A transitional period of at least six months until July 1, 1972 would enable those teachers committed to spending this academic year pursuing research to do so. When I have finished my remarks in a minute or so I hope the parliamentary secretary will be able to state that a transitional period will also be effective for this vital element in our nation's wealth.

The most ridiculous aspect though of the new legislation is that which governs moving expenses as applied to persons undertaking a year of research work outside Canada. An individual is allowed to deduct the cost of moving his family abroad to complete a specific research project. But once the project is completed, the current legislation does not allow this individual to deduct the cost of returning his family to Canada—I am sure there is a mistake here, and if there is I shall be glad to hear the parliamentary secretary admit it—since his research project has been completed and, by law, he is allowed no further deductions. It seems that the minister is not only attempting to discourage students from completing their education in Canada through his tax on scholarships and bursaries, but he is attempting to keep young Canadians out of their country permanently. I am sure that this cannot be the intention of the minister, despite the rather loose construction of the statute, and I shall be glad to hear that I am wrong on this issue. A man undertaking a year of research work outside the country surely is entitled to deduct the cost of taking and returning his family.

The Official Opposition suggests that this should be clearly stated, in view of the fact there is no relief provided under section 62 for moving expenses. A man is entitled to a one-way cost deduction within Canada if moving to take up new employment, and that is all. Obviously, an academic on research leave does not qualify here since he may not be "a student in full time attendance at an educational institution". The new legislation should be more specific, I suggest, and should include a provision for those on extended research leave to deduct the cost of moving their families; for example, "a scientist, a teacher or other researcher engaged in research which requires

his continued absence from his normal place of residence".

Under section 56(1)(o) we encounter the problem of matching cash received in the taxation year with expenses incurred in the academic year. I suggest provision should be made in the legislation to permit the holder of a research grant to carry back expenditures in order to match expenses with revenue received in the taxation year. I presume that this is what the department will want to do, but we nevertheless feel that it should be clearly spelled out at this stage of the legislation. In the matter of short-term employment, defined as anything less than the full academic year of any institution, that is summer school, guest lectureships and so on, universities have traditionally not provided a special travel grant. The individual has been defined as having employment status within the second institution and has been ineligible to deduct these travel expenses to and from that institution. A teacher engaged in short-term employment should have the right to deduct the cost of travel to and from his employment.

• (3:40 p.m.)

I hope this point will be clarified quite quickly by the parliamentary secretary, and perhaps the other points I have raised can be cleared up so the whole philosophy, which I should think the government would support enthusiastically, that is the philosophy and importance of not hamstringing our program of graduate research, will not be modified by taxation proposals.

Mr. MacGuigan: Mr. Chairman, I am very pleased to rise to support the persuasive words the hon. member for Fundy-Royal has just put to us. He has made a general case in respect of professors and students, and, while I would agree with everything he has said, I would add a few other considerations.

It seems to me that the problem in respect of section 56(1), paragraphs (n) and (o) is a classification problem, and is a difficult problem in the academic world itself. I do not know of any sharp distinction which is made in the academic world between concepts such as scholarships, bursaries and fellowships. Even within some universities there seems to be some confusion, and certainly as between universities it would be hard to establish a crystal clear pattern and meaning for them.

It is also important to note that the additional classification which appears in (o), that is, a grant which is to enable one to carry on research or similar work, is not really substantially different or different in kind at all from that of fellowship or scholarship money granted to graduate students across the country. Therefore, it is illogical that in one place you should be allowed more than $500 to be attributed to the expenses one incurs in the pursuit of scholarship or research work, but not in another place.

Therefore I suggest that the words "scholarship, fellowship or bursary" be deleted from paragraph (*n*) and inserted in paragraph (*o*). I do not know whether that would leave anything worth retaining in paragraph (*n*), although I expect that the words "prize for achievement" have a rather different meaning, so that if the parliamentary secretary were disposed to transpose these words there could be a reason for still retaining paragraph (*n*). I would strongly urge on him the advisability of using the words "scholarship, fellowship or bursary" in paragraph (*o*). I also suggest that paragraph (*o*) might then read, following the words "or in similar work": "or on account of any fellowship, scholarship or bursary". Then, following the word "exceeds" I would suggest the insertion of the additional words "$500 or", which would provide two different methods of dealing with the deduction being claimed. The whole thing would then read:

> (o) the amount, if any, by which any grant received by the taxpayer in the year to enable him to carry on research or any similar work or on account of any fellowship, scholarship or bursary, exceeds $500 or the aggregate of expenses incurred by him in the year for the purpose of carrying on the work—

Like the hon. member for Fundy-Royal, I should like to draw the attention of the Parliamentary Secretary to the fact that an injustice is being done to these people in relation to scholarships, fellowships and bursaries this year, or indeed on sabbatical leave during the academic year 1971-72. This year is already in progress and we are proposing, without any transitional period being allowed, to impose this as of January 1.

It may perhaps be thought that this difficulty could be avoided if the granting bodies were prepared to grant the whole of the money before the end of this calendar year. That would certainly avoid the application of the new law. Aside from the fact that universities would probably be reluctant to put themselves in the position of appearing to avoid the payment of tax on part of their faculties by paying earlier, there is also the consideration that many of the granting bodies would certainly not be in a position, for financial or administrative reasons, to advance the date on which they make the second instalment of their funds for the present academic year.

Therefore, just as we have made a transitional period for various business groups under the tax law, I would suggest it would be more than appropriate that there be a transitional period for people involved in this particular field. This is also true of professors on sabbatical leave this year. Although that point arises more properly under section 115, I believe these people are often geographically far removed from dealing with universities and other granting bodies, and therefore unable to persuade these bodies to pay them the full amount before the end of this year, resolving their problem in that way. Many are probably abroad, and if we enact this legislation just as it is we will place them in a very difficult position this year.

I do not believe there is any great need for me to go through all the other points made by the hon. member for Fundy-Royal. I am in complete agreement with the policy statements and details he has presented. I would merely conclude by urging the parliamentary secretary and, through him, the minister, to give very serious consideration to the points which have been raised.

These young people or young professors who may be taking advantage of the opportunity of furthering their studies, and their own careers as well, by continuing their research are performing a task which is of benefit not only to them but also to the whole country, especially at this time when there are so many cries throughout the country that we should have Canadian professors teaching Canadians. That is not a cause which I thoroughly

endorse, and is much overdone from time to time, but we do want to ensure that there is a ready pool of qualified Canadians who could be university professors. We also hope that universities will hire them when their competence and qualifications are equal to those from abroad. If we do not put provisions in our tax laws to ensure this, then the universities and the academic profession in Canada will be the worse for it.

Mr. McCleave: Mr. Chairman, I think I goofed when I spoke earlier about income averaging, which is really not within the group or section with which we are now dealing, so perhaps the parliamentary secretary would be kind enough to forgive me and deal with that during the next round rather than when dealing with this group.

Mr. Mahoney: Mr. Chairman, I was simply going to respond to the hon. member for Halifax-East Hants on that point by suggesting to him that the parliamentary committee wrestled at considerable length, as did the experts retained by that committee, with the whole problem of downward averaging, but no satisfactory solution to that question was found, nor are we aware of any jurisdiction in which a satisfactory answer to the question could be devised and applied. I am not so sure I would have any different or lengthy explanation when we do come to the appropriate section, so I thought I might as well get that off my chest now.

The hon. member for Halifax-East Hants also raised the question of the administrative burden, if you like, being imposed on recipients of payments from the taxpayer, which the taxpayer proposes to deduct under the child care allowance provisions of this bill. I think at first blush one must agree there is an administrative burden imposed here. I would suggest to the hon. member that the absence of provisions such as those to which he has taken exception would create something more like a barn door than a loophole in the Income Tax Act, particularly bearing in mind that payments under that section are allowed to be made to members of the immediate family of the taxpayer. I think equity among all taxpayers rather demands that, as a general principle, where a taxpayer is allowed to deduct from his taxable income some payment he has made there should be a very good reason for not ensuring that it be included in the taxable income of some other taxpayer. Certainly, I can see the administrative difficulty which would be imposed on individual taxpayers by this provision, but I am afraid I have no alternative that would satisfy what I regard to be the basic requirement of the Income Tax Act that we ensure equity between taxpayers and at the same time avoid imposing this particular burden.

• (3:50 p.m.)

The hon. member mentioned the question of the social insurance number as a matter of principle. It is my understanding that at the time that particular law was brought in the then Prime Minister of Canada gave assurance that Canadians would not be required to produce that number. However, it would appear that the undertaking by the former Prime Minister was prempted by the enactment of section 130(A) of the present Income Tax Act. I would refer the hon. member to that particular section which is reflected in section 237 of the bill before us I believe in identical terms, although I have not compared the two verbatim. Section 130(A) was enacted in the 1966-67 session of Parliament and, as I say, would rather overrule Mr. Pearson's commitment.

The hon. member for Winnipeg North Centre has suggested, not unexpectedly, that other amendments which would increase exemptions and otherwise lighten the tax burden on our older taxpayers should be implemented with retroactive effect for the current tax year. The tax package as presented to the House in Bill C-259 involves a related grouping of exemptions, of deductions, of income inclusions of allowances and so on and it is certainly not beyond the realm of ingenuity of the government, from a legal point of view, to present it piecemeal, but the fact is that it is not the intention of the government to present it in that way.

I do not think the hon. member is entirely justified in relating these various provisions, such as the increase in exemptions to older taxpayers from $500 to $650 and the reduction of age for that from 70 to 65, to the retroactive exclusion of the guaranteed income supplement for the current tax year. As the hon. member pointed out, the anomaly of the inclusion of part of the guaranteed income supplement payment during the current year was the result of amendments relatively recently adopted by Parliament to the old age security act. Certainly, the government did not intend the result from the income tax point of view which occurred, so we are moving quickly to remove that anomaly for this year. However, I think I must regard the other amendments in Bill C-259 as being part of the over-all reform and not subject to piecemeal implementation.

The hon. member also suggested by way of a transitional period at least that the inclusion of unemployment insurance benefits in taxable income should be deferred. I noted he did not suggest that the deduction of unemployment insurance premiums from taxable income be deferred as well. I think those two items go hand in hand. I again perhaps would lump them in the same general area as the earlier discussion about the treatment of senior citizens. This is a tax reform package and there are numerous changes both in deductions, exemptions and items of accretion to wealth which should be included in taxable income.

The hon. member for Fundy-Royal and the hon. member for Windsor-Walkerville dealt with the problem of taxation in respect of scholarships, fellowships, bursaries and research grants. The hon. member for Fundy-Royal as well as the hon. member for Windsor-Walkerville have discussed this with me privately on earlier occasions, although I must say that in speaking to the hon. member for Fundy-Royal I was under the impression that the item we were talking about involved the problem of the professional on sabbatical or otherwise non-resident which really comes up under section 115 rather than under this particular block of clauses with which we are dealing. However, it is a problem of the same nature; at least, it deals with the same group of taxpayers and perhaps it would be appropriate to discuss it here. Section 56 does require that all scholarships, fellowships, bursaries and prizes for achievement in excess of the exemption of $500 be included in income. This $500 exemption is deductible

from the aggregate of those classes of income. That is a point which must be made clear.

It should also be pointed out that while any items of scholarship, bursary, and so on in excess of $500 must be included in income, students are still able to deduct from their total income their tutition fees and in many cases the moving expenses which are incurred as a result of moving to permit them to use the scholarship at a particular institution. They also have their personal exemption. If we take the example of a single student who reeives a scholarship or bursary, he has his $1,500 personal exemption, he has the standard $100 deduction and he has the special $500 deduction. This brings his total deduction to $2,100. Then, on top of that he has the amount if any he pays in tuition fees to the institution he is attending. I do not think in reality anyone could argue that students who are in receipt of scholarships, bursaries and so on are likely to be impoverished as a result of this decision. The decision here was made as a result of the recommendation of the Commons committee. I think we have to make a distinction. I gather from the hon. member for Windsor-Walkerville that the institution of higher learning have not yet themselves distinguished between research grants, scholarships and bursaries.

The section regarding research grants contains provisions which basically have been in the law before and which allow a taxpayer on receiving a grant to deduct expenses that are incurred by him. I think representatives of universities and graduate schools whom I have met over the past several months have been fair in admitting that there was a bit of a tax dodge here that was being rather well used in certain quarters in respect of research grants for overseas purposes.

• (4:00 p.m.)

The anomaly, as suggested by the hon. member for Fundy-Royal, of the moving expenses being allowed to a student or other recipient of a research grant carrying on his work outside Canada when he is moving from Canda to wherever he is doing his research but not back, is based on the principle that the deduction of expenses incurred in earning a research grant must be made against the research grant itself. I would expect that if a student—if I may use that term to include not only students but many professors—goes overseas, conducts his research, exhausts the research grant and decides to stay on with his family for holidays, a pretty good question arises as to why the return fare should be a write-off against the research grant. If, on the other hand, his research grant involves work overseas and work back here in Canada to complete its use, the travelling expenses both ways would undoubtedly be allowed. So, I think there is equity in the provision before us.

The hon. member for Windsor-Walkerville raised in specific terms the problem of those who are currently on a sabbatical or otherwise out of the country. This is a genuine problem. Again, it is a problem that I have discussed with the universities and with graduate school representatives. If for no other reason they needed to know several months ago what our intentions were from their own budgeting point of view. The option is open to them to make the funds available to the student for the balance of the term of his arrangement with them before the end of this calendar year, and if that is done then of course it will not be taxed as provided in the current act. Other than that there are, I am sure, throughout the whole act, through any major change in the income tax legislation, a number of places where persons may be caused some inconvenience and where indeed they incur some cost as a result of major revisions to the income tax laws. Transitional provisions, such as the hon. member for Fundy-Royal noted, have been afforded to many of our industries, to the co-operatives and credit unions most recently by amendments tabled here. But the point of transitional provisions is to relieve some relatively long term problems that may arise as a result of the new provisions, and certainly not to relieve situations which will resolve themselves in a matter of months, as is the case here.

I think that deals with all of the questions. I am sorry that my response could not have been more favourable, but if I have missed anything, I am sure hon. members will call it to my attention.

Mr. MacGuigan: May I just say a further word on this subject, Mr. Chairman. It seems to me that in his discussion regarding moving expenses the parliamentary secretary has been somewhat unfair. It may be, of course, that there are some professors who combine their work with a subsequent European holiday, but this is surely not the rule. I do not know whether it happens as often as it does not, but I think a provision could be written into the act which could take that into account. If it was half play and half work, that would be a different situation from the situation of someone who goes to Europe purely for research purposes and returns here having accomplished his research.

Mr. Mahoney: I suppose I will have to ask the hon. member whether he took his wife and family purely for research purposes, because this is the problem we have in these areas. I do not blame a man, from the point of view of his own family life, wanting to take his family with him when he goes away for that long a trip, but much of the travelling expense that is incurred in these cases would in ordinary circumstances be regarded as personal and not incurred for earning an income.

Mr. MacGuigan: May I ask the parliamentary secretary whether, if the person did not take his family with him, he could then claim expenses both ways.

Mr. Mahoney: The Income Tax Act does not envisage in ordinary circumstances, and subject to the special problems mentioned by the hon. member for Moose Jaw, the deduction from taxable income of personal living expenses.

Mr. Knowles (Norfolk-Haldimand): I would like to say a few words on section 60 and that portion of subsection (e) dealing with exemptions for university students registered at a recognized college or university here in Canada. Many times in the House I have urged that no income tax should be levied on the earnings of students who are willing to finance their own university education. Perhaps this plea has fallen on deaf ears and I have a suggestion to make to the parliamentary secretary. Under subsection (e), which deals with tuition fees, the student is granted the privilege of deducting from his taxable income the

amount of tuition fees, so perhaps we should give him some other basic deductions here.

In some other sections, certain arbitrary amounts are set which the taxpayer may deduct for specific purposes. Perhaps it would be difficult to set an arbitrary amount to help finance the cost of living away from home, such as residence fees, the cost of textbooks and so on. I wonder what the parliamentary secretary would say to doubling the basic exemption for a single person who is forced to live away from home to obtain his education. All members of the House are continually being asked for assistance by students endeavouring to obtain student loans. It seems to me that doubling their basic exemption while they are registered at a recognized university or college might be a means of doing away with a student loan, the means test that goes with it, and all the administrative detail as well as the disappointment in not getting it. It seems to me that to double the basic exemption of a single person, as I suggested, would make it unnecessary for a student to apply for a student loan. In addition, the summer earnings that he makes would, in a large measure, be his own.

Perhaps this would be one way of assisting our young people to obtain a college education. There may be other ways. The parliamentary secretary may have a better way of assisting these people, but I suggest this off the top of my head as one way of doing it, that is to increase the basic exemption. If doubling it would be too much, we could put in some other figure. I think it is rather contradictory for the government, on the one hand, to provide student loans and, on the other hand, to force these same students to pay income tax on the earnings they have made to finance their education away from home. I think we want to look at another way of doing it, and it could be found by increasing exemptions as I have suggested.

Mr. Knowles (Winnipeg North Centre): I should like to respond briefly to a couple of the comments the parliamentary secretary made a few minutes ago. He seemed to feel that it was difficult to adjust the income tax package in such a way as to provide for the exemption of the $650. for senior citizens to be made retroactive to January 1, 1971. I am grateful to him for having pointed out to me earlier how the bill deals with the matter of making the guaranteed income supplement not taxable for this year. It is simply a matter of section 71 at page 702 being written into the bill. The changed wording is spelled out and subsection (2) reads:

• (4:10 p.m.)

This section is applicable to the 1971 taxation year.

In other words, what it amounts to is that when the government wants to make a change retroactive rather than in the current year, it seems to have no difficulty in doing it. I continue to express my regret that this change has not been made so that when senior citizens are computing their income tax for the year 1971 they will get the benefit of it. As it stands, they will have to wait until they are computing their income tax for 1972, away off in April, 1973. A lot can happen between now and then.

The other subject which I raised on which the parliamentary secretary was generous enough to make comment was unemployment insurance. The ease with which my friend can brush aside these complaints is something to behold. I know there is income tax deductibility for the few cents that people pay into the unemployment insurance account as opposed to the tax that they have to pay on their benefits. It is almost a one horse-one rabbit situation. Apart from that, I regret to say that the parliamentary secretary seemed to miss my point altogether. I was not arguing the rights or wrongs of permanent basis. What I was pointing out was the the sudden change-over on June 27 has produced many anomalies under which people are getting less than they thought they were going to get, despite all the unemployment insurance commission's advertisements that this new act is such a wonderful deal. I suggest that because these anomalies are having this effect it might be reasonable to request that they be softened by not applying income tax to unemployment insurance benefits for at least a year. I am sorry that the parliamentary secretary misunderstood my point.

The Assistant Deputy Chairman: Is the committee ready for the question? The hon. member for Lambton-Kent.

Mr. McCutcheon: Mr. Chairman, while we are on section 56, I should like to direct a simple question to the parliamentary secretary and I think it will only take him a moment to reply. Section 56(C)(ii) mentions retiring allowance. If this is a little honorarium received by an employee on retirement, generally a couple of hundred dollars, that is fine but is there a provision whereby executives are able to take advantage of this retiring allowance in order to receive a fat bonus from their employer? May I ask the parliamentary secretary if there is a ceiling on the amount covered by this item?

Mr. Mahoney: Mr. Chairman, I do not quite understand the purport of the hon. member's question. This is not an exclusion or an exemption from income; this is an amount which must be included when computing income for the taxation year. The retiring allowance must be included in income.

I should point out that the option is there, and as we mentioned when discussing the comment made by the hon. member for Halifax-East Hants earlier, if the lump sum is very large the taxpayer may opt to purchase an annuity. This would effectively spread the taxation over the period that the annuity was payable rather than it having to be paid in the taxation year the lump sum was received. But the amount is taxable; it is not an exclusion, it is not a loophole or break for anybody.

Mr. McCutcheon: I am pleased to have an explanation from the parliamentary secretary. However, the section says, "but not including" and then goes on, so it is a classic example of how confusing this bill is to people who are not as skilled as the parliamentary secretary. I shall have to take his word for it.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I wonder if the hon. member would like to note that he is perfectly right about the confusion of this bill. But would he also like to note that the phrase which starts with "but not including" is part of paragraph (i) which began on the previous page and ends with line 14 on page 129. Then, we pick up (ii) which is "a retiring allowance" and (iii) which

is "a death benefit . . ." and so on. In other words, the paragraph that says "but not including" is just a qualification of (i) but does not qualify (ii) and (iii). Have I made it worse?

Mr. McCutcheon: No, indeed, Mr. Chairman. I thank the hon. member for Winnipeg North Centre for his words of explanation. However, I think I am a reasonably ordinary Canadian with a modest amount of intelligence, and if I cannot understand it a lot of people on Main Street are not going to understand it either.

Mr. Knowles (Winnipeg North Centre): Don't be so modest!

The Assistant Deputy Chairman: Is the committee ready for the question? The hon. member for Lambton-Kent.

Mr. McCutcheon: Mr. Chairman, may I ask the parliamentary secretary another question. On page 131, paragraph (j) reads:

amounts that the taxpayer became entitled to receive in the year upon the disposition of an interest in a life insurance policy, to the extent provided by section 148;

At page 408, section 148 (1) (a) reads:

in respect of any life insurance policy other than an annuity contract, the amount, if any, by which the proceeds of the disposition of an interest in the policy that he became entitled to receive in the year exceeds the adjusted cost basis of the policy to the policyholder as of the time of the disposition;

That is not so terribly confusing but paragraph (b) reads:

in respect of any life insurance policy (other than a policy that is a registered retirement savings plan or that is or is issued pursuant to a registered pension fund or plan)—

This is the point that I am a little concerned about, and maybe I shall have to call again on the hon. member for Winnipeg North Centre:

—all or any part of the insurer's reserves for which vary in amount depending upon the fair market value of a specified group of assets (in this section referred to as a "segregated fund"), such portion of any amount allocated to the policyholder in the year under the policy as was allocated out of gross revenue of the insurer from the segregated fund, other than gross revenue that is a dividend (other than a taxable dividend) received by the insurer on a share of the capital stock of any corporation.

• (4:20 p.m.)

What happens to the policy holder of a mutual company?

Mr. Mahoney: If any amount is allocated to his credit as a result of the policy he holds in the mutual company, I do not think there is any distinction in this particular case between a mutual company and a shareholder owned company. This refers to amounts that are credited to the policy account of a policyholder and, of course, excludes payments made in respect of a policy that is used to implement a registered retirement savings plan, pension fund, and so on. This is simply an accretion of his assets as a result of the holding of his insurance policy. I admit that this is complicated terminology because of the desire to exclude the retirement savings plan and others like it. I just do not know whether I can explain it any better. This is the amount which becomes the property of the taxpayer during the taxation year as a result of his owning that insurance policy, and it is therefore included in his income.

Mr. McCutcheon: I thank the parliamentary secretary. What is the segregated fund? I notice that is mentioned here. According to my experience, there is a reserve fund or a reserve with respect to an insurance policy. There is also the dividend that is declared with respect to participating policies. Many people have said that the dividend is merely the refund of an overcharge on the premium. Frankly, this provision is completely confusing. I do not know who understands it. Certainly, I do not.

Mr. Mahoney: Mr. Chairman, the taxation of insurance companies is a rather specialized subject at best, and I am sure I will be more prepared to deal with it when we come to section 148, although, as the hon. member notes, this subject is brought in, by reference, here.

I am advised that the segregated fund referred to in subparagraph (b) is a very special sort of arrangement. Not all insurance companies have entered into that arrangement. Some do not have segregated funds. The fund may be referred to in this manner: an insurance company may issue a special class of policy with respect to which it sets up a particular reserve that applies to that class of policy but not to all policies which would be in the general reserve. I am afraid I am not able to answer the hon. member's question in a more satisfactory way. The general rule as to what credits to his account or to his policy account the taxpayer has to add to his income is covered in subparagraphs (a) and (b) and relates to exceptional circumstances.

Mr. Lambert (Edmonton West): Mr. Chairman, my remarks will be related to life insurance policy proceeds. As my colleague for Lambton-Kent has indicated and as the parliamentary secretary has indicated, this taxation of insurance companies and insurance policies is a new area of taxation and there is a great deal that is hidden. The side note by section 148 merely says, "Subsection 79D(1) modified". That word "modified" is the interesting word. Certainly, there is a considerable spreading out into the field of insurance here. I am wondering what the government's philosophy is in moving in here. Is it doing its best to try to take every dollar it can get and to discourage every form of saving that is made in this country? Canadians as such have a reputation for being strong savers via life insurance. Why the government feels, and I am speaking particularly of this administration, that big brother knows best, I do not know. This administration wants to get every blessed dollar it can and to discourage saving by individuals through life insurance which, in itself, is one of the best sources of domestic investment in this country.

Look at, shall we say, the proportion of Canadians who invest in life insurance and then at the performance of the life insurance companies in investing in Canada; and yet here we are, moving in on people who do not have large incomes and who are not in any privileged position. There is hardly a household today in this country, unless it is a very improvident one, that does not hold some form of life insurance, be it only of some limited kind. It may be only burial insurance. There is some degree of life insurance in almost every household. Yet here we are, as I say, moving

in, digging, digging and digging deeper to dissipate and break up the attractiveness of life insurance. And for what purpose? Because big brother government says it wants the money and can spend it better. This is the very fundamental philosophy of a government that says, "We need the money and therefore must find it". I say they tax up to their expenditures. I have been saying this for years and years, and that applies particularly to this administration. This process started under the previous administration. They tax right up to their expenditures—

Mr. Mahoney: On a point of order, Mr. Chairman.

Mr. Lambert (Edmonton West): —and they always want more money.

Mr. Aiken: The parliamentary secretary ought to let the hon. member finish his sentence.

Mr. Mahoney: Mr. Chairman, this is a very eloquent speech. Yet I do not think the hon. member ought to leave the impression that these provisions are new in the amending tax bill. These provisions have been carried forward from the existing Income Tax Act. May I remind the hon. member that subsection 56(1)(f) which the hon. member referred to when originally opening this question is similar to a provision presently in the act. The clause which he is excoriating at the present moment is subsection 79(D) of the present Income Tax Act. So, while the philosophy is good and the speech is great, we are really not talking about changes in the income tax law.

Mr. Lambert (Edmonton West): Mr. Chairman, that is the type of intervention that comes from the parliamentary secretary. The wording opposite section 148 is, "Subsection 79D(1) modified." If the word "modified" means nothing, take it out. We have seen many areas in which a tax might be modified. There are many things which might slip in under a modification. For instance, you could double a tax as a result of a modification. As I was saying, this administration is moving further and further into the area of taxation of life insurance proceeds and life insurance companies. Surely to goodness it is germane to the thrust of the argument to say what I have said. If the parliamentary secretary wants to say something or argue a point, let him not rise on a point of order, because section 56(j) refers to section 148, and I am talking about section 148. There is no way one can raise a point of order with regard to relevancy of taxation of life insurance proceeds by trying to say this just carries forward an old section of the act. The explanatory note says this is a modification. If the parliamentary secretary wants to embark on how thin his knowledge is, let him indicate precisely in language that can be understood by members how the modification works and how this language is explained. Then, we will agree with him. Let us not take anyone to task about it.

Mr. Mahoney: Mr. Chairman, in response to—

Mr. Lambert (Edmonton West): That is all right. I have the floor.

The Assistant Deputy Chairman: Order.

Mr. Mahoney: I rise on a point of order, Mr. Chairman. The hon. member has invited a comment. When we are dealing in committee with section 148, I will be very pleased to give detailed answers. However, that section is not among the block of sections before us at the present time.

The Assistant Deputy Chairman: Order. I doubt whether that is a point of order. The hon. member for Edmonton West has the floor. He should be allowed to continue his remarks.

Mr. Lambert (Edmonton West): If I have to read the words into the record in order to clarify this point, I will do so. Section 56(1)(j) reads:

> Amounts that the taxpayer became entitled to receive in the year upon the disposition of an interest in a life insurance policy, to the extent provided by section 148;

No one is going to ask this committee to pass section 56(1)(j) without a reference to section 148. If we did, when we comment on section 148, we would be faced with the argument that it, had already been approved in principle. I do not normally like to be cranky, but this type of intervention does not help the situation one bit. In any event, I made my point. We are moving further and further into the savings of Canadians by these further extensions of taxation of life insurance. If it started to creep in or earlier budgets, there is nothing wrong with commenting on it today. We must cry "halt" to this sort of thing.

I now wish to move beyond section 56 and again make reference to the child care expenses in section 63. If the parliamentary secretary has already made a reference to this, it will be sufficient. I do not know whether he has had an opportunity of discussing with the minister the proposition I put to him the other day about the limitation of age 21 of a relative to whom a payment may not be made. Many provinces have now adopted age 18 for the adult. It seems ludicrous to exclude from this new proposal persons between the ages of 18 and 21.

In addition, persons age 18 earning $600 a year or more from employment are obligated to pay into the Canada Pension Plan. This is one of those types of operations where contributions may have to be made to the Canada Pension Plan by the employer. At today's rates, it certainly does not take much for a full time child care attendant to earn $600 per annum. I do not know of any householder who can get full care for a child or children for less than $50 a month. If that is the case, the parent who hires the child attendant will have to make a contribution to the Canada Pension Plan, and it is necessary to make such a contribution to the Canada Pension Plan for a person between the ages of 18 and 21. Under the Income Tax Act, for certain relatives between the ages of 18 to 21, as proposed in this bill, a working mother will be disentitled to child care allowance because of the reference in this provision to age 21. If he has not already done so, I urge the parliamentary secretary to discuss this matter with the minister to see if we can bring about a little bit of normalcy or uniformity between the Canada Pension Plan requirement and that part of the Income Tax Act relating to child care allowance.

In addition, we will want to say something when section 74 is before the committee and the related questions with regard to the wife as an employee of her spouse's business. I merely want to mention this again. It is highly inequitable for the wife of a country town doctor or den-

tist who must act as a nurse-receptionist in the small clinic where her husband and associates work to be precluded from obtaining the child care allowance, although she has to go into the clinic in order to utilize her skills or it may be required that she work. It may be said by some that this is not necessary for professionals. What about young professionals trying to establish themselves in a rural town? Such professionals do not earn that much money in the early stages.

It is often necessary for the wife of the doctor or dentist to act as receptionist or nurse. The act disallows her to be classified as a separate wage earner. It disallows her the working mother's entitlement under the amendment to the act. This may be even more important in the case of someone who works for a partnership in which her husband is involved, particularly a non-professional business. If people feel professionals earn enough to get along, that is one way of looking at it. However, I know of many instances of carpenters, plasterers, electricians and others where the wife of a partner or possibly the wives of two partners have to work in the business in order to make a go of it. Under the proposed section 63 of the act, they are disentitled. This is wrong. There is thus a discrimination that should not exist.

It is always very interesting when the general public decides the government has done something popular. In this case, the government is alleged to be allowing working mothers to claim child care expenses. However, if you look at the fine print, you will see that the limitations are rather severe. The wording certainly curtails the scope of this provision of the act. Many people feel that they might qualify, but they will be absolutely astounded when they read all the qualifications. I do not know just how much good this will do.

The other matter I want to deal with is moving expenses. I do not know what can of worms this is likely to open or how many regulations will have to be brought in so as to eliminate abuse. Just how far will taxpayers have to go in order to justify their claim that a move results from a change in employment? Suppose it were a technological change? Some of our larger companies keep several operations going within such cities as Toronto and Montreal and staff are often transferred from one plant to another. Or consider some of our major department stores. In my own city of Edmonton, Woodwards, for instance, have a branch near the northern limits of the city, almost on the border of my constituency. They also have a store about nine miles away as the crow flies, in the southern part of the city. Staff are transferred between one store and the other. It could happen that a member of the staff was promoted, say, from assistant buyer to buyer on condition that he move to the other store. If he lived close to his original place of employment he might well decide that he could not put up with going back and forth across the city to work. So he would sell his home and buy another, or rent an apartment much closer to his new place of work. It is nonsense to insist that a man ought to spend an hour or an hour and a half every day travelling to work and back.

• (4:20 p.m.)

But would the cost of moving be deductible in such a case? Or will the regulations insist that in order to qualify people must move a distance of at least 25 miles? What are the basic requirements to be? This is what we must consider. Are we thinking in terms only of new work, a new job, a fresh start with a new employer? I know there was a good deal of discussion on this point during the committee hearings. Our conclusions were indefinite. It was a subject which seemed to open up, as I say, a can of worms. I hope the parliamentary secretary will tell us precisely what is intended to be done by way of regulations. The wording here reads:

Where a taxpayer has at any time ceased to carry on business or to be employed at the location or locations, as the case may be, in Canada, at which he ordinarily so carried on business or was so employed ... and commenced to carry on a business or to be employed at another location in Canada—

A man who works in the northern end of Toronto, let us say, could be transferred to new employment, or find new employment in the southern part of the city, 20 or 30 miles away. Why should he not be able to claim moving expenses providing they are not paid for by the employer? These are some of the questions I wish to raise. If the parliamentary secretary has answers, we shall understand the bill a little better than we do at present. And we shall see where we go from there.

Mr. Ritchie: I should like to speak on clause 61, Mr. Chairman. I am particularly interested in the forward income averaging proposal. To begin, I should like to refer to the minutes of the Senate Banking Committee dated September 29, 1971, at page 3512. Mr. Stephen Smith, a witness before the committee, stated:

The more interesting one, really, is what is usually termed forward averaging. That is the provision in clause 61 which will be of most help to taxpayers who have a very high income in one year. Clause 61 permits the taxpayer to spread his income by taking any amount of his income and buying an income averaging annuity from an institution. He is given a deduction for the premium he pays for the annuity under certain limitations.

Speaking of the way in which the method would function, Mr. Smith said:

The annuity can be issued by any company authorized to carry on that business ... It must be issued for a single lump-sum premium ... The annuity must be for life and with or without a guaranteed term, which cannot exceed 15 years.

While this might appear to be beneficial at first sight, I submit it has considerable drawbacks. I believe, also, that it is likely to have considerable repercussions upon the Canadian economy. Those who take advantage of this provision must buy an annuity which will pay a fixed amount for the balance of the years during which they live. Funds are tied up indefinitely in this annuity. This may not be a bad idea for persons approaching years of retirement. People aged between 50 and 65 might well wish to take advantage of it. But consider its effect on those of younger years, the restrictions it would impose on those who wish to change their positions, or businesses, who might wish to sell their property and expand their interests, and who need money with which to do it. It seems to me we could devise other types of forward averaging in connection with the so-called voluntary recovery appreciation which did not require taxpayers to put money into an annuity from which they could only draw a fixed amount each year.

It is often said that Canadians are great savers and investors in enterprises which carry no risk, but that they

are not good risk-takers and do not sufficiently support entrepreneurs. I would point out that those who are licensed to provide annuities are extremely restricted when it comes to the nature of the stocks and securities in which they can invest. The bulk of their investment is in government bonds and similar securities, so by means of this provision the government is in effect ensuring itself of a lending pool from which it will be in a position to draw funds. I question whether or not this provision is advantageous to the economy as a whole. I think we might well have to provide for alternative forward-averaging whereby the taxpayer would settle his accounts with the government, but within a shorter time than having to take an annuity that would span his whole lifetime. This provision might well affect significantly the pattern of borrowing and investment in Canada. If I am mistaken that the taxpayer must take an annuity for life at a set amount per year, then I shall be glad to hear the parliamentary secretary say so; but as I read the provision this is the only form of forward-averaging available and really locks in an individual for his lifetime. If someone is only 30 or 35, this may not be all that advantageous to the economy as a whole.

• (4:50 p.m.)

Mr. Mahoney: Mr. Chairman, I believe the hon. member for Dauphin has misunderstood the provisions of this section. May I refer him to the definition of "income-averaging annuity contract" which appears at page 148 of the bill and is subsection (4) of section 61. This provision states that such an annuity may indeed be a life annuity, as the hon. member has pointed out, but subparagraph (B) also states it may be an annuity to the individual for a guaranteed term. So, the annuity can be of either type. If an individual chooses to average a lump sum payment over an eight or ten-year period, then he would buy an eight or ten-year endowment annuity. He also has the option, of course, to purchase a life annuity.

While I am on my feet, might I refer to the point raised by the hon. member for Edmonton West? I see he has left the chamber, but since so many points have been raised I should like to mention this one before I forget it. The distance that a person has to move to get moving expenses is 25 miles. The distance is not governed by whether one moves from one community to another. In many of our cities such a distance could be traversed within the boundaries of the metropolitan area.

Mr. Ritchie: Mr. Chairman, may I ask the parliamentary secretary whether there is a minimum time within which this forward-averaging annuity can be brought forward?

Mr. Mahoney: I do not think there is a minimum time. If someone had a $50,000 payment and wanted to split it $25,000-$25,000, he could take a two-year annuity. But a taxpayer's own circumstances would dictate the option that he chose.

Mr. Skoberg: Mr. Chairman, this point has possibly been answered but it relates to section 56. Reference is made on page 129 to a retiring allowance, and I should like the parliamentary secretary to explain whether or not severance pay is included in this provision. There has been considerable anxiety about this on the part of many people working in factories which close down and severance pay has either been negotiated or agreed upon, or in some way allowed. I wonder whether this provision relates in any way to severance pay.

Mr. Mahoney: Mr. Chairman, ordinarily severance pay is regarded as income under the Income Tax Act, and as such should be included in the computation of income. I am aware that in certain cases special regulations or legislation have been passed, but under the general income tax law this is regarded as income from an employment and is therefore included as taxable income in the year in which it was received. Again, of course, this is subject to the option of forward-averaging which we have just been discussing.

Mr. Skoberg: Mr. Chairman, I am sure members of the committee are all aware of the problems that may arise with severance pay. When a refinery closes down, any workers who receive severance pay are confronted with the fact that they cannot receive unemployment insurance since this pay is shown as earnings. The whole purpose of severance pay is to give people time to relocate themselves in some other part of Canada. This is a question that has received a lot of attention, particularly during the last two or three years.

According to section 62, which we discussed in this committee last week, in the event that a worker is told by Manpower to apply for a mobility grant for moving expenses, where would he apply? We have all heard of cases of people who have tried to obtain mobility grants under the manpower legislation, and section 62 does give consideration to relocation, moving expenses and so on. Would the parliamentary secretary elaborate on these two areas that are covered by section 62?

The Assistant Deputy Chairman: Shall section 56 carry?

Some hon. Members: Carried.

Mr. Skoberg: Mr. Chairman, I wonder whether the parliamentary secretary would just clarify that point. That was the purpose of asking the question.

Mr. Mahoney: Mr. Chairman, I am not really in a position to discuss in detail Manpower mobility grants. If the hon. member can point to a section of Bill C-259 which brings them into income, then I will agree with him that these are taxable. If he can point to a section that excludes them from income, then I will agree they are excluded. But I am not entirely clear just what sort of comment the hon. member is expecting from me at this point.

Mr. Skoberg: Mr. Chairman, I cannot point to a section in this large volume before us. The only point I want to clarify is where the average taxpayer looks for assistance if he wants to relocate himself in some other part of the country. To which piece of government legislation does he look? Does he look to Manpower mobility grants or to section 62? When this question is placed on my desk, I like to be able to answer it. Invariably, of course, I have to telephone a department of government to find out who looks after what. This is the only point I want to clarify at this time.

Mr. Mahoney: Mr. Chairman, I think it would be fair to describe this bill generally as an extractive statute. If the hon. member's constituent is desirous of obtaining a grant, he will have to look elsewhere than the Minister of National Revenue.

[*Translation*]

The Assistant Deputy Chairman: Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Lanark-Renfrew-Carleton (Mr. McBride)—Atomic energy—Basis for loan to rehabilitate Glace Bay heavy water plant; the hon. member for Saskatoon-Biggar (Mr. Gleave)—Manpower—Reasons for exclusion of reserve Indians from labour force survey—Inclusion in local initiatives program.

[*English*]

Mr. Howe: Mr. Chairman, on October 14 the Minister of Finance brought in a lot of "mini-budgets" which announced new programs designed to combat the tremendous amount of unemployment expected in Canada during the forthcoming winter. I should like to ask the parliamentary secretary whether there is any involvement of the $25 million program set up for on-the-job training in this legislation we are discussing. Will there be amendments or changes to cover the travelling expenses of those people involved in apprenticeships or on-the-job training which is being initiated? The people who will want to participate should know where they stand and how this will affect their incomes, travelling allowances and things of this nature.

• (5:00 p.m.)

Mr. Mahoney: The Minister of Manpower and Immigration is in the chamber and the hon. member might like to discuss manpower retraining programs privately with him. I can only say that under section 56(1)(m) of the bill there is a clear indication that moneys paid under that type of plan would be taxable income. That is the extent to which sections 56, 57, 58, 60 and 63 of Bill C-259 allude to the particular matters the hon. member has raised.

Mr. Howe: It is my understanding that this is a new program being initiated and I am sure those people involved would like to have a clear definition as to how they stand under section 56(1)(m) in respect of income from this new training program. Perhaps the minister in charge of these programs could elucidate a little more on what is to happen to these people and whether they will be involved under this new tax bill.

Mr. Mahoney: Mr. Chairman, I do not want to appear obtuse, but I did think there was some general disposition to be relevant at this point. I seriously suggest that any discussion of manpower retraining programs at this particular time would not be relevant to the sections under consideration. I am sure the information the hon. member seeks could be obtained privately from the minister who is in the chamber at the moment. We have amendments to the Income Tax Act before us. The provisions in section 56(1)(m) provide that there shall be included in income amounts received by the taxpayer in the year as or on account of an adult training allowance paid to him under the Adult Occupational Training Act. That is about as far as this particular bill goes in dealing with the subject the hon. member has raised. While I would not for a moment denigrate the remarks he has raised, and indeed I might be much happier discussing them than the bill before us, they are not germane to the present bill.

Mr. Howe: I feel they are germane to this particular bill because this is a new program announced on October 14, and these income tax matters will certainly have something to do with the incomes of certain individuals in Canada. While we are dealing with this matter a clearer explanation should be given as to what will happen to these people.

Mr. Skoberg: Mr. Chairman, I might agree with the parliamentary secretary that we are not considering things which come under other departments, but if he will refer to page 131 he will see that adult training allowances under the Adult Occupational Training Act are mentioned in this bill. Perhaps the analogy is not good, but the people of Canada are getting a little fed up with the number of departments of government in which there is no continuity. In this field of retraining we have manpower, labour and now income tax involved. We are trying to find out where these people should go to obtain the assistance to which they are entitled.

The parliamentary secretary suggests we are dealing with income tax matters this afternoon, but included in the bill are some things we want explained. We have a minister in charge of Manpower and Immigration, and perhaps he could give the explanation, but this matter of the Incomc Tax Act involves manpower mobility grants. These people involved in manpower mobility will be affected by these amendments and they are entitled to find out what they will mean. The parliamentary secretary would naturally suggest they should not go to the Minister of National Revenue or the Minister of Finance for that type of assistance, but perhaps he should indicate the department to which they should go. In all seriousness, I think this is a matter which should be explained to the people in order that they will know whether they are entitled to consideration under the Income Tax Act.

It is my feeling there are too many departments overlapping, all trying to build their own empires. No one in Canada seems to know where he is going or how to get there. Somewhere along the line there should be some continuity of purpose, so the taxpayer who is paying the shot will know which way to go and when.

[*Translation*]

Mr. Godin: Mr. Chairman, we could say that they are trying to play a trick on us, since the bill under consideration is against the small wage earner. Indeed, taxes throughout the world have always been paid by the rich or the lucky ones but under section 56, the poor would also be taxed. In my opinion, nobody now is in a worse position than the many unemployed Canadians and I wish to object to that clause, Mr. Chairman. However, before resuming my seat, I would like to ask the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) if his experts know how many persons will be affected by the new legislation and what amount the government expects to collect through it?

[*English*]

Mr. Gleave: Mr. Speaker, reference is made to bursaries at page 131 of the bill. Do I take it that a person in receipt of a bursary or scholarship is to be taxed to the extent that the value of it exceeds $500?

Mr. Mahoney: A person in receipt of a scholarship or bursary would be entitled to an extra $500 exemption over and above his personal exemption. The maximum would be either $500 or the actual amount of the scholarship or bursary obtained, if it happened to be less.

Mr. Gleave: It seems to me there is a conflict of aims or objectives. Obviously, the purpose of governments granting scholarships is to allow students who are non-earners to pursue their studies. If a student is an earner, the government would not be giving any bursary or scholarship. We give bursaries and scholarships at various levels of government in order that people in non-earning positions can continue to study and carry out research. I do not follow the logic of providing that a scholarship will not be taxed up to a value of $500, but only on the rest. A student could not pursue a course of study or hope to accomplish some objective in six to eight months on $500. If the exemption were set at a level which would permit a student to spend a year on his project, then it might make some sense.

• (5:10 p.m.)

It seems to me that this section treats the bursary as income and, therefore, assumes that the bursary is an earning. But it is not really. A bursary should not be regarded as an earning; it should be regarded as a grant given to a student to pursue some research which, in most cases, the provincial or federal government regards as a desirable objective. Or course, some students get grants from private sources, but if it is the opinion of the government that amounts from private sources are excessive, then this might be a reason for seeking to tax part of it in the hands of the private sources. If they think the amounts from government sources are excessive, then the obvious thing to do is to cut down the size of the grant from the government. But to tax above the first $500 of bursaries which are given to students to pursue studies and research does not add up.

Mr. Mahoney: First, I must apologize to the hon. member for Portneuf for not answering his question immediately. I had to get the figures here. I have no idea of the number of individual taxpayers who might be involved. However, in terms of dollars, an estimate appears in the summary of the tax reform legislation, and I would refer the hon. member to page 64 of the English version. I hope it is the same page in the French version. I refer to the table entitled "Revenue Effect of Personal Income Tax Changes in the First Year of the New System". On the basis of the 1972 incomes, it is anticipated that the inclusion in income of unemployment insurance benefits would result in revenues of $130 million, while the deduction of unemployment insurance premiums paid by employees would result in revenue deductions of $100 million. So, the net figure is an estimated revenue gain of $30 million.

So far as the question of the hon. member for Saskatoon-Biggar is concerned, I did answer it at some length earlier this afternoon when the hon. member was unable to be with us. I shall simply say briefly that the thing to remember here is that this is an additional exemption over and above the $1,500 exemption, over and above the $100 standard deduction, and of course in addition to that students are entitled to deduct from their taxable income the amount of tuition that they paid to an institution. So, leaving aside the tuition completely, no student in receipt of a $500 or more scholarship or bursary would pay tax until his income reaches the amount of $2,100 a year. The $500 is not the level at which students start to be taxed, but it is an additional exemption over and above that which they otherwise have.

I would also take some exception to the hon. member's generalization that scholarships and bursaries are necessarily paid on account of need. Indeed, many are, perhaps most are, but certainly not all, and I think that is a fact to remember. I really feel that most students should not feel hard done by, by having to start to pay income tax at the level of $2,100 net after payment of their tuition fees for the year.

Mr. McCleave: Mr. Chairman, perhaps I should shed some light on the argument that was started by the hon. member for Fundy Royal and which has been followed by others, winding up with the statement we just heard concerning the taxation of scholarships and the like. Having been a member of the committee, I may say that it was our feeling that if you added that to the basic exemption you probably got something that did cover tuition and residence fees of universities. I think that was the reason for it. Even so, I think a number of us did feel that perhaps we should not be so meticulous about bringing every dollar that moved in Canada within the clutches of the tax collector. We felt that there may be good reason for saying that students should have some kind of preferential treatment because we knew that later on, as the major taxpayers in Canada, from the preferred positions in the professions and with preferred income, they would be shouldering a substantial part of our income tax load. Anyway, I think the parliamentary secretary would probably agree with me that after the $500 which was arrived at, adding that to the basic exemption, you get $2,000, and we felt that generally this should be good enough at least to cover the university fees.

I should now like to go to another point, if I may. However, if anyone wants to follow up that line, I would be glad to yield my place for the time being.

Earlier today I made an objection to a story which appeared in the *Mail-Star* of Halifax on Saturday afternoon written by Dan Turner of the Canadian Press. I do not withdraw a word of the objection that I made to Mr. Turner's report as it was edited and as it appeared in that newspaper. However, he has shown me a report that he had apparently done earlier for the Canadian Press which I thought was eminently fair and which did represent what actually took place on Friday afternoon. I only wish the gentleman had carried that type of reporting forward into the next day. So, I have done him half an injustice, not a complete injustice, and he has done us a half injustice and not complete justice.

The point about which I wish to talk goes back to the day care or child care centres. First, I should like to ask the parliamentary secretary whether there are any other provisions in this legislation which would promote day care or child care centres in Canada. Are there any other provisions which would make it worthwhile for industry in particular, because we are dealing with people putting themselves in a tax exempt position or being entitled to write off certain deductions, or for government departments for that matter to provide day care centres?

Mr. Mahoney: I am not aware of any, Mr. Chairman.

Mr. McCleave: I would like to put in a plug for the consideration of such. I think that perhaps we are taking the wrong approach and that we are really trying to tax the pin money of people rather than getting to grips with a pretty big problem. I am pretty sure that when the hon. member for Vancouver-Kingsway gets after all of us tonight on this question of day care and child care centres we will learn much more than I could possibly say now. But I should like to put on record the remarks of the Leader of the Opposition when he spoke on March 16, 1970 at a dinner in Sault Ste Marie, Ontario:

> The government could offer incentive for companies to provide day care facilities on their premises. It could act as an example itself by setting up day care centres for its employees.

I think these remarks commend themselves. We are at the dawn of something that is very important.

My other point relates to the particular matter which I raised, namely the mama and papa position, that is the people who run the corner grocery stores or small businesses across Canada. Some of the provisions in the Income Tax Act simply do not give them tax relief. After I left the House on that particular evening, one of my colleagues mentioned a husband and wife who ran a garage under such circumstances—I guess you could call it a mama and papa garage. The wife brought their five children, under the age of six, who were placed in a room in the back part of the garage. They survived, I guess, as best they could through the day while mama attended to the books and so on and while papa attended to the job of dispensing the gasoline, grease, oil and so on.

• (5:20 p:m.)

This is similar to the situation I mentioned the other day where, because the business is not incorporated, such people do not get relief under the provisions of this act. If the business were incorporated I believe section 74 of the act would take effect and there would be no presumption that the woman was earning a separate income on her own. Therefore, obviously, if one looks at page 151 she could not qualify as having an income for a taxation year. I suggest this is one of the technical things which have been overlooked or is something which has been missed. I would hope, since this is part of the story, the parliamentary secretary might indicate that there will be some relief in this direction before we conclude our consideration of the Income Tax Act.

Mr. Mahoney: Mr. Chairman, the hon. member of course raised this during the discussion on section 109 and section 110. This perhaps is the other side of the coin. Now we have a situation where those in wedlock apparently have been penalized under the Income Tax Act, while those who choose to go unchurched may have some small benefit accruing to them. The problem has been considered. I believe we would admit in honesty that there are many ways in which marriage imposes a genuine hardship. However, the administrative problems of dealing with payments from husband to wife or from wife to husband as the case may be, where such payments result in a reduction of the over-all tax burden on that particular family, are formidable. Frankly, we have not come up with a solution to the problem that would satisfy the government in trying to achieve the balance of equity principle in the government's dealings with taxpayers and equity among taxpayers themselves to make sure we do not afford any particular group or class of taxpayer an undue opportunity for tax avoidance. If hon. members can come up with any good suggestions that would achieve both these objectives we would certainly be pleased to hear them.

Mr. McGleave: Mr. Chairman, since he frankly granted that the problem does exist, I should like to ask the parliamentary secretary if anybody will be burning the midnight oil over the next few days in an effort to see if something can be done. I know many of us can raise problems but perhaps we do not have sufficient time during the day to come up with exact answers. Granted that the problem exists, is anybody trying to cure it?

Mr. Mahoney: I am advised that the tax people in the Department of Finance have been burning the midnight oil over this particular problem for many years and are still burning it. I am not saying that the solution will manifest itself in the two or three days left to us to deal with this particular area of the bill.

Mr. Knowles (Winnipeg North Centre): Maybe they should try it in broad daylight.

Mr. Gilbert: Mr. Chairman, as you know, I have tried without success to persuade the government to exercise its moral and social conscience with regard to raising the exemptions of single individuals and married couples. I have also tried, without success, to change the government's view in respect of allowances for travelling expenses. I shall again try in my very humble way to persuade it to make certain changes in respect of other sections. I would direct the attention of the parliamentary secretary to page 129, of the bill which covers the question of alimony. If I read the section correctly, payments of alimony which have been made pursuant to either a court order or a separation agreement are not taxable income. A question arises in respect of a husband who pays moneys for the support of his wife and children and, because he does not have a court order or a legal separation agreement, cannot claim these moneys for income tax purposes. When I read this section I see the government is still sticking to the principle that there must be either a separation agreement or a court order before this amount is allowed as a deduction to the husband.

I would have thought from experience, and from the representations made by the various groups, the government might have yielded a certain amount and permitted as an exemption that payment by the husband to the wife for the support of herself and the children, even though

there is an absence of a court order or a separation agreement. We should keep in mind that in many of these instances where there is absence of either a court order or a separation agreement, the parties are motivated by one of two things. It may be that, because of religious principles, the wife is not motivated to move either for a separation agreement or a court order, or it may be that the husband is hoping for a reconciliation. However, why should he be penalized because, although he is assuming his family responsibilities and is making payments to his wife, he does not have a court order or a separation agreement. This strikes me as being unfair and inequitable. That is the first point I should like the Parliamentary Secretary to explain.

The second point is set forth on page 132 of the bill and is captioned "indirect payments". It reads:

A payment or transfer of property made pursuant to the direction of, or with the concurrence of, a taxpayer to some other person for the benefit of the taxpayer or as a benefit that the taxpayer desired to have conferred on the other person shall be included in computing the taxpayer's income to the extent that it would be if the payment or transfer had been made to him.

Quite frankly, I am not too sure what that means. Perhaps I might give an example. Suppose a husband and wife were separated and the husband was making a nominal payment to the wife but also held with the wife the mortgage on another property. Let us say the mortgage is in the amount of $10,000. As a result of some complaining by the wife that the amount he is paying to her is not sufficient he is persuaded, as a matter of moral social conscience, to transfer his portion of a mortgage to her which he had held jointly with his wife. Would this mean that the $5,000 in respect of the mortgage becomes taxable in the hands of the wife? If it does, there is something unfair about this provision. I may be misinterpreting this section, Mr. Chairman, and if so I would like the parliamentary secretary's assistance.

• (5:30 p.m.)

Mr. Mahoney: Mr. Chairman, the hon. member for Broadview was in his seat when I responded to the hon. member for Halifax-East Hants on the problem of the reduction of total income to the family unit as a result of payments to one spouse by the other. Without going over that ground again, surely the hon. member will appreciate the problem raised in connection with alimony or maintenance payments by one spouse to the other in the absence of a court order or separation agreement. Some criteria have to be established in order to ensure that such payments are in fact made for the purpose claimed rather than simply as a device to avoid or reduce taxation.

The example which the hon. member cited in his discussion of section 56 (2) might be responded to in the same way. The payments covered by that section do not necessarily limit themselves to gifts as between husband and wife. The section is identical to present section 16 (1) of the Income Tax Act and its purport is to provide that amounts due to the taxpayer do not cease to be his income merely because he directs that they be paid to someone else. Other circumstances may enter into the transaction which would justify his suggesting that this should no longer be his income but that of the person to whom it has been assigned. However, the mere fact of assigning it does not relieve him of the liability for taxation on it.

Mr. McCleave: Mr. Chairman, I would ask the parliamentary secretary a question prompted by the question of my friend the hon. member for Broadview. The case is covered where there is a judicial decree or a legal separation drawn up in a law office and signed by both parties and witnessed. I do not see why it would be out of order if you had a simple written statement made by both parties to the effect that a sum of money had been paid during a taxation year for the support of one of the parties and the children residing with that party. This would not really be a written agreement of separation but simply an acknowledgement signed by both parties that one had paid and the other had received. Has that idea been scouted as a feasible way of tackling the problem?

Some people will not go to the expense of getting a divorce. I guess I got myself in trouble the other day by making a plea on behalf of some of them. Some people would go to a lawyer's office although they would not go near a divorce court. They are willing to try and regularize their legal liabilities. Some people prefer a simple way of doing things, just a sort of acknowledgement system. Has this ever been discussed?

Mr. Mahoney: The section simply provides for a divorce, a judicial separation or a written separation agreement. There is no suggestion in the section of the degree of formality required in the written separation agreement. I think any agreement in writing that did effect a separation and that the parties did in fact substantiate should, if the question were asked, satisfy the Minister of National Revenue. This is a question of interpretation, which I would be glad to present to the Department of National Revenue for an answer. I should again point out that the jurisprudence should be ample here because this section is identical to one in the existing act.

Mr. De Bané: I should like to put a question to the parliamentary secretary. Do I understand from his remarks that the amount paid by the husband to his wife pursuant to the judgment of a tribunal is deductible from his taxable income?

Mr. Mahoney: That is correct. Of course, it is income in the hands of the party who receives it.

Mr. Gilbert: Mr. Chairman, I should like further enlightenment because I was not satisfied with the answers given by the parliamentary secretary concerning the payment of alimony. We find that democracy has its limitations even though democracy depends on persuasion. It seems that no matter how much you attempt to persuade the government, it falls on deaf ears. It is rather unfortunate that we have run into this low state of democracy.

The other night I said, with all the strength of Horatio when he defended the bridge that fell, that I hoped some hon. members on the other side would come to the defence of some of the cases we have raised and would speak up and speak out in an attempt to persuade the government. This has not been done, and it is most unfortunate.

I direct my question to another provision which is very relevant, that with regard to the allowance of $500 for a child. I have direct knowledge of this problem, and when I read the section which allows $500 it makes me feel ill. As

an example, there is the problem of a couple I know who have a retarded child. The expenses incurred necessitate that both husband and wife work to make sufficient income to take care of that child and one other. I have been told that they pay $60 a week to a woman who comes in at eight o'clock in the morning, leaves around five o'clock in the afternoon and takes care of the retarded child during the day.

The parents feel that she is underpaid. But $60 a week for 50 weeks amounts to $3,000. It is absolutely necessary that they both work in order to meet the mortgage and other payments incurred in running their household.

As I read this section, it means they will be allowed $500 each year for the $3,000 they pay for the care of this child. There is something morally wrong with this situation, Mr. Chairman. If the government were the least bit conscientious, socially and morally, they would do something about it.

It would be quite easy for the parents to put their retarded child in one of the provincial institutions, but they do not want to do that because they love the child. As the years go by, the attachment of the child to the parents becomes stronger and makes it much more difficult to place the child in an institution. I hope the government is not so callous as to disregard the expenses of a couple who are trying to meet their family responsibilities.

• (5:40 p.m.)

The miserable $500 allowed in circumstances like these is unworthy of any government. The example I have cited could be repeated many times across the country. The parliamentary secretary who used to be the government whip is listening to me attentively. He is a lawyer by profession and I am sure has heard problems like these stated many times.

Mr. Knowles (Winnipeg North Centre): I do not think he is a lawyer.

Mr. Gilbert: He must have heard of cases of parents accepting their responsibilities for retarded children, keeping the children at home and bringing a person in to look after them during the day. Surely these parents ought to be shown special consideration. What has the Parliamentary Secretary to the Minister of Finance to say about that, Mr. Chairman?

Mr. Mahoney: Mr. Chairman, I appreciate the vigour with which the hon. member has presented his case and with which he is carrying out his assignment. I will co-operate with him as best I can to make sure we get at least to six o'clock before running out of steam on this section of the debate. However, I do not propose to repeat the remarks made during the debate on sections 109 and 110. The debate lasted for several days and dealt at considerable length with the improved tax treatment of parents of disabled or handicapped children. If the hon. member requires the page references in *Hansard*, I will be glad to send them over.

He is quite correct in his observation that under this section the limit of deduction for such a child would be $500. However, I think that you cannot, in the circumstances to which he alluded, deal only with this section; one also should refer to the various deductions that are permitted under section 110.

Mr. Saltsman: Mr. Chairman, I wonder if the parliamentary secretary would clarify his reference to section 110. I regret that I have not had time to look up those references. He suggested some additional assistance is given under section 110. Could he elaborate on that briefly?

Mr. Mahoney: I think that would be carrying co-operation from this side a little too far. That section was debated at length and adopted and I suspect the work of the committee might be unduly retarded if we went back and discussed sections we have already adopted. There are 333 sections in this bill and I believe we have now passed six of them. I would much prefer dealing with the sections before the committee now instead of reiterating at considerable length that which has happened.

Mr. Saltsman: Mr. Chairman, I could have obtained my answer in a shorter time than it took the parliamentary secretary to deliver his little lecture to the committee. However, I think the suggestion of the hon. member for Broadview is very good. We all know of cases where a disabled child has been an enormous burden to its family. There has been enormous hardship, particularly in cases where the family has opted to look after the child instead of placing it in an institution. Sometimes the child is disabled and not necessarily retarded. I ask the parliamentary secretary to consider making the full limit available in special cases involving mentally retarded or physically disabled children. The suggestion makes a great deal of sense.

If the parents of a disabled child could be given that kind of exemption and thereby could look after the child and relieve the public of the heavy expenses of maintaining the child in an institution, everybody would be further ahead. Society generally would be further ahead and the child would adequately be taken care of. We have heard of the many horrors existing in institutions which are not equipped to handle these problems. Often a child's disability calls for a person-to-person attachment. We ought to do as much as we can to encourage families to look after their disabled children.

I am not moving an amendment, for two reasons. One, it might very well be out of order and, two, I want to persuade the government, through the parliamentary secretary, to bring in a substantial improvement in this field. The $500 deduction with regard to services for a child who is being looked after in the home is an improvement over existing legislation. We acknowledge that. However, I do not think it would cost the treasury too much if we were to go the whole way, recognize the special case of disabled people and include in this legislation a provision which recognizes their case.

The government has brought in many amendments. Surely they could bring in another one covering this type of case. Perhaps this section could be stood for a little while to enable the parliamentary secretary to consult the minister and government advisers with a view to improving the bill.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, the suggestion just made by the hon. member for Water-

loo relates to proposed section 63. I refer to the suggestion that the section stand. This is also the section on which the hon. member for Vancouver-Kingsway wishes to speak. May I inform the parliamentary secretary that the hon. lady is now in Ottawa; therefore we have not waited for her in vain. I wonder if we have reached the point where all that is left for consideration in this group is further discussion of proposed section 63, and whether sections 56, 57, 58, 60, 61 and 62 could not be called. I have in mind particularly the fact that to sections 57, 58, 60 and 61 there are amendments by the Minister of National Revenue which are not as clear to me as are some parts of this bill.

Mr. Gilbert: Mr. Chairman, you know the old saying, whom the gods would destroy they first make mad.

Mr. McCleave: They make them parliamentary secretaries.

Mr. Gilbert: The more I read the 707 pages of this bill, the more mad I become. I become mad in the sense that my moral indignation is aroused, and not in the sense that my sanity is affected. Many might say, "Thank goodness for that." When the parliamentary secretary suggested that we on this side were doing a pretty fair job in keeping debate going until six o'clock, I was hurt. For that suggestion to come after my speech of persuasion, the suggestion being that I was carrying the ball so to speak until six o'clock, hurt me, Mr. Chairman.

An hon. Member: You were not listening to Stanley.

Mr. Gilbert: That hurt me. I hope some members of the government party will be persuaded by my argument to rise in their place and support my suggestion.

An hon. Member: Six o'clock.

Mr. Gilbert: I think that many government supporters are men of good conscience.

An hon. Member: Name one.

Mr. Gilbert: They have experience of these things. No doubt they are familiar with cases of parents of retarded children accepting their responsibilities and maintaining the child at home instead of putting it in an institution, thereby increasing very heavily their financial expenditures. The Parliamentary Secretary to the Minister of Justice is a man who appreciates legal problems as well as problems such as I have enunciated. I hope he will speak in favour of my suggestion.

• (5:50 p.m.)

I wish the hon. member for Windsor-Walkerville, who deals with constitutional matters in the legal sense, would deal with constitutional matters in the physical and mental sense. In the final analysis they are far more important than the constitutional aspect. The hon. member has done a tremendous job as chairman of our committee. If he would deal with some of the social problems in life rather than the legal problems, he would go down in history. The law is dead unless it is infused with life, and life in itself relates to the social problems that we have. I wish I were very persuasive. I wish I were Ciceronian with regard to my conviction. I wish I had the flare—

Mr. MacGuigan: Would the hon. member permit a question? Would the hon. member distinguish so sharply between law and society if he took into account all the sociological notions of law that most legal scholars, including myself, hold?

Mr. Gilbert: I find this question difficult to answer, Mr. Chairman. One of the problems is that I am so close to my constituents that I appreciate their problems. I did not understand what the hon. member was trying to say.

During the past weekend there was a conference in Ottawa on poverty and the law. From what I hear, it was absolute chaos. The conference was weighted with lawyers. The poor people, those who have all the problems, were restricted with regard to expressing their ideas. The result was chaos. I will come right back to the point.

The Chairman: Order. I appreciate that the hon. member will come right back to the point. He is skilled in doing that. I will recognize the hon. member immediately. However, I want to draw to the attention of the committee that the hon. member for Winnipeg North Centre suggested a concrete and useful way in which we could spend the remaining five minutes before six o'clock. Having made that observation, I do not want to deprive the hon. member for Broadview of his time.

Mr. Mahoney: Mr. Chairman, I regret, for my own sake and perhaps for the sake of the hon. member for Broadview, that I did not get the floor before. I think the hon. member for Winnipeg North Centre made a very practical suggestion. However, I was caught in the eloquence of the hon. member for Broadview: I think transfixed is a better word. If the suggestion made is agreeable to members opposite, I think we can dispose of the matter in that way and immediately call it six o'clock.

Mr. McCleave: That is agreeable to us, Mr. Chairman.

Mr. Knowles (Winnipeg North Centre): My suggestion is that we call section 56. It can be disposed of, and then we can call 57 and the amendment, and so on. It is understood that we do not go beyond section 62.

Some hon. Members: Agreed.

The Chairman: If that is agreed, the Chair will proceed to put the question to the committee. Shall section 56 carry?

Some hon. Members: Agreed.

Clause 1, section 56, agreed to.

The Chairman: There is an amendment to section 57. This appears at page 8939 of *Hansard* for October 22. It is quite detailed. Shall the amendment carry?

Mr. Knowles (Winnipeg North Centre): Will the parliamentary secretary explain it?

Mr. Mahoney: Mr. Chairman, this amendment is entirely to the French version of section 57. It changes the wording used to refer to a superannuation fund or plan to bring it into conformity with the terminology used elsewhere in the bill in the French version.

Amendment (Mr. Benson) agreed to.

Clause 1, section 57, as amended, agreed to.

The Chairman: There is an amendment to section 58. This appears at page 8939 of *Hansard* for October 22. Again, it apparently deals with the French version only. Hon. members have had the opportunity to read it.

Mr. Knowles (Winnipeg North Centre): Is the explanation the same?

Mr. Mahoney: Yes.

Amendment (Mr. Benson) agreed to.

Clause 1, section 58, as amended, agreed to.

The Chairman: Shall section 59 carry?

Some hon. Members: No.

Mr. Knowles (Winnipeg North Centre): Section 59 is not before the committee.

The Chairman: I beg the pardon of the committee. We then move to section 60. There is an amendment to section 60. This also appears at page 8939 of *Hansard* for October 22.

Mr. Knowles (Winnipeg North Centre): Perhaps we should have an explanation of this. It is more than linguistic.

Mr. Mahoney: Mr. Chairman, the first amendment to section 60 is the amendment to the French version only. Again, it only changes the wording used to describe the registered retirement savings fund or plan to conform with the wording in other parts of the bill. The amendment to section 60, paragraph (j), is a correction to amend the cross-reference from section 146(6) to read 146(5). Finally, the amendment to section 60(n) is an amendment to delete the reference to the old age supplement. This is as a result of the decision to make the old age supplement deductible in computing taxable income. Accordingly, it is not necessary to provide for a deduction of those amounts.

Amendment (Mr. Benson) agreed to.

Clause 1, section 60, as amended, agreed to.

The Chairman: We now proceed to section 61. There is one amendment which appears at page 8939 of *Hansard* and over on to the next page.

Mr. Knowles (Winnipeg North Centre): Explain.

Mr. Mahoney: Mr. Chairman, this amendment refers to section 61(2)(a). It is a change of wording in the French version to conform with the terminology used when dealing with superannuation plans or funds in other parts of the bill. The other amendment adds a new paragraph (g) to section 61(2) at page 147. The subsection to be amended describes items of income which may be used to purchase an income averaging annuity. The new paragraph (g) to be added to this amendment will provide for all or part of a prize for achievement in excess of $500. The excess $500 can be deducted. It can be averaged over a number of years by purchasing an income averaging annuity. It recognizes that a prize or achievement may be of substantial amount. If all of such a prize were taxed in one year it might be subject to a high rate of tax. That would be undesirable.

[Mr. Mahoney.]

Mr. Knowles (Winnipeg North Centre): In the printing of this amendment at the top of page 8940 of *Hansard* there appears the phrase "/500". Is that just a typographical error? Should it read "$500"?

Mr. Mahoney: Yes, Mr. Chairman, the wording in the last line should read "exceeds $500".

Amendment (Mr. Benson) agreed to.

Clause 1, section 61, as amended, agreed to.

• (6:00 p.m.)

The Chairman: The hon. member for Winnipeg North Centre has drawn to the attention of the committee a typographical error. This has been confirmed by the parliamentary secretary and I take it there is an order of the committee that an amendment be made accordingly.

Some hon. Members: Agreed.

The Chairman: Shall section 62 carry?

Clause 1, section 62, agreed to.

Mr. Knowles (Winnipeg North Centre): Six o'clock.

The Chairman: It being six o'clock, I do now leave the chair.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Deputy Chairman: Shall section 62 carry?

Mr. Mahoney: Mr. Chairman, I understand that section 62 carried before six o'clock and that section 63 is the one we are now dealing with.

The Deputy Chairman: Order, please. The reason I called section 62 was that it was not clear that the section had been carried. The hon. member for Winnipeg North Centre called it six o'clock and it was not clear whether it had been carried. If it was carried at six o'clock, then shall section 63 carry?

On clause 1—section 63: *Child care expenses.*

Mrs. MacInnis: Mr. Chairman, I am very glad to have an opportunity of saying something on section 63 because this is a very definite, though small, breakthrough in a very important area, that of child care. I believe this is the first recognition by Parliament that has been given to the need for providing care for the children of working parents and I want to express my appreciation to the government for establishing this beachhead, as it were, in this particular area. I do not think, however, that this is a very big breakthrough, and I shall go on to say why. This is one of the gaping holes that exists in our social security system in this country. I am glad to see that a beginning is being made to plug this hole, though I think much more will have to be done to plug it thoroughly.

As I understand it, this section provides for a deduction of $500 for each child of working parents up to a maximum of four children, which is $2,000, or for two-thirds

of the parents' earned income, whichever is the lesser. At the outset I should like to put a question to the parliamentary secretary and he can either answer it now or make a note of it. I should like to know whether this deduction is applied to the total income of both husband and wife if both are working, or is it applied only to the lesser of the two incomes, be the lesser income that of the husband or the wife? Certainly this is not clear as the provision is now drafted.

We have to face the fact that conditions today are such that only a small number of working parents can afford to care for their children while they are away working. This may seem a startling statement to make, but as far back as 1965 when I was doing some door to door campaigning I was amazed at the large number of children who were out on the loose after school, with the front door of their houses locked or with a latch key around their necks and whose parent or parents were away working. This is far from the state of affairs that a good many of us think exists today that is, parents looking after their children at all times during the day. Many people think that if parents are away working, relatives care for the children. But we have now moved almost imperceptibly to the point where there is no one to care for so many of these children, be they relatives or neighbours, unless special arrangements are made.

For a long time many people were worried that there was no federal provision—or any other kind of provision for that matter—to plug the gap that was left when the mother or father, or both, were working away from home during the daytime. To substantiate my statement that only a minority of working parents can afford to take care of their children while they are away, I should like to cite some figures. Admittedly, these are not 1971 figures but they are the latest I could obtain. They were compiled by the women's bureau of the Department of Labour.

According to these figures, in 1966 the median annual earnings of working mothers were $1,783—that is, working mothers with husbands—and $2,856 for widowed, separated and divorced mothers. This last category embraced 10 per cent of the mothers in the working force. I think the figures prove the point I am making, namely, that on these salaries or wages working mothers simply cannot afford to look after their children by paying others to care for them adequately.

• (8:10 p.m.)

The women's bureau also said that 29 per cent of families of working mothers where the husband was present had a combined annual income of less than $6,000 in 1966, and the average combined income for a two-parent family was $7,302. One might suggest that since 1966 wages and salaries have gone up. That is true, but I want to point out that the cost of living has also gone up enormously since that time and that the situation has become even more aggravated.

Proof of what I am saying lies in the fact that when the Royal Commission on the Status of Women was hearing representations and visiting many parts of Canada this was the problem expressed above all others, that is, the urgent need for child care for parents working outside the home, particularly for working mothers. That royal commission was impressed with the urgency of this matter. I should like to point out the need from another angle.

Again using information supplied by the women's bureau of the Department of Labour, a survey was conducted in April of 1967 which showed there were 540,000 mothers of children under 14 years of age in the labour force. One working mother in every five had children under 14 years of age. This involved more than one million children. The other day I asked the women's bureau to make an estimate of the current figures and they came out with the following: as of July 24 this year, instead of 540,000 mothers in the labour force with children under 14 they estimated there were 678,000 working mothers with children under 14. Almost 20 per cent of the mothers in the labour force have children under 14 years of age.

This is a very serious situation, one which shows that the time is long overdue to help working mothers with child care arrangements. The problem is growing and it is divided into a number of categories. The after school problem is very serious. When we complain about vandalism, juvenile delinquency and all that sort of thing we must realize that a great deal of it is the result of lack of proper and adequate arrangements for children coming home after school when the mother is out working. This would also apply in respect of a father of a single-parent family.

This summer I attended a conference in Ottawa on child care. It was attended by representatives from across Canada. At that time I realized this problem is growing worse by leaps and bounds in every province. I also attended a single-parent conference recently in the city of Ottawa and discovered that in a great many families the father is the only parent to care for the children. This adds to the difficulties.

The problem is most acute and urgent in respect of children under school age. In 1967 there were 357,000 children under six years of age whose mothers were in the labour force, yet less than 3,000 of them had been placed in day nurseries or centres. The need today is much greater and is growing fast. The Royal Commission on the Status of Women said there should be 450,000 places in child care centres provided in the immediate future.

For a few minutes let me refer to the element of cost of child care facilities. Under this income tax bill a deduction of $500 is being allowed per child, up to four children, or a total of $2,000. One hon. member from Toronto indicated the other day that this figure fell far below the actual cost of child care today. I have discussed this cost with child care people and have come to the conclusion that $500 is a very unrealistic figure in relation to the actual cost of child care.

The $500 deduction works out to $10 per five-day week in a 50-week year, or $2 per day. I should like to know if any member of this House knows where you can get child care for $2 a day. If I did know I would be hustling around to get the minimum wage people working on the situation. This is a very low figure which the government is providing. The amount of $2 per day for child care is pretty mean and also represents a violation of the federal minimum wage laws.

The actual minimum for which child care can be provided is $15 per week. This works out to an annual figure

of $750. There are very few child care centres where you can obtain child care for $750 a year. The actual minimum market figure begins at $20 a week, or $1,000 a year. That is exactly twice the figure provided for child care in this legislation. It would be a very good idea for the government and the Parliamentary Secretary to have another look at this figure. The Canadian Conference on Child Care this summer suggested that even $1,000 per year was a minimum starting figure and that the actual market price was considerably higher.

Let me suggest also that this problem is far too big to leave to private arrangements. I may have to come back to this matter a little later because I see I have just about exhausted my time on the first round, so I will confine myself at this stage to private arrangements. I think the government is thinking in terms of parents making their own child care arrangements with individual baby sitters. That is a very unrealistic situation. Even if the exemption were raised to $1,000, which is far more realistic, this situation would not be good enough.

We have reached a stage when we must consider child care as we consider education. Years ago education was left to parents who had the means to hire private tutors or send their children to private schools. Only the well-to-do could afford that. There were tutors and private schools available for them, but we came to the conclusion in Canada many years ago that this system was not good enough for the people of this country. I think the government will have to go much further than even $1,000 a child. This is a realistic starting figure; it should be at least $1,000 per child per year instead of $500. The government, however, will have to go much further than that. I will leave the matter at this point and return to it later.

• (8:20 p.m.)

Mr. Thomson: Mr. Chairman, before making a speech I should like to ask a question of the parliamentary secretary. How did the government arrive at the figure of $500 in respect of this exemption? It might be interesting to know how it was arrived at. Is it a ball-park figure, or what?

Mr. Mahoney: Mr. Chairman, as one unnamed colleague here just mentioned, that is a mysterious process. The process by which these figures are arrived at involves a combination of things that are fed into an assessment of what the revenue impact may be and what objectives one would like to achieve in making changes to the Income Tax Act.

In this particular case the estimated revenue reduction as a result of the child care allowance we are talking about is $50 million a year. In all these figures such as rates, exemptions or any other deduction which may be limited by a top figure, for example, the employment expense allowance, we try to strike a balance between the government's revenue requirements and what we would like to do both politically and equitably for the taxpaying public.

Mr. Thomson: Mr. Chairman, I should like to make a few comments on this provision. I do not profess to be an authority in this area such as is the hon. member for Vancouver-Kingsway. However, I have spoken to individuals who have had to deal with the problem. I was a little surprised to find out what is being paid to baby sitters these days. It seems to me that the "grandmother figure" who looked after children as I knew the situation does not work for peanuts any more but works for union wages.

[Mrs. MacInnis.]

One even hears about people putting children through college by looking after someone's youngsters. I was horrified to hear the charges made for looking after children. I suppose this might be fairly natural for a bachelor because he is not accustomed to paying these costs. If one were in the position of being a single parent it would seem to me it would be almost cheaper to get married. Seriously, it seems to me we should consider a larger exemption for people who have to contend with this problem. We already find that within new apartment complexes day care centres are being established. With this type of exemption such centres may be more widespread.

When both parents work they have the problem of providing care for their children. It is logical that some arrangement should be made for the children quite apart from the convenience to the parents. In this connection I am very interested in the welfare of the children. If a single parent should be involved, or if both parents are involved because they must work for economic reasons, I think the child has a claim on society for a proper upbringing. I am quite concerned when I hear of people who are unable to provide an adequate standard of living for their children. In some cases the solution to this problem may mean the provision of baby sitters or day care centres. I think we should consider an increase in the $500 exemption because of the problems which people have.

Mr. Lambert (Edmonton West): Mr. Chairman, there is one point I wish to raise. I am going to strike out for male liberty in respect of this provision. Many people have been talking about single parents and there has been a suggestion that it is always the mothers of children who are involved. This act does not provide for the father at all except if he should be separated from his wife pursuant to a written separation agreement. This is repeated time and time again in the act. A man can qualify for the child care allowance for his children only if he is no longer married, second, if he is living separate and apart from his wife pursuant to a written agreement or, third, if the wife is certified by a qualified medical practitioner to be a person who by reason of mental or physical infirmity is confined for a period of not less than two weeks to an institution.

Mrs. MacInnis: How about widowers?

Mr. Lambert (Edmonton West): The widower is not specifically provided for, nor is the man whose wife decides she wants to play in greener pastures and has left him with children. We know this happens. Perhaps it does not happen quite as often as the case of a husband deserting, but there are many instances in which the wife deserts and leaves the children with the husband.

It seems to me the separation of these parties should be wider than pursuant to a written agreement. The widower, of course, is covered by the provision that he is not married since under these provisions he is not considered to be married. I must say there are many instances in which the wife has deserted the husband and has left the children with him. He would be in no position to negotiate

an agreement, nor would there be a compelling reason to do so.

Perhaps a court order should be included. Suppose the parties were separated merely by means of a court order: say, for instance, that the family court decides for the benefit of the children or for other reasons that the husband shall live separate and apart from the wife. If the children are in the custody of the husband, surely to goodness he should be entitled to receive the child care allowance. One provision which might be abused is the deduction referred to in section 63 (1)(b) (iii)(A) where the wife may be confined to bed, there is a certificate that she is so confined for a period of two weeks, and there is need for child care. I think something could be worked out under that provision.

I ask the parliamentary secretary why the benefit is restricted to the taxpayer who is the father of children and who is separated pursuant to a written agreement. I know there might be opportunities for the parties to decide to live apart in order to see if they can get some edge. But surely to goodness where it is proved that the wife has decamped, or where a court has ordered the parties to live apart with the husband having the care and custody of the children that should be sufficient for him to qualify for the child care allowance.

• (8:30 p.m.)

Mrs. MacInnis: Mr. Chairman, there are three questions that I would like to ask the parliamentary secretary at this point. The first concerns the matter of receipts. What will be the position of full-time university students who work during the summer to earn money to cover university fees and who require day care for their children during the university year? Under the act will they be recognized as parents working in the home?

The next question is, what will be the position with respect to receipts which must be submitted as validation for claims, first in the case of established day care centres? What will be the process for validating these organizations? The second case is with respect to parent co-operatives. What legal entity exists in a parent co-operative, because they would be issuing receipts to themselves?

Having said this I should like to deal with the matter of the receipts. This matter has been one of the more thorny issues among the people with whom I have discussed the question. There is the point of view that it is a pretty good thing to issue receipts because in this way some kind of standard is established. This is why I want to find out from the parliamentary secretary what the validation process will be and generally what the criteria for these receipts will be. It seems to me that if there is child care and receipts are issued for it some kind of standard should be required in connection with the child care. A very dubious benefit will be conferred on the child if we do not have some criteria in this respect.

Another point which I wish to raise is that a number of low income people with whom I have talked would like, to look after children and get paid for doing so under this income tax deduction provision, but they are afraid that if they do so this would interfere with their social assistance and, as a result, their social assistance might be cut.

Therefore I took the trouble to contact the Canada Assistance Plan people in the National Health and Welfare department and found out that if you are fortunate enough to live in some provinces you may receive $500 for looking after someone else's children without social assistance being reduced. The provinces wherein one's social assistance would not be reduced are Ontario, Quebec, Newfoundland, Nova Scotia and British Columbia. Nova Scotia is close to the line but it would probably be on the right side of it. In the other provinces social assistance would be affected before you could get $500 for looking after children. This is something which the parliamentary secretary should consider. He should find out whether there is some way in which this matter could be handled by his department in co-operation with the social assistance authorities, because it is a real problem for people on social assistance who want to become engaged in child care work.

There is another point which I should like to mention. When payments are made to people for child care there should be some obligation regarding the quality of child care. I do not know whether the parliamentary secretary would like to answer all those questions at this stage, but I would like to pursue the matter of eligibility and criteria if he would answer them.

Mr. Mahoney: The question which the hon. member for Vancouver-Kingsway asked first in her first presentation was whether child care allowance was applicable to the total income of the family. The answer is no. As to whether it is applicable to the lower of the two incomes, again the answer is not necessarily, although in practice that would be the usual case.

Section 63 makes it very clear that if the lady in the house is earning an income she is automatically qualified to claim this, but the man in the house has to pass a number of tests in order to be able to claim it, as was alluded to by the hon. member for Edmonton West. Either they are separated or he is not married and is supporting children for one reason or another, being a widower or divorced, or his wife is separated from him pursuant to a written agreement, or his wife is mentally or physically incapacited for a period of time during the year which would permit him to claim this allowance under section 63.

In passing I might refer to the comments of the hon. member for Edmonton West and note that of course in this particular area in almost every circumstance that I could conceive which the hon. member mentioned, the taxpayer would be entitled to claim a full, married exemption on behalf of a dependant other than his wife if the circumstance which he described existed. I would like to look at his comments to see if by any chance we have provided a situation where a man could not claim either the child care deduction or the married exemption on behalf of a dependant other than his wife. However, I do not believe that that situation exists. I think he is entitled to one or the other in those circumstances.

Mr. Lambert (Edmonton West): What if he puts the children in a boarding school and avails himself of the provisions governing the placing of children in a boarding school, with its limitations? He would be denied that?

Mr. Mahoney: I do not think so. Assuming that his wife is not claimed as a dependant, one way or another he would be able to claim the equivalent of a married exemption in respect of one of the children. He would be able to claim the child care allowance up to $15 a week for the boarding school and up to the limit of $500 per child and $2,000 for the family. This is the sort of thing that I would like to pursue with the hon. member over a cup of coffee, when we could get down to the particular section in the bill in some detail. But I believe I am correct in my interpretation.

The questions raised by the hon. member for Vancouver-Kingsway in her last presentation regard, first, the university student. The answer is yes, the university student can claim this exemption provided he can say that the child care payments were made for purposes of earning income and not simply for purposes of freeing the parent to attend university.

The exemption during the year is related to the earning of income and I would think that in many cases the working university student, one who works during the off season, would find that he or she could in fact claim at least a good part of this $500 exemption during the period that he or she is earning income. The allowance is not there specifically to allow the university student or any other student to claim the exemption so that he can attend the institution of his choice. It is related to the earning of income.

• (8:40 p.m.)

On the matter of day care services, there is no special restriction on this as far as the co-ops or anything else is concerned. Someone must issue a receipt; that is the whole situation. There should not be any problem about a parent co-op if it is bona fide and if it issues a receipt.

Earlier today we discussed the problem which arises when we propose to allow people to make a deduction from their taxable income in respect of payments made to people living under their own roof, to people within the family unit. In equity to the general body of taxpayers it is felt that some provision should be made to circumscribe and formalize the arrangement whereby a taxpayer can reduce his taxable income by making payments to another person in the family. As the hon. member can appreciate, these payments can be made to other members of the household provided that person is not entitled to be claimed as an exemption by the taxpayer claiming the child care allowance.

Undoubtedly there will be some administrative inconvenience for the taxpayers concerned, but we hope that the benefit of the general allowance, which will be a matter of an additional $50 million left in the hands of the taxpayers for the coming year based on the 1972 income, will outweigh any administrative inconvenience.

Mr. McCleave: Mr. Chairman, the parliamentary secretary mentioned administrative inconvenience. That raised an important question in my mind which I shall pose as briefly as I can. What sort of thrust is there for change in our income tax law within the Department of Finance and also the Department of National Revenue which perhaps has the more immediate responsibility for administering the law?

[Mr. Lambert (Edmonton West).]

I ask this question because as we get into a whole new system of reforms it is possible that we may create as many injustices as existed under the old system against which the hon. member for Vancouver-Kingsway and others fought for so long. Earlier today the parliamentary secretary said that people were burning the midnight oil in order to try and solve the problems. Perhaps the problem I chose was an unfortunate one because it has been around for years and has not yet been solved.

We have passed a good many reforms today and I hope that somewhere we get credit for that. I wonder if the parliamentary secretary could tell us how the process of reform works within the administration. Perhaps if we understood that we would feel better about saying "adopté".

Mr. Mahoney: Mr. Chairman, as a private Member of Parliament I suppose that from time to time I feel as strongly as does the hon. member about the frustrations encountered when making representations to the Department of National Revenue on behalf of constituents whose cases seem transparently equitable at first blush. I must agree that we are into a period where the Department of National Revenue will be called upon to deal with a number of new situations. There are under this bill many new concepts being created for which there is no jurisprudence and no backlog of judicial or administrative decisions for guidance.

Speaking for the minister of the department that establishes tax policy, as opposed to that which administers the tax law, I can only say that we have attempted to achieve in the new tax law and the bill a situation of tax equity, and that applies not only to the relative treatment of different taxpayers but also to the relationship between taxpayer and the Department of National Revenue. We hope and intend that the Department of National Revenue will deal with this new tax bill in a fair, reasonable and realistic way. We expect that they will because we believe they are competent to do so and have the same objectives in mind. This is something which will be proved over a period of time. I can only give a testimonial in advance. I hope I can give the same testimonial three or four years from now.

Mr. McCleave: Could I ask a further question? I understand that a few months ago the Minister of National Revenue had established a group of people from across Canada who would advise him on an informal basis. I know the man from my own area is Professor Edwin Harris. I have complete confidence in him and I am sure the other people were chosen were equal care. I should like to know if it will be the responsibility of that particular group to consider any complaints that we may have about the operation of this new law a year from now when people have had a chance to see whether it has worked well.

How do we get to that group? Do we funnel our inquiries through the minister, or may we direct them in any other way? Will the group be carrying on continuing studies to ensure that we do not have to go through the great exercise in which we have been engaged for ten years and also to ensure that tax reform may come about more quickly in the future?

Mr. Mahoney: If the problem is in the area of administering what this Parliament presents to the Minister of National Revenue to administer, then the avenue suggested by the hon. member of dealing through the minister and his advisory council is correct. On the other hand, if it turns out that we have misconceived here what we thought we were doing, and if a change in the law rather than a change in the method of administering the law is indicated, then representations should be directed to the Minister of Finance.

Mr. Lambert (Edmonton West): I wonder if the parliamentary secretary could tell us what Solomon-like distinction has been imposed upon blood relationship. At what point does the distinction cease? At page 153, lines 38 to 40, section 63 (3) (a) (iii) (B) reads:

who, during the year, was under 21 years of age and connected with the taxpayer or his spouse by blood relationship, marriage or adoption—

Perhaps there is a definition clause, but I have not been able to find it. Is blood relationship to be limited to immediate family? Is it the niece, nephew, great aunt? Do we get as far as great aunts? With many of my good Chinese friends anybody who is of the same family is known as cousin or auntie. Some of these relatives are joined by marriage. Why, in those shorter periods when the spouse is confined to hospital, shall we say, for an illness, is the sister-in-law being eliminated? I ought to mention a younger sister-in-law. She may be the most convenient and logical person to hire as a baby sitter; she knows the children. Yet the act seems to insist that one should get an outsider. Why is there this elimination?

• (8:50 p.m.)

I know some people say, "You will get your mother-in-law in to look after the children and she should not be entitled to qualify as a satisfactory child care attendant." I am just wondering why you should eliminate, say, a sister-in-law, the wife's aunt, or other persons bearing a similar relationship. I should be interested to know what is the thinking of Solomon in this connection.

Mr. Knowles (Winnipeg North Centre): And here speaks Solomon.

Mr. Mahoney: Mr. Chairman, I will not attempt to answer the first part of the hon. member's question except to this extent: I refer him to section 251. If after perusing that rather lengthy section that deals with arms-length transactions, the definition of arms-length and the definition of persons related by blood relationships he is still in some doubt as to the clarity of the section, I would be glad to answer. These matters are defined in section 251.

Mr. Lambert (Edmonton West): But, Mr. Chairman, the term arms-length connotes a different relationship and serves another purpose. An arms-length transaction is a business transaction and implies a business relationship. Here we are talking about child care allowance. Are we to lay down lines as to blood relationships?

An hon. Member: Is the hon. member talking of anyone in this House?

Mr. Lambert (Edmonton West): No, I am not talking of anyone in this House. It is remarkable that language like this should be used because there are such things as kissing cousins, and so on. They bear a second cousin relationship, which is a blood relationship and comes within the banned limits so far as marriage is concerned. Why would there be that sort of restriction with regard to the child care allowance?

Mr. Mahoney: Mr. Chairman, I am sorry the hon. member wants to debate this question before looking at section 251 which deals with arms-length transactions. Actually, I am sorry that I said what I did because obviously my remarks led the hon. member to misunderstand what I said. The section also defines a number of other relationships, including those he mentioned and about which he asked a specific question. As I said earlier, I could read subsection 6 of section 251 which defines blood relationships for the purposes of the Income Tax Act, if that would help. However, the hon. member may wish to look at it himself. If he has some particular questions about the section, he could raise them now.

On the question of a sister-in-law and her eligibility for payment in respect of the child care allowance, I do not think that under section 63(3)(a) there would be any real problem so long as it is clear that the relative, be it a sister-in-law or otherwise, is not a person whom the taxpayer claiming the deduction is also claiming an exemption for under the Income Tax Act. I think the payment could be made to anyone who is actually performing the service.

The only problem arises when payment is made to someone who during the year was under 21 and who is connected with the taxpayer by blood relationship, adoption or marriage— in short, who is a person whom the taxpayer might claim as an exemption or claim an exemption in respect of for the year. I do not think there is any real problem so long as it is not a person with respect to whom the taxpayer was entitled to claim an exemption.

Mrs. MacInnis: Mr. Chairman, I do not think we should leave discussion of this section without mentioning that, important though this provision is, if this is the government's whole program in regard to child care—and there is no indication that there is to be anything more—it is not adequate at all. We have gone past the stage when many people can provide through their own means for adequate child care arrangements. The commission appointed by the government went deeply into this matter and suggested that we cannot get by in this regard unless the federal government takes the initiative in providing for proper child care in co-operation with the other two levels of government. The federal government should take the initiative, it is recommended.

I raise this matter at the present time because there seems to be no other clause in the bill under which I can discuss it. The omission I refer to should be included in one of the sections. May I ask the parliamentary secretary if consideration is being given to the idea of a child care program in which the federal government will assume, not only the 50 per cent of operating costs allowed with respect to child care centres under the Canada Assistance Plan but also the 70 per cent of capital costs in connection with such projects for the initial seven-year period as

recommended by the Royal Commission on the Status of Women. It suggested that the federal government's assumption of such charges is essential in the matter of child care.

I hope we are not just talking about the idea of baby parking, or about the aunt, grandmother, niece or other relative looking after the baby while the mother is working. I hope we are talking about modern knowledge as to how young children of under school age must be treated and dealt with to enable them to develop fully. Modern thinking and teaching on this subject says that we need day care centres for working mothers in a variety of locations. In some cases we need them in the community, in others in the factory and in some cases in homes where there will be adequate training, proper supervision, and so on.

I do not think we should get the idea that the $500 deduction from income tax contemplated in the section will do much to provide an adequate child care program across this country. It will not. Even if this provision led people to look after their children from the financial point of view, it still would not provide what is required for children or for the development of children across this country. It will not provide for Canada the sort of thing that is being provided in many countries of the world where children are taught under expert guidance, with helpers in child care centres so that growth, development and habit formation are promoted.

I know that much of what I have just said is not directly relevant to this section. It is, however, extremely relevant to child care. In my opinion, before this session ends the government ought to let us know that it is going ahead with a child care program across this country which will include a provision such as this one relating to the deduction of income tax and which will also enable the provinces and municipalities to set up day care centres where children of working mothers or working parents can be looked after. I think that is what the government ought to be considering at this time.

Mr. Mahoney: Mr. Chairman, I suppose that the adequacy and timing of any particular government program is always open to criticism. As to who was right and who was wrong, that is something the historians will be better able to judge than those of us who are on the scene right now. I agree with the hon. member and appreciate her concession that this is indeed a significant step forward and a significant breakthrough. Hopefully, I feel it will be more adequate than she evidently feels it will be. Of course, that remains to be proved.

• (9:00 p.m.)

In response to the general proposition that the hon. member has posed regarding day care centres, whether I agree with her or not is rather irrelevant. Today we are talking about the Income Tax Act—concessions, deductions, exemptions and allowances, that may be made under that act. In the context of Bill C-259 we are not talking about whatever positive initiatives the federal government could or should be taking with regard to the establishment of this type of program in Canada.

I respectfully invite the hon. member to direct her ire, interest or whatever it may be to the Minister of National Health and Welfare when he is next in the House. All I can talk about is income, deductions from it and the tax that is imposed on the balance. In that context we have taken a very significant and meaningful step forward in terms of child care allowance and recognition of the fact of the working mother in our society.

[Mrs. MacInnis.]

Mr. Harkness: Mr. Chairman, I was somewhat disturbed by reading section 58. I hope I am in order in discussing the section. I understand we are dealing with this group of sections. It came to my attention only a short while ago. If I understand the section correctly, it seems that it is in effect a repudiation of contracts entered into in the 1920s and 1930s.

The Deputy Chairman: Order. I bring to the attention of the hon. member that section 58 has already been accepted. If his remarks, although related to section 58, are relevant to section 63 which the committee is now studying, they are in order. The group of sections put to the committee was open to discussion. Now that these sections have been accepted, I wonder whether the committee would gain anything by reopening the study of section 58 because a decision has already been rendered.

Mr. Mahoney: Mr. Chairman, I am inclined to agree with your ruling. However, if the hon. member has a special concern I might be able to answer rather quickly and assure him that section 58 does not represent an amendment to the Income Tax Act as it exists. This section is identical to the present section 78. Accordingly, whatever concern he may be expressing does not arise from any change in the law as contemplated by this bill.

Mr. Gilbert: Mr. Chairman, the clause under discussion can be best described as a mini-care provision for children, brought forth by a mini-minded government. When one looks at the contents of the provision, a miserable $500 for child care, one realizes the inadequacy of the amount. The parliamentary secretary stretched out his chest to its full extent when he said this program would cost the government $50 million on the basis of a $500 exemption. I remind him that the cost of refitting the *Bonaventure* was $18 million and the cost of building the elite Arts Centre in Ottawa was $46 million. I remind the parliamentary secretary that our budget for national defence each year is almost $2 billion. The miserable $50 million that he claims the government will lose as a result of the $500 exemption is really small potatoes compared to the total picture.

I am very happy that the Minister of Justice is in the chamber this evening. He will appreciate the impact of this miserable $500 allowance for child care. He knows the best type of law we can implement is preventive law. When young children are left unattended after school, they get into real trouble. This is when they develop into delinquents, graduate into young offenders and, finally, criminals in the full sense. The blame rightly can be placed on parents who do not have the money to take care of their children during working hours. To allow only $500 to working parents who require the money they earn to keep the family together is shortchanging them. It is developing a situation that can work hardship with regard to the children and the problems they have.

I hope the Minister of Justice, in his rosy, persuasive way will recommend to the parliamentary secretary the suggestion of the hon. member for Vancouver-Kingsway that the minimum amount should be at least $1,000. This amounts to $20 a week, or $4 a day for child care services. The hon. member pointed out that $500 a year amounts to $2 a day for child care purposes. If we are going to save money on crime prevention and increase the prestige and reputation of the Minister of Justice in this very important field, he will see what I am driving at with regard to child care services. I hope he will persuade the likeable Parliamentary Secretary to the Minister of Finance that the appropriate amendment to make the allowance $1,000 should be brought forth.

What is $100 million when we take into account some of the larger problems we face with our young people? The Minister of Justice had a very difficult time trying to justify the Public Order (Temporary Measures) Act. I hope he will see that young people, not only in the province of Quebec but in every province of Canada are given proper child care so that they can develop into good, decent young Canadians. Although I do not speak with the eloquence of the Minister of Justice when he is in full flight, I speak with humility and, I hope, persuasiveness. I hope he will persuade the parliamentary secretary that the minimum amount should be $1,000.

Mr. Rose: Mr. Chairman, when I rise to speak I always have the assistance of those people who are not in the House but are drinking coffee behind the curtain. I would like to echo the remarks of the hon. member for Vancouver-Kingsway and the fact that this exemption is a step in the right direction. However, I think it is a timid step. The hon. member for Norfolk-Haldimand said it is a short step. My hon. friend from Broadview said he was humble, and I agree that he is humble. Some people say he has every right to be humble. He says he is the most humble person in the House of Commons.

• (9:10 p.m.)

An hon. Member: What has that to do with the bill?

Mr. Rose: The only thing he is arrogant about is his humility. I support the contention of my hon. friend from Vancouver-Kingsway on the basis of the exemption of $500 per child. It is a step in the direction of providing some assistance for parents who are working, and I think increasingly in our society in order to earn a decent income both parents must be out of the home.

That is one of the glaring failures of our economy. The stresses in our society which result from this kind of situation are something I do not think we can tolerate much longer. If they are required to work to maintain the middle-class standard we often see displayed on television, we must do something about the casualties of their union, the children.

My hon. friend from Broadview mentioned the Minister of Justice. The Minister of Justice has just attended a session in Ottawa called Poverty and the Law. It pointed out, among other things, that among the unemployed poor and also the working poor there is not equal access to justice in our society and there is developing in our legal system a specialized association to deal with this particular problem which is a poverty problem.

Now the parliamentary secretary can snigger. I do not know whether he is concerned about this. I looked him up in the Parliamentary Guide before I came down here. The Parliamentary Guide says the parliamentary secretary has all the assets of a Chamber of Commerce man par excellence. He even mentioned this. Here is a man who is on the board of directors of many interesting establishment corporations and he has been very successful in his business life. I am not envious of this. It is suggested here that there is something immoral about this particular parliamentary secretary because he has made a lot of money. I do not agree with that.

The Chairman: Order. The hon. member may be able to convince the Chair that he is being relevant to the section under discussion. I invite him to do so.

Mr. Rose: Thank you, Mr. Chairman. Perhaps the only thing relevant about my last few remarks is that it might be said they were relevant to attacking the parliamentary secretary. I will desist, however, because if you look over his words in the last few days and in the last week and note his responses to some of the questions, and read them back to him, where he failed to answer a lot of serious questions which have been raised and ran around and hid, I think the *Hansard* will attack him and I do not need to continue on that line.

My contention is that there is a great need for day care centres which will not necessarily be aided and abetted by the incentive offered. In my own constituency we have a number of kindergartens and day care centres. I will tell you who goes to them. It is not the children of the working poor and of the unemployed. The children who go there are the children of doctors and business and professional men who can afford to send their children there, not because their wives are working but because they would prefer to go somewhere else.

What we need is a system which would allow the children of these people who have to be absent from home the kind of enrichment all of us know, especially our Minister of the Environment, the kind of enrichment which is provided to young children by these day care centres properly organized and properly led by trained teachers, which is not available to people who do not have the kind of affluent background which can provide the experience so necessary to learning.

I would say that compared with the affluent in our society the working poor and their children suffer almost as great a cultural gap, and that affects their learning, as exists between the working poor and our native people. This is how serious it is. If I may be free to enlarge on that topic for a moment I would like to say this, because it happens to be a field in which I have at least some professional competence. In our society, learning is largely verbal learning or learning through the printed word. Children from homes with little in the way of written material, little in the way of cultural enrichment do not have the background which is necessary for them to succeed in the verbal skills which are required in order to succeed in school.

By the time they reach grade three they get what is known as an IQ test which is based on verbal learning. When they receive this, because they do not have the background they are labelled with a low IQ for life. As

they move through the grades, the gap widens. We are denying a whole segment of our society, because they lack those particular skills, the kind of advancement which is available to the parliamentary secretary and to the hon. member for Fraser Valley West.

When I argue for the development of day care centres and properly run kindergartens, if you like, or playschools, I want them to be available to families or children who really need them, because there is a cycle in poverty, a cycle in being on welfare and the only way in which we can break this cycle is to develop the kind of aptitude which can best help a child who comes from a home which is economically disadvantaged. We should provide such help for the children who really need it.

So I am in agreement with my hon. friend from Vancouver-Kingsway and my hon. friend from Broadview that we should establish a system which will not leave a child in the hands of the poorly trained girl next door or the kindly grandma but will develop through income tax exemptions a system which is well run and which would be led by well trained people.

By God, we have many people in our society, well trained ones, who are not doing anything. It is not that we do not have jobs for them today. That is not the point. The main point I should like to make is that the $500 exemption is not enough. The average person who is earning $5,000 a year or below spends $500 on putting his child in an adequately run school. I think it should be raised at least to $1,000 because the future of our leadership, the future of our whole society, democracy, if you like—if I do not sound too pretentious, presumptuous or anything else—depends upon an electorate which is intelligent and has an equal opportunity in society.

• (9:20 p.m.)

The Chairman: Shall section 63 carry?

Some hon. Members: Carried.

Mr. Rose: On division.

The Chairman: Before I put the question, as hon. members of the committee know there is an amendment to section 63, moved by the Minister of National Revenue on behalf of the Minister of Finance, which appears in *Hansard* for October 22 at page 8940. Hon. members have had an opportunity to look at this amendment so I should put the question first on the amendment. Shall the amendment to section 63 carry?

Mr. Knowles (Winnipeg North Centre): Would the parliamentary secretary explain it?

Mr. Mahoney: Mr. Chairman, the amendment to section 63(2)(a), on page 152 of the bill, is in connection with deduction of expenses for child care where the taxpayer claiming the deduction is a man. As the bill to be amended reads at the present time, it permits a man to deduct child care expenses in circumstances where his wife was confined throughout a period of not less than two weeks to bed, to a wheel-chair or as a patient in a hospital, asylum or similar institution, but the provision does not permit a man to deduct child care expenses where his wife is likely to be for a long-continued period of indefinite duration incapable of caring for children. The amendment will correct this deficiency in the wording and the words to be added appear in paragraph (B), at line 41 on page 151.

Amendment (Mr. Benson) agreed to.

Clause 1, section 63, as amended, agreed to.

The Chairman: It is the understanding of the Chair that pursuant to special arrangement made last Friday, the committee will now move to the consideration of a grouping of sections 117 to 120 inclusive, together with sections 146, 147 and 204. Shall section 117 carry?

On clause 1—Section 117: *1972 rates.*

Mr. McCleave: Mr. Chairman, earlier today I inadvertently stumbled into this field. I took advantage of one of the small sub-sub-sub-clauses to section 56 or 57 which dealt with income tax averaging, but I will not continue those remarks. They dealt with the problem of why one would take advantage of certain circumstances when one's income was on the rise but not when one's income was on the fall. I used the name of a hockey player, and perhaps I should have not done so because Mr. Gordie Howe, the man I referred to, always had a rise in income until he saw he was at the end of the trail and rather sensibly decided to get out before he started to go backward. For the rest of the day I have frantically tried to think of other sporting figures who did not follow the sensible example of Mr. Howe but stayed on until it was too late for them, but oddly enough I could not think of any specific examples though I have read about dozens in the world of baseball.

In any event, the problem we are faced with is that the averaging provisions that have been presented to us were spawned in a time of inflation, and perhaps this is why the government has presented these averaging provisions in the bill. The parliamentary secretary said, and I think rightly, that the House of Commons committee struggled with the question of downward averaging but simply could not come up with an acceptable formula. That is true, but this does not mean that we cannot come up with an acceptable formula though it does mean that no one yet has. I think we will do an injustice if we pass this on to the ballplayer or sporting figure or the artist we are trying to help, people who are going over the hill and find themselves going down the down staircase instead of up the up staircase.

That philosophical observation out of the way, I hope we will yet come up with a better formula. After all, Joseph in Egypt was able to mingle seven fat years with seven lean years and come up with something that averaged itself out, and perhaps this is the sort of example we should follow. Having said that, may I ask the parliamentary secretary why section 117(8) is now being struck out? It appears on page 312 and was new. It is now being discarded.

Mr. Mahoney: Mr. Chairman, I agree with my hon. friend from Halifax-East Hants. We regret that we have not been able to find a suitable way to deal with downward averaging. It was said earlier today that this was a problem that the parliamentary committee dealt with at length and neither it nor its advisers were able to find an answer. Nor were we able to locate any other jurisdiction that had been able to resolve the problem satisfactorily. This does not mean that we ought not to continue the

search. I quite agree that we should and I can assure the hon. member that we shall.

The provisions in section 117 are the rate schedules that tie in very distinctly with the exemption schedule discussed under section 109 a number of days ago. I think it should be noted that they do carry out the commitment, over the period between the taxing years 1972 and 1976, that the Minister of Finance gave to reduce the rate of personal income tax on the first $500 of taxable income from the 17 per cent that will be in effect next year down to a 6 per cent level in 1976. This, of course, is one of the provisions that executes the government's undertaking that the tax reform measures now before the House will not be measures of tax increase in disguise.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, as the parliamentary secretary indicated a moment ago, section 117 sets out the rate schedule. In other words, it specifies the rate at which each taxpayer will have to pay tax on the first $500 of his income, then on the next $1,000 of his income, and so on up as far as it goes. The parliamentary secretary has already pointed out that built into section 117 is an arrangement whereby these rates make at least a modest decline over the period of the next few years.

However, I should like to come straight to the point of my intervention at this juncture. We are not satisfied with many things about this rate structure. As hon. members are aware, we do not accept the philosophy of the government that has resulted in a reduction of the rate on the top increment, bearing in mind that at the same time the government is doing away with federal estate tax and also bringing in a capital gains tax that is applied to only 50 per cent of income that is defined as a capital gain.

• (9:30 p.m.)

However, our concern throughout this debate on the income tax legislation has been and continues to be for those in the lower income brackets. We further contend, bearing in mind what you have ruled from the chair we can do, that there should be a reduction in the rate of tax applied to the first $500 of taxable income.

Possibly, I am making a mistake I made once before by giving my procedural points before moving the amendment I have drafted, but I think you and I, Sir, will agree that the ground has been pretty well cleared. You have made it clear that there are certain types of amendments you and those associated with you at the table feel you cannot accept. On the other hand, you have made it clear that if a private member moves an amendment to reduce a rate of tax and if that reduction is across the board—and you will recognize, Sir, I am using your own words—and if there is no transfer of the incidence from one group of taxpayers to another, Your Honour feels that type of amendment is acceptable.

You made that statement to one of my friends in the Social Credit Party when he sought to move one of that group's amendments. You made it again when the hon. member for Regina East moved an amendment to reduce the figure having to do with income tax deductibility in respect of medical expenses. Then again on Friday of last week, when I made another unsuccessful attempt to move an amendment having to do with another feature of the tax bill Your Honour said to me that if it were a reduction in the rate, if it were applicable across the board to all taxpayers, Your Honour would, of course, accept it.

I hope you appreciate how easy I am making your chore in this instance. I have already said that apart from any thoughts we might have about the rates of tax in the upper brackets, about the estate tax, the capital gains tax and so on, we think that the tax payable on the first $500 of taxable income should be a lot less than it is. As long as the exemption level is where it is we think there should not be any tax at all in that bracket. Of course, we cannot raise the exemption levels. We have tried and we have been ruled out of order in our attempts.

I submit it does fall to us that we have the right to move that the rate of 17 per cent which is specified in line 30 on page 305 be reduced to a lesser figure, and that is what I propose to do. Once I move to reduce that figure of 17 per cent to a lesser percentage that, of course, results in the necessity of making a reduction of the same number of dollars in each of the succeeding paragraphs.

If Your Honour is now looking at page 306 you will see that on that page each paragraph starts with an amount which represents the aggregate income tax up to that point and then indicates the rate of tax on the next increment. I have no intention of proposing any juggling of the rates or any attempt to increase the rate at one level to make up for it at another. I am proposing exactly what Your Honour has said is our right, namely, that there be a decrease in the rate on the first $500 of taxable income. Having moved for a reduction in the rate on that first $500, I then propose that the same number of dollars which that reduction produces for everyone in that first category be taken off each of the other figures all the way up from paragraph (*b*) to paragraph (*m*).

Having described my amendment, the moving of it is a mere formality. I have it here and I admit that it is in my own handwriting, but I have several copies of it and I trust it is legible. I move:

That Bill C-259 be amended, at pages 305 and 306, by changing the figure "17 per cent", in line 30 on page 305, to the figure "2 per cent", and consequentially by reducing the amount at the beginning of each of the paragraphs (*b*) to (*m*), both inclusive, on page 306, by $75.

I could have written that amendment in a longer form by taking each of the paragraphs on page 306 and actually saying that the $85 in paragraph (b) be reduced to $10, and that the $175 in paragraph (c) be reduced to $100 and so on down the page. But rather than produce such a long and wordy amendment I thought it would say the same thing if I simply said in my amendment that the amount at the beginning of each paragraph on page 306 be reduced by $75.

As Your Honour realizes, the effect of this amendment is one that is clearly across the board. It reduces by 15 percentage points the rate of taxation on the first $500 of every taxpayer's taxable income, whether he is a taxpayer who has only $500 of taxable income or whether he has $100,000, or what have you. The amount of reduction, by the same token, becomes the same for the person in the upper brackets as it is for the person in the lower brackets, namely, 15 percentage points of the first $500—in other words, $75 across the board. There is no cumulative effect to it and there is no increase in the reduction for

those in the upper brackets. There is just as much of a reduction for the $500 person as there is for the millionaire, and I point out again that there is no shift of the incidence. I might mention that there are none of the things that Your Honour found procedurally wrong in some of the previous amendments. Therefore I have the pleasure of presenting this amendment and perhaps I might read it again. It is:

That Bill C-259 be amended, at pages 305 and 306, by changing the figure "17 per cent", in line 30 on page 305, to the figure "2 per cent", and consequentially by reducing the amount at the beginning of each of the paragraphs (*b*) to (*m*), both inclusive, on page 306, by $75.

The Chairman: The hon. member for Winnipeg North Centre has urged some very persuasive arguments and authorities on the Chair and I am inclined to agree with him. Some of the observations the Chair made previously may have been obiter, nevertheless I think the hon. member is correct in his argument that under our rules a private member can move a motion to effect an across the board change reduction in rates of taxation as long as they do not affect the incidence of taxation. I am prepared to accept the motion unless there are arguments that would dissuade me.

• (9:40 p.m.)

Mr. Lambert (Edmonton West): Mr. Chairman, of course it is a very interesting move the hon. member has made here. In fact he has done what the government has refused to do. He has applied a form of tax credit which would be the kind of flexibility a government could move into if the income tax were fixed in amounts in relation to the brackets and not the percentages, and if there were changes to be made in particular brackets then the particular credits could be made.

As Your Honour has indicated, the amendment is acceptable to the Chair. I would suggest the Chair look at subsections (2), (3) and (4). I have never heard of negative income tax being accepted in this House, and the acceptance of this amendment would result in some most interesting circumstances as a result of the further subsections which apply to tax in the years 1973, 1974 and 1975. There would be negative income taxes in the low income brackets. That is a matter for the Chair to ponder.

I would point out that we are looking at only the rates of the federal tax, but there is a little thing called the provincial tax which goes with this. These schedules, on the basis of subsection 1(a), give the tax for the year 1972. They indicate the tax rate on the income in the bracket and then, of course, we have the combined federal tax and the 30 per cent provincial tax. The schedules as shown in the act indicate the federal rate for 1972 and also the combined federal-provincial rate on the assumption that the provinces will levy a tax equal to 30 per cent of the federal tax rate. For instance, in the first bracket it would be 17 per cent plus 30 per cent of 17 per cent, or a total of 22.1 per cent.

This will effect some change in the federal share of the income tax but, of course, it will have no direct result on the quantum of the provincial tax, which is something many people have failed to recognize. I want to indicate that the House committee which studied the proposals on the white paper came down with some very definite recommendations concerning the level of tax on the federal side which is generally accepted in these proposals.

[Mr. Knowles (Winnipeg North Centre).]

Much has been said about the tax being lowered to 50 per cent or less at the $60,000 level. But if you throw in the 30 per cent provincial income tax the total levy goes up to 61 per cent. For instance, at $60,000 the federal tax at the beginning of the bracket is $21,795. The federal tax rate on the income in the bracket will be 47 per cent, but combined with the provincial tax this means that those over $60,000 will be taxed at 61.1 per cent. That is the flat rate right now. The province of Manitoba goes as high as 39 per cent. So it will be 39 per cent of 47 per cent. That will add up to a fair amount, much higher than it is in, say, the province of Ontario.

But let us look at the middle income group, the group between $9,000 and $14,000. I might point out that many of the friends of the hon. member to my left are in that group. One does not have to go very far today to get in the bracket of $11,000 to $14,000. First-class constables and firemen, in some areas, are in this bracket. This applies to first-class constables in a number of cities in this country. Then there are members of the Royal Canadian Mounted Police as well as others. The total tax rate in the bracket between $11,000 and $14,000 will be 40 per cent. Now we will see who starts screaming at the levels of income tax as a result of these changes which are proposed.

I also wish to point out something else. There has been a significant change in structuring federal personal taxation. Under the existing system the federal rates imposed contain room for an abatement in respect of provincial taxes, and in addition there are imposed separate taxes for old age security and social development. All these things are being lumped together. They are being called a new standard federal rate which does not provide for standard provincial abatement. Any tax levied by the provinces will be in addition to the federal rates. The only specific exception in the bill is a deduction of 3 per cent of the portion of tax otherwise payable that is related to income earned in a province providing schooling allowances. That means the province of Quebec.

It also seems likely that further abatements may be made on a basis similar to that under the established programs, the Interim Arrangements Act, for provinces opting out of certain shared federal-provincial programs. It is possible, but we will see what comes out of the conferences this week and early in November. At present Quebec is the only province which has so opted and an abatement of 19 per cent of the tax otherwise payable applies in respect of Quebec income.

At the present time a 28 per cent standard abatement is allowed. I spoke of a 30 per cent abatement for illustrative purposes but that does not mean the provinces are bound in any way by this, because whereas at the present time there is a 28 per cent standard abatement, Manitoba actually levies a 39 per cent tax and Quebec levies its own personal tax.

• (9:50 p.m.)

Therefore we must come to the conclusion that these rates are in themselves exceedingly high. As a matter of fact, when you consider that an individual who earns $60,000 pays $28,000 income tax on the $60,000—that is, right at the start—he pays just under 50 per cent on

average. Remember, when we say a 61 per cent tax rate on income in the bracket, that is a marginal rate and in actual fact the total tax is just under 50 per cent.

If one were to take the income group between, say, $9,000 and $14,000 and figured out for them the average tax payable, one would see that a person who is earning about $10,000 would be paying about 25 per cent of his income in income tax, right across the board. Add to that his sales taxes, his customs duties and his share of other taxes—I will put aside any question of property tax—and we will see just how much tax the individual is paying.

We are complaining about the quantum of money that is taken from the individual because somebody has made it popular and it has now grown into the philosophy that Big Brother government knows better.

An hon. Member: Hear, hear!

Mr. Lambert (Edmonton West): Big Brother government is motivated by my hon friend and his pals. They know better how to do item I am talking about the average individual who should be able to decide far more than he does how he earns and how he spends his money. Of course, I can take the hon. member's argument all the way and say, "Take everything away from the individual, give it to the government and let the government spend everything or keep it."

Mr. Benjamin: Who said that?

Mr. Lambert (Edmonton West): That is an extension of the argument. If Big Brother government knows better how to spend the money, then it is logical to pursue it all the way through and to give the government all the money so it can be spent to the best advantage. If the hon. member's argument has any strength whatsoever, surely that is the natural conclusion. It seems to me that in many instances that philosophy underlies most of their stands.

Mr. Benjamin: Are you for or against it? Make up your mind.

Mr. Lambert (Edmonton West): I am not particularly in favour of this amendment.

An hon. Member: You are against the people.

Mr. Lambert (Edmonton West): I know the hon. member has made up his mind and therefore anything anybody else says is superfluous. He has the humility of the man who has made up his mind and will brook no other views.

Mr. Benjamin: Let us have some humility from you, Marcel.

Mr. Lambert (Edmonton West): That is all I want to say about this particular subject. We note the changes that are to follow. The amendment does cause a problem there. Possibly the hon. member for Winnipeg North Centre has further amendments which will follow, but he has not indicated them.

Mr. Knowles (Winnipeg North Centre): Does the hon. member realize that if this amendment carries, it follows that there should be amendments to the other subsections and I shall have them at that time?

Mr. Lambert (Edmonton West): It does not necessarily follow, but in any event that is the position with regard to these items.

Mr. Saltsman: Mr. Chairman, for the last couple of days we have been trying to impress upon the Canadian public the advantage of a tax credit system as against the exemption system and tonight, in a very bold, dramatic and highly intelligent amendment the hon. member for Winnipeg North Centre has shown how it should be done. The value of the amendment before us enables us to grant tax relief to those in the lower income brackets without accelerating the process and providing substantially more advantage and relief to those in the higher income brackets.

It is very difficult to demonstrate the value of the tax credit system as against the exemption system in the normal course of trying to explain it, but this amendment illustrates how it can be done. While the government has had difficulty in trying to figure out an intelligent approach to providing relief for those in the lower brackets of the income tax level, the hon. member has shown them the way, I hope they will seize his torch and accept the amendment before the House.

May I call it ten o'clock, Mr. Chairman?

The Chairman: Is there agreement that the committee call it ten o'clock?

Some hon. Members: Agreed.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

ATOMIC ENERGY—BASIS FOR LOAN TO REHABILITATE GLACE BAY HEAVY WATER PLANT

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, my curiosity about Deuterium of Canada and its hitherto ill-fortuned heavy water plant in Glace Bay, Nova Scocia, is one of long standing. The events leading up to the present tragic situation tell a story of bungled industrial development.

When the regional development committee of this House heard evidence on Bill C-5, entitled "An act to authorize the making of a grant to the province of Nova Scotia for the purpose of providing assistance to Deuterium of Canada Limited"—which, by the way, still stands as item No. 10 on today's order paper—some most disconcerting information was revealed.

I should like to quote from the record of the proceedings of that committee under the date of December 1, 1970. The following was an exchange between the witness from the Department of Regional Economic Expansion and myself:

MR. MCBRIDE: Would it be accurate, Mr. Chairman, to say then that no part of this grant will be forthcoming until the province

has given evidence that they do in fact have a satisfactory operator?

MR. O'CONNELL: Oh, that is absolutely the case . . .

MR. MCBRIDE: April 1 is roughly seven months ago. There was no satisfactory operator then, and there is no satisfactory operator now. You assume that there will be in the reasonably near future?

MR. O'CONNELL: Yes, I think there is virtually a final decision on a consortium to rehabilitate the plant.

I went on to talk about further statements that had been made as to whether or not this was a useful purpose for directing public funds, and I said:

You said that there was no way whereby expenditures could get out of hand in a $5 million grant. It would seem to me that if a $5 million grant or a $500 grant is given for a purpose and the purpose for which it is given is not realized, the expenditure is out of hand. I was using it in that context.

• (10:00 p.m.)

I then spoke about the whole situation having been mismanaged, and so on, and continued:

Someone here has just cited that you need a lot of faith in the citizens. Is that the best answer we have here this morning, that we need a lot of faith in the people in Nova Scotia? Because if we do have a lot of faith in the people in Nova Scotia, it has not been justified by the performance of the people in Nova Scotia who were in charge of this project hitherto.

Then came the most damning statement of all when Mr. O'Connell replied:

Mr. Chairman, the history of the plant is one of misfortune.

An hon. Member: That is the understatement of the year.

Mr. McBride: Mr. Speaker, I should like to expand on the questions I directed to the Prime Minister (Mr. Trudeau) this afternoon. First, did the results of the $300,000 engineering study announced in this House by the Minister of Energy, Mines and Resources (Mr. Greene) on January 29, 1971, at page 2887 of *Hansard* state that for $95 million, heavy water would in fact be produced? When will the results of that study be made public?

Second, what is the target date for full production and how much will be produced—

An hon. Member: Never.

Mr. McBride: —when the plant is in full production? Three, since the Prime Minister's statement on April 10, 1970, and the statement of the Parliamentary Secretary to the Minister of Regional Economic Expansion on December 1, 1970, both gave to this House or a committee of this House the assurance that a satisfactory operator would be found prior to any federal moneys being forthcoming, has such an operator been found and who is or who are the persons taking on this vital position?

Four, in view of the fact that eight years ago the then government of Nova Scotia, under the man who is at present Leader of the Opposition (Mr. Stanfield), entered into an agreement to produce heavy water by 1966 in a plant that would cost $35 million, while in fact the plant is still idle at a reported cost of $120 million, what assurance can the government provide to this House and to the nation that the plant will go into production, and will the $95 million now announced make it viable?

[Mr. McBride.]

Five, is Industrial Estates Limited, the Crown agency established by the provincial government of the now Leader of the Opposition now completely removed from any management decisions, and will AECL now be fully in control and will the federal government pick up and take over?

Six, would it not be more economical to abandon this project and start over again?

Mr. Benjamin: In Saskatchewan.

Mr. McBride: Are we not, in fact, throwing good money after bad, especially in light of the Prime Minister's statement at page 5711 of *Hansard* where he said:

I should like to emphasize that, according to information made available by the province, there will still be on annual shortfall a capital and interest recovery in the neighbourhood of $5 million to $6 million during the life of the new contract.

That would refer to the 12½-year contract mentioned previously in the Prime Minister's statement. Mr. Speaker, there is a parallel tragedy here which I think ought to be laid before the House tonight. That is the failure of the Official Opposition to bring any critical eye to bear on the whole operation for fear, I presume, of bringing public attention to bear on a project founded with great fanfare by the Leader of the Opposition.

Mr. MacInnis: Why aren't you honest enough to get your facts right?

Mr. McBride: Mr. Speaker, if it be true that one of the responsibilities of all members of this House is to be the watchdog on the expenditure of public moneys—and surely it must be—then I would, with great respect, submit—

Mr. MacInnis: Respect? You are not even being honest about it.

Mr. McBride: —that when the opposition is prevented from doing this fundamental task then other members of the House must take it up.

The Acting Speaker (Mr. Boulanger): Order. I regret to interrupt the hon. member, but his time has expired.

Mr. MacInnis: Why can't you be honest about it, McBride?

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): I shall try to give an honest answer in three minutes, Mr. Speaker. The decision to rehabilitate the Glace Bay plant owes much to the initiative of Premier Regan. The previous Nova Scotia government had sought federal financial assistance but wanted to retain control of the rehabilitation program; the federal government had replied that it would only be prepared to provide such assistance if the province assigned responsibility for the operation of the plant to a concern in whose competence federal authorities would have confidence.

Premier Regan has now proposed that Atomic Energy of Canada Limited should take on responsibility for both the rehabilitation and the operation of the plant until such time as the earnings from production have repaid the federal costs. This proposal was attractive to the federal

government but before replying an up to date estimate was required in order to determine whether the rehabilitation of the plant was technically feasible and, if so, at what cost and on what time scale. This was the engineering survey assigned to AECL as announced in January, 1971. AECL concluded that the plant could be rehabilitated and that this could be done more quickly and at less cost than would be involved in building a new plant at some other site.

Further study was nevertheless required in order to determine whether by the time the plant could be rehabilitated there would still be a continuing requirement for its production of heavy water. This additional point has now been thoroughly investigated and it has been established that there will be a continuing requirement for the output of the plant.

During his recent visit to Halifax the Prime Minister Mr. Trudeau, was in a position to announce that agreement had been reached. AECL will acquire a leasehold interest in the Glace Bay plant and will assume full responsibility for its reconstruction and eventual operation. The necessary funds will be lent by the federal government to AECL, to be repaid with interest out of sales of heavy water once the plant is in production. The lease of the plant to AECL will terminate upon completion of that repayment.

I am delighted, Mr. Speaker, that this long standing monument to the incompetence of a previous Nova Scotia government is now being renovated, for the betterment of all Canadians. Additionally, some 300 to 400 job opportunities will be opened for Nova Scotians in the course of the work which will commence by the end of this month.

MANPOWER—REASONS FOR EXCLUSION OF RESERVE INDIANS FROM LABOUR FORCE SURVEY—INCLUSION IN LOCAL INITIATIVES PROGRAM

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, although we raise these matters in the adjournment debate, the ministers responsible are not in their places. Apparently this debate is not considered important enough for them. The other day I asked the Mnister of Manpower and Immigration (Mr. Lang) in the House whether he would consider including Indians living on reserves in the labour force survey. I might say that in my constituency there are reserves and some of their members are seeking work.

It is well known that Indians on reserves, as well as inmates of penitentiaries, are presently excluded from the count of employed and unemployed persons. This exclusion is not only discriminatory, it is also incomprehensible because the federal government is allegedly trying to bring our native peoples up to the standards of well-being enjoyed by Canadians generally. I say "generally" because a large number of Canadians are out of work.

The money the federal government has been spending in its drive to help the native population may or may not have been well spent. But on looking at the standard of living of the Indian population one cannot claim that this venture has been successful by any stretch of the imagination. Of course, one can say that only on the basis of impressions and observations, because we do not know how many people on the reserves are employed or unemployed and looking for jobs. So as a result of the policy which has been followed all we can do is make an educated guess.

That is one reason why I urge the Minister of Manpower and Immigration and his colleague, the Minister of Industry, Trade and Commerce (Mr. Pepin) who is responsible for Statistics Canada, to include Indian reserves in the labour force survey or to find enough facts by other means so as to give us a reasonably accurate picture of the situation of our native labour force. I have also asked the Minister of Manpower and Immigration to use his influence in extending the coverage of the labour force survey to the Yukon and Northwest Territories. The minister, probably by error on his part, assured the House that this extension was carried out on August 14 of this year. This has not yet been done.

I appeal to the Minister of Manpower and Immigration to consider seriously these suggestions. After all, the people of the territories have every right to be treated as other Canadians and members of the Canadian labour force. They should not be treated as members of a colony set apart from the settled parts of Canada. On reflection, I find that I am addressing myself to the wrong person. The Minister of Manpower and Immigration has so many responsibilities that adding to his burdens might be the last straw. It might drive him around the bend. His duties cover the vast field of manpower and the difficult field of immigration. He is also responsible for the Canadian Wheat Board. To top it all, he is in charge of the Public Service Staff Relations Act.

• (10:10 p.m.)

Mr. Benjamin: He is the loser.

Mr. Gleave: It shows how fouled up he is. I cannot honestly claim that his performance in any of these areas has been outstandingly successful.

An hon. Member: He is from Saskatchewan.

Mr. Gleave: You may not regard us very highly. That is a typical attitude of the people from Ontario. You have had it so long it fits you like a mantle. We are the colonists, the people outside the pale. That is where you fit.

The federal government is in desperation trying to reduce the growing number of unemployed Canadians. These efforts are not primarily directed toward creation of jobs and toward combating unemployment. The battle is a battle against unemployment statistics. You are not concerned about the reality. You want to dispel the thing that exists.

Mr. McBride: Who made you the judge?

Mr. Perrault: Keep it non-political over there.

Mr. Gleave: Non-political? You are kidding. The other day the Parliamentary Secretary to the Minister of Manpower and Immigration (Mr. Prud'homme) informed the House that in the fiscal year 1970-71 the Department placed 344,846 people in training. The figure for the current year will doubtless be higher. Two weeks ago the Minister of Finance (Mr. Benson) announced that an additional 35 million would be spent on training, which means

that the number of trainees this year will increase by 30,000 to 35,000.

The attempts by the department to equate referrals to training replacements is simply scandalous. The unemployed person knows well that training in itself does not give him a job. He knows as much as the Economic Council of Canada that the manpower training program absorbs many thousands of unemployed people so that the unemployment count becomes, however slightly, more respectable and more in tune with the Minister of Finance's outrageous and ridiculous unemployment forecast.

More seriously, the Prime Minister—very elegantly I have to admit—is implying that our unemployed people are pretending to be searching for jobs when enumerated by Statistics Canada. We know that the Prime Minister has a rather elitist view of the unemployed. We know that he would prefer to send all unemployed women, whatever their qualifications may be, to jobs as waitresses and chambermaids. We know that, of all people, the Minister of Labour (Mr. Mackasey) and the Prime Minister gave up in desperation their long professed goal of full employment. It now appears that the Minister of Manpower, whose prime responsibility should be to place people in jobs; and he has at his disposal over 8,000 bureaucrats—

The Acting Speaker (Mr. Boulanger): Order, please.

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, I am sure the hon. member will be very satisfied with my answer. In his answer to the hon. member's question on October 25, the Minister of Manpower and Immigration (Mr. Lang) stated that his department was giving consideration to the manner in which applications for the Local Initiatives Program would be received from Indians living on reservations. I can tell the hon. member that in so far as Indian band councils are concerned, they may obtain applications from Canada Manpower centres and submit them to the regional offices of the Department of Manpower and Immigration. Every effort will be made to ensure that band councils receive information and application forms because we are fully conscious of the need for such groups to participate.

In addition, groups of individuals living on reservations may apply for a grant under the organizations and private groups aspect of the Local Initiatives Program should they have a project which meets the necessary criteria. They would obtain application forms from their local Canada Manpower offices and submit applications to their respective regional offices of the Department of Manpower and Immigration.

As hon. members know, Indian reservations were originally excluded from the labour force sample because it was felt that participation in the labour force by Indians on reservations—

Mr. Gleave: On a point of order, Mr. Speaker.

Mr. Prud'homme: There is no point of order.

The Acting Speaker (Mr. Boulanger): The hon. member knows the rules. Would he kindly resume his seat?

Mr. Gleave: I only wish to point out, Mr. Speaker—

The Acting Speaker (Mr. Boulanger): Would the hon. member please resume his seat?

Mr. Gleave: The parliamentary secretary should use the terms "reserves", not "reservations". If he does not know that, he should not be there. "Reservation" is an American term.

Mr. Prud'homme: —because it was felt that participation in the labour force by Indians on reservations was somewhat different from similar activities on the part of other members of the population. For example, on some of the reservations economic activity consisted of hunting, fishing and other seasonal and irregular activities. Consequently, the survey procedures and questions used in the labour force survey appeared to be unsuitable. This seems to be less the case today and consequently consideration is being to the inclusion of these persons in the regular labour force survey.

Motion agreed to and the House adjourned att 10.20 p.m.

HOUSE OF COMMONS

Tuesday, November 2, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

NATIONAL DEFENCE

ANNOUNCEMENT OF LAYING-UP OF HYDROFOIL "BRAS D'OR"

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I wish to announce today that a decision has been made by the Department of National Defence to lay-up the hydrofoil *Bras d'Or* for a five-year period because a reassessment of Maritime Command's requirements has scaled down its priority. However, I would like to emphasize that research into hydrofoils will be continued by the department, and that the *Bras d'Or* could be reactivated at any time should circumstances alter.

The cost of maintaining the hydrofoil over the five-year period, including the basic cost of constructing storage facilities at Halifax, will be approximately $1 million. The *Bras d'Or* project began in 1961 with the awarding of a contract to the de Havilland Company for a development study of an all-weather hydrofoil craft. Cost of the construction project to date is approximately $52.2 million.

The decision which has been taken on the *Bras d'Or* results from the defence priorities for the department as announced in the white paper on defence in the 70's which was issued in August of this year.

The first main priority of defence policy is the protection of sovereignty and the surveillance of Canadian territory and coastlines. The acquisition of new equipment for Maritime Command must reflect this policy, and extensive studies have been conducted. Top priority calls for the replacement or major overhaul of the Argus long-range patrol aircraft. Moreover, although a major ship procurement program for Maritime Command is nearing completion, the question of replacing older surface ships, particularly with some ships capable of operating in heavy ice conditions, is one facing Canada in the next decade and for which planning and resources will be required. These factors and considerations have, therefore, lowered the priority of the hydrofoil, which began as an experimental project based primarily on an antisubmarine role.

The initial sea trials, covering both calm and rough waters, of the *Bras d'Or* were successful. However, completion of these trials did not mean that the development stage of the hydrofoil was finished, or that the stage had been reached where design of a production model was possible.

The cost of proceeding with the next stage in development work on the *Bras d'Or* would have been an estimated $4.5 million over a three-year span. However, it is estimated that possibly another $20 million or more would be required before proceeding to the stage where production could begin. Forecasts also show that production in the number which Maritime Command could have utilized—in the neighbourhood of 10—would have cost more than $20 million each. Some foreign countries which had shown an interest in the Canadian project have subsequently made it clear that acquisition of this type of vessel is also well down on their latest priority list. Because of the factors which I have stated—costs, lowering of priority, and no outlook for foreign sales at this time—it was decided for the present to limit future work to research and studies within the department.

If further trials or testing are considered necessary, the *Bras d'Or* could, as I have said be reactivated. Canada has developed considerable expertise on high-speed hydrofoils designed for ocean conditions, and it is considered desirable that research and study work should continue in this field.

I should also make it clear that because it is a development craft the *Bras d'Or* is not suitable in its present configuration for any general purpose use within Maritime Command. This, therefore, precludes its use as a patrol or search and rescue vessel.

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, the announcement by the minister today is going to be received with very deep regret not only by those involved in military matters in Canadian life but by everyone who is involved in the research and development of the hydrofoil *Bras d'Or*. I must say that the minister's reasoning for the cancellation of the program at this time barely stands up to quick scrutiny. On very close examination I think many of the reasons he has given will not prove to be adequate.

In commenting on the announcement at this time it needs to be said that the total investment by Canadian taxpayers in the *Bras d'Or* is some $52 million. Part of that expenditure, of course, was brought about by a fire on the vessel. In these circumstances, the decision not to spend the additional $3 or $4 million required to complete the full evaluation and research program in connection with the hydrofoil is a wrong decision. It could be said that what we have done is to put $52.2 million worth of mothballs into a million dollar garage. In my view the government had a responsibility to complete at least the basic research work so that we could pass on to our allies the fruits and results of a full evaluation of the feasibility of the hydrofoil in open sea naval operations and related work. This we have not done and I think it is deeply to be regretted.

Lay-up of Hydrofoil "Bras-d'Or"

• (2:10 p.m.)

I hope the minister will find an early opportunity, possibly during consideration of his estimates, to explain in greater detail exactly what he means when he speaks of ongoing work in the field of hydrofoil use. I should like him to tell us where he intends to carry out this work and also to explain in detail what will happen to the *Bras d'Or* at the end of the five-year storage period. Will it be sold, or otherwise disposed of? Hopefully it will not be dealt with in the manner in which the *Bonaventure* was disposed of, at a substantial loss to the Canadian taxpayer. The minister should also tell us whether the government intends to make available to our NATO allies, if it has not already done so, the fullest possible evaluation of the results obtained and studies carried out to date in order that the research work which has been done is not totally lost.

Again, I say it is to be regretted that the minister, probably in line with the decision to freeze the defence budget, should have found it necessary to cancel the *Bras d'Or* program, particularly at this critical time near the end of the development and research stage.

Mr. Doug Rowland (Selkirk): Mr. Speaker, it is hard for me to deal on its merits with the minister's decision to place the developmental hydrofoil *Bras d'Or* in storage.

To my mind the decision is one more addition to the increasingly long list of unsupportable blunders in equipment purchases and development made by successive ministers of defence both Liberal and Conservative, blunders which have arisen out of a failure to define clearly the role of our defence forces. In this situation difficulty is bound to arise when it comes to supplying those forces with appropriate equipment. It is this same omission which has virtually destroyed the morale of all but a few units of the Armed Forces. In another sphere it has made officer recruitment and the retention of officers in the service a problem of crisis proportions. It is the lack of a clear understanding of the role of the forces which has made it difficult for the government to arrive at sane decisions concerning equipment.

The money wasted by the Department of National Defence over the past dozen years as a result of bad decisions relating to equipment would, if totalled, probably eliminate this year's projected budgetary deficit. There was the Arrow, the Bobcat, DATAR, the CF-5 and, now, the hydrofoil, the latter representing $52 million down the drain or at least shelved, and a further million dollars as the cost of shelving it. No doubt the replacement of maritime patrol aircraft has a higher priority than the *Bras d'Or* project but I doubt very much whether this applies to the gas turbine destroyers presently being completed, given the current role of the navy which is largely the protection and surveillance of our coasts. These destroyers were constructed at phenomenal cost at a time when the real need was for coastal craft and heavy Arctic icebreakers. Here is the hidden gaffe in the minister's statement, and this is why it is difficult to discuss the statement on its merits.

I think this decision points out, first, the need for the government to define a defence posture and to stick to it, and within the framework of that policy to seek co-operation with other governments and nations in the matter of weapons development, as many of the European nations are now doing with some success.

Second, the decision underlines—and this is of even higher national priority—the need for the development of a national science policy within which defence research can be accommodated. We must do the things that we are good at and adopt an integrated approach to our research projects so that there will be a spill-over from one area to another, thus reducing costs and improving the saleability of the items that we decide to produce. I am arguing for specialization, and this can only take place effectively within the context of a national science policy. The hydrofoil, despite its potential, has by virtue of this decision become simply another costly blunder in the purchasing policy of the Department of National Defence, and I think it is a shame.

[*Translation*]

Mr. Romuald Rodrigue (Beauce): Mr. Speaker, I would be inclined to congratulate the Minister of National Defence (Mr. Macdonald) who has just announced that the Bras d'Or project has been dropped. Needless to say, the experience was unfortunate for Canada, because we sank $52.2 million in the project without getting really good results.

That experiment was made after others by the Armed Forces; in fact, there was the development of the Bobcat tank by the Army, and the Arrow aircraft by the Air force.

The minister says that it will cost approximately $1 million to lay-up the Bras d'Or for the next five years. Now I wonder what the cost would have been if it had been decided to go on with further testing. We know that the initial cost of the Bras d'Or project had been estimated at $10 million and that it has now reached $52 million.

I hope that the Department of National Defence will now devote more time to the study of programs advocated by the Canadian Armed Forces, in order that we may not have to deplore further large investments for such costly items as the Bras d'Or hydrofoil.

[*English*]

ORAL QUESTION PERIOD

MANPOWER

LOCAL INITIATIVES PROGRAM—POSSIBLE CHANGES CONCERNING COMMUNITY PROJECTS BECAUSE OF QUEBEC RESERVATIONS

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the right hon. Prime Minister about consultation with the provinces particularly in light of the press release issued by the Minister of Manpower on October 27 in which he said that "we have had very useful consultations with the provinces concerning the implementation of the local initiatives program". Would the Prime Minister inform the House whether, in the course of these discussions with the provinces about the local initiatives program, the province of Quebec put forward its reservations about sharing in the cost of and

administering community projects, and whether any change is intended in the projects as a result?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the provinces generally, and I think Quebec in particular, seem to be quite agreeable to the procedures we have adopted with regard to the municipal side of the local initiative program and to the consultations that will occur prior to any approval of applications under that program.

• (2:20 p.m.)

In the case of the community organization side of the local initiatives program, I do not know whether the point was made at the early consultation stage but the point was made by the Minister of Finance from Quebec yesterday in respect of municipal programs that they would not be involved in the administration of them and they would not want it to be taken that they were in any way undertaking any commitment to finance or complete projects which began under that program. Of course, this has been our assumption and understanding from the beginning.

Mr. Stanfield: Mr. Speaker, did the Minister of Finance of the province of Quebec not make the point yesterday that the province would not involve itself in any community projects other than those which had already been approved by the province?

Mr. Speaker: Order, please. Of course, the question as asked is hardly in order. The Leader of the Opposition asked whether the province did not make such and such a position clear. I would think a question asked in those terms would not be in order. I am sure the Leader of the Opposition would want to rephrase it.

Mr. Stanfield: Mr. Speaker, does the Minister of Manpower accept these reservations expressed by the Quebec Minister of Finance yesterday as being such that would enable the province of Quebec to take full advantage of his proposals?

Mr. Lang: Yes, Mr. Speaker, although some of the press reports would not seem to carry that import. As I understand it, there seems to be full agreement on co-operation regarding the initiatives side of the program. With regard to the other side, it simply means we will be doing in regard to that province as in regard to the others. Administration by the regional offices and Canada Manpower centres will lead to the approval of projects and will not involve the province in any new or additional types of expenditures.

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FEDERAL-PROVINCIAL RELATIONS

ARRANGEMENTS FOR GREATER CONSULTATION IN LIGHT OF REPORTED CRITICISM BY ONTARIO TREASURER

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I have a question for the Prime Minister relating to the same matter of consultation with the provinces. It arises out of reported comments of an extremely critical nature by the treasurer of the province of Ontario about the lack of consultation in dealing with the latest United States economic measures. In view of this criticism I should like to ask whether any arrangements are being made for more adequate and more continuous consultation with the provinces in relation to meeting United States economic measures, and any adjustments in our policies that might be required in the future?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, it might be worth while to remind the House that prior to 1968 these meetings between the finance ministers of the federal and provincial governments were held about once a year. Since 1968 we have initiated the practice of holding them about quarterly, or about four times as often as was the case before. We have repeated that if there were any need for special meetings or representations we would have them. The provincial ministers come to Ottawa and various ministers, including the Minister of Finance and myself, do meet them, but there is a limit to the possibility of being able to conduct the financial affairs of the country on the basis of daily consultation between 11 governments.

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LABOUR CONDITIONS

UNEMPLOYMENT—MANITOBA PROJECTIONS FOR 1972 AND FIRST HALF OF 1973—FEDERAL FORECASTS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I have a question for the right hon. Prime Minister arising from the meetings which the Minister of Finance held with the provincial treasurers, at which meetings the representatives of the government of Manitoba revealed their unemployment projections for 1972 and the first two quarters of 1973, ranging from 5 per cent to 6 per cent seasonally adjusted. Were the federal representatives at this conference able to submit any projections as to their estimates of unemployment for that period, and did they differ materially from the projections submitted by Manitoba?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I am not aware of projections that might have been submitted by the federal government. Perhaps the question might be asked of our Minister of Finance when he is in the House. As regards Manitoba, all I would say is that if the government of Manitoba sees this type of unemployment I wish it would do something about it.

Mr. Douglas: Mr. Speaker, the Prime Minister might have told us what the Federal government is going to do. That would have been helpful. May I ask the Prime Minister whether the government of Canada is now in a position to give the House and the country its projections of the estimate of unemployment over the next year or year and a half? Surely if the government of Manitoba can provide this sort of data the federal government must have some estimates.

[*Translation*]

Mr. Speaker: Has the hon. member for Bellechasse a supplementary?

Mr. Adrien Lambert (Bellechasse): No, Mr. Speaker.

Mr. Speaker: The Chair therefore recognizes the hon. member for Prince Edward-Hastings.

* * *

[*English*]

INCOME TAX

SUGGESTED DELAY IN IMPLEMENTATION OF BILL AND PASSAGE OF EXEMPTION AND ALLOWANCE PROVISIONS IN SEPARATE MEASURE

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I have a question for the Prime Minister. As three provincial treasurers, those of Ontario, Quebec and Alberta, have urged the government, because of the great complexity and length of Bill C-259, not to try to meet its present timetable of getting the bill through by the end of the year in order to allow time for lengthy examination and submissions from the public as well as examination in this House, is it the intention of the government to introduce a separate bill containing only the proposed tax exemptions and allowances proposed in Bill C-259 which would be assured of quick passage and leave the remainder of Bill C-259 for the detailed and more lengthy examination it deserves?

Right Hon. P. E. Trudeau (Prime Minister): This may be the hon. member's suggestion. I do not understand it to be that of the provinces.

Mr. Hees: It is.

Mr. Trudeau: If it is, Mr. Speaker, I am sorry that they are taking this easy line which the hon. member is of just doing the popular things now and waiting to do the unpopular things after an election. This is not—

Mr. Speaker: Order, please. The Chair will recognize the hon. member for a supplementary and then we will go on to the next questioner and eventually return to this subject which appears to be a very popular one this afternoon.

Mr. Hees: As the Prime Minister's answer indicates that the government obviously does not intend to do this, I should like to ask a supplementary. Is this not an example of the usual bullheaded Liberal arrogance and stupidity?

Mr. Speaker: Order, please.

Mr. Hees: Lift your head and let us have an answer.

Mr. Speaker: Order, please. Five members are seeking supplementaries. We will return, as I said, to this subject later but we have to move on for the moment.

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EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—AVAILABILITY OF REPORTS OF CERTAIN UNITED STATES AGENCIES—PRECAUTIONARY SAFETY MEASURES

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, my question is directed to the Minister of the Environment. In view of the concern expressed by Canadians about the nuclear test at Amchitka and in view of the fact that a United States court yesterday ordered the public release of a number of hitherto secret government reports on the subject except for two vital ones, those of the Environmental Protection Agency and the Council for Environmental Quality which I understand are still secret, is the minister in possession of these reports or has his department made any attempt to secure them?

Hon. Jack Davis (Minister of the Environment): We have requested access to them, Mr. Speaker.

Mr. Rose: Mr. Speaker, my supplementary is directed to the Minister of National Defence. I should like to ask the hon. gentleman the same question I asked him last week about emergency measures for the west coast in the event of a disaster. The Secretary of State for External Affairs said at that time our best protection was to pray. Has there been any reconsideration of this prayerful posture and, if so, what additional precautionary safety measures have been planned?

Mr. Speaker: Order, please. That question of course is not in order. The hon. member was recognized for the purpose of asking a question which should be in order. The hon. member might like to rephrase the question and then the Chair will recognize the hon. member for Bellechasse.

Mr. Rose: Has there been any reconsideration of the safety precautions or emergency measures and, specifically, what precautionary measures have been planned?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I thank the hon. member for the question. The national emergency measures co-ordinator has been in touch with the co-ordinator of civil defence for the province of British Columbia and he has been informed that as a result of the high degree of interest in that province measures, including the following, have been taken. In addition to the normal complement of radiological measuring instruments, further equipment has been sent into the Prince Rupert civil defence zone. His civil defence co-ordinators have been advised to double-check their monitoring procedures. Local co-ordinators have been advised to give supplementary instructions to monitors. British Columbia civil defence has been providing the media with information on request. Additional information is being provided by the British Columbia organization about the nature of precautionary measures to be taken in the event of tidal waves. As a result of federal-provincial civil emergency arrangements—

• (2:30 p.m.)

Mr. Speaker: Order, please. I am sure the minister realizes that this kind of information should be given on motions. I appreciate that the hon. member asked a question and the minister, having heard the question, is entitled to respond briefly or to seek leave to return to motions. I would think that the minister would agree with this.

Mr. Rose: I have a further supplementary question.

Mr. Speaker: The Chair will return to the hon. member in a moment. I committed myself a moment ago to give an

opportunity to the hon. member for Bellechasse to ask a question because we are still on the first round of questions. Immediately thereafter we will return to the hon. member for Fraser Valley West.

[*Later:*]

AMCHITKA NUCLEAR TEST—SUGGESTED DIRECT CONTACT BY PRIME MINISTER WITH PRESIDENT NIXON

Mr. Mark Rose (Fraser Valley West): I should like to direct my question to the Prime Minister. On previous occasions the right hon. gentleman has declined to make personal representations to President Nixon, but since voices are being raised with increasing insistence that the Prime Minister become more personally involved, I wonder whether the Prime Minister is yet persuaded that a direct appeal by him even at this eleventh hour might be effective?

Right Hon. P. E. Trudeau (Prime Minister): I am still of the opinion that the nearly unanimous resolution of the House of Commons speaks with even greater authority than I do.

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[*Translation*]

AGRICULTURE

POWDERED MILK—INQUIRY RESPECTING CONSUMPTION AND SHORTAGE

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I have a question for the Minister of Agriculture.

Considering the conflicting reports published in the newspapers with regard to the storage of powdered milk, would the minister tell the House whether the total production is taken up by national and international markets or if the Canadian Dairy Commission must store part of it?

[*English*]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I am not quite sure to which report the hon. member is referring.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Speaker, I should like to put a supplementary.

I did not refer to any reports. I am merely putting a question to the minister. Newspapers have published contradictory figures on the storage of powdered milk and my question is as follows: Can the minister tell this House whether the total production of powdered milk for the current dairy season is being absorbed by the domestic and international markets, or whether the Canadian Dairy Commission must store some of it?

[*English*]

Mr. Olson: We have been supplying the domestic market with skim milk powder and we have also sold rather large quantities in the export market. At the present time we do not have any great amount in the inventory although there is still some there, but I can advise the hon. member that all of it has been committed for sale during the balance of this dairy year.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Speaker, I should like to put another supplementary.

For the information of industrial milk producers, would the minister tell this House how surpluses stored during 1971 compare with those of 1970?

[*English*]

Mr. Olson: There is a decrease in the amount in storage.

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CANADIAN NATIONAL RAILWAYS

SHORTAGE OF LIVESTOCK CARS IN WESTERN PROVINCES

Right Hon. J. G. Diefenbaker (Prince Albert): I wish to direct my question to the Minister of Transport. It has to do with a situation that has developed in the province of Saskatchewan and I think generally in the western provinces on Canadian National Railways lines. There is a tie-up of livestock cars with the result that shipments of livestock to eastern Canada are being curtailed drastically and if this situation continues it can only result in lower market prices and heavy losses to the western producer. This information comes to me from George Beilhartz of Northern Livestock Limited in Prince Albert. Will the minister investigate this matter and do what he can to ensure that CNR shall provide these cars? Otherwise the farmers who have gone into mixed farming and into cattle will find themselves in an impossible situation.

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker. The Minister of Agriculture took notice of this question for me. I have already initiated some inquiries and I hope to have an answer for the hon. member tomorrow.

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LABOUR CONDITIONS

GOVERNMENT REPRESENTATIONS TO INTERNATIONAL NICKEL COMPANY TO PREVENT LAY-OFF OF EMPLOYEES AT PORT COLBORNE REFINERY

Mr. Lincoln M. Alexander (Hamilton West): I should like to direct a question to the Prime Minister regarding the 470 persons to be laid off by Inco at its Port Colborne refinery. Has the government had talks or does it intend to have talks with Inco in order to prevent this from happening?

Right Hon. P. E. Trudeau (Prime Minister): I would have to ask the question of either the Minister of Labour or some other minister. I have not had talks with the company.

NOVA SCOTIA—INQUIRY AS TO RELEASE OF NEW FIGURES ON EMPLOYMENT AND UNEMPLOYMENT BY STATISTICS CANADA

Mr. Robert C. Coates (Cumberland-Colchester North): My question is directed to the Minister of Industry, Trade

and Commerce. Have any new statistics been released by Statistics Canada since those produced by Statistics Canada in the middle of October with regard to employment and unemployment in Nova Scotia?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Not to my knowledge, but I will inquire further.

Mr. Coates: Has any information been provided to the CBC with regard to employment and unemployment in Nova Scotia that has not been made available to the House and to the country?

Mr. Pepin: I am not sure, Mr. Speaker. My hon. friend is probably referring to the detailed analysis of the first set of statistics we obtain every month regarding unemployment, and this is a public document. If that is what he is referring to, everybody has access to it.

NOVA SCOTIA—BASIS OF CBC TELEVISION NEWS REPORT

Mr. Robert C. Coates (Cumberland-Colchester North): I should like to direct a supplementary question to the Parliamentary Secretary to the Secretary of State. Will he have his minister make an examination of the CBC national news of last evening so that a determination can be made whether or not there is any basis in fact for the news report on employment in the province of Nova Scotia or is this no more than a figment of the reporter's imagination?

Mr. Speaker: The hon. member for Annapolis Valley.

Mr. Coates: I should like to hear from the parliamentary secretary and, if not, there must be a parliamentary secretary to take the question as notice.

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): The parliamentary secretary is not present today but I will transmit to him the hon. member's representation.

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AGRICULTURE

ATLANTIC CANADA—POSSIBLE INCOME STABILIZATION PROGRAM FOR FARMERS

Mr. J. P. Nowlan (Annapolis Valley): My question is directed to the Minister of Agriculture. In view of the desperate plight of many if not the majority of farmers in eastern Canada, particularly Atlantic Canada, at the present time, is the minister's department considering or attempting to assess the possibility of an income stabilization program for Atlantic Canada farmers somewhat akin to the Lift program for western farmers?

Hon. H. A. Olson (Minister of Agriculture): Not exactly in the same terms but we have had a number of discussions with representatives not only of provincial governments but also of the industry on some commodities such as potatoes, eggs and others so that we could be helpful in the difficult situation they have now. I might say that we are making some progress although we have not reached a consensus on what would be the most useful action to take to improve markets immediately for some of these commodities.

Mr. Nowlan: I thank the minister for his answer as far as it goes. While the government is perhaps considering an over-all program and particular programs with regard to particular commodities, is the minister prepared to respond favourably to the specific request of the Nova Scotia Hog Producers Association in their desperate plight and attempt to bring about a quarterly payment on hogs rather than at the end of the year because if they have to wait until the end of January they will all be bankrupt?

• (2:40 p.m.)

Mr. Olson: Mr. Speaker, I do not agree with the last comment in the preamble to the question, but I think the hog producers in Nova Scotia are aware that a payment will be made if the price falls below the support level. Those figures will not be available to us until the end of the calendar year.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Huron on a supplementary question, but I think this is an appropriate time to remind hon. members that we have gone through more than half the question period and there are some 30 members seeking the floor. Some of them should resign themselves immediately to the certainty that they will not be called today.

EGGS—SUGGESTED ACTION TO CONTROL IMPORTS FROM UNITED STATES

Mr. R. E. McKinley (Huron): Mr. Speaker, I wish to direct a supplementary question to the Minister of Agriculture. In view of the fact the minister announced a fowl buying program in an endeavour to assist in raising the price received by egg producers in Ontario, and as it has been brought to my attention that United States eggs are again coming into Ontario, thus negating that program, is the minister going to do anything to prevent U.S. eggs taking over the market in Canada?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, we could take some action along those lines but we should recall that during 1970 large quantities of Canadian eggs were shipped to the United States.

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EXTERNAL AFFAIRS

REPRESENTATIONS RESPECTING JAIL SENTENCE IMPOSED ON ANGLICAN DEAN OF JOHANNESBURG

Mr. Andrew Brewin (Greenwood): Mr. Speaker, my question is addressed to the Prime Minister. In light of the sentence of five years imprisonment imposed on the Dean of Johannesburg under the Terrorism Act for what in effect was opposition to apartheid, and in light of Canada's and the United Nations' frequent expression of abhorrence of that system, will the government express to the government of South Africa its deep concern and hope for clemency in this case?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I am not aware of the case to which the hon. member is referring. I will investigate it and discuss with the Secretary of State for External Affairs whether he can provide an answer.

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POLLUTION

REQUEST FOR PROGRESS REPORT ON REMOVAL OF SUNKEN "IRVING WHALE"

Mr. David MacDonald (Egmont): Mr. Speaker, my question is for the Minister of Transport. It has been some time since the minister has given us any word with regard to the likely raising or pumping out of the *Irving Whale* which still poses a very grave pollution threat to the north coast of Prince Edward Island. Has there been any decision yet with regard to a contractor to deal with the problem, and can he give any indication of when the problem will likely be resolved?

Hon. Donald C. Jamieson (Minister of Transport): No, Mr. Speaker, there has been no action. The tender call is out, as I advised the House and the hon. member some time ago. So far as I am aware the various parties are preparing their submissions, but they have not been returned to date. As soon as they are I will let the hon. member know, and he can look at them if he wishes.

Mr. MacDonald (Egmont): In view of the fact it is highly unlikely because of the lateness of the season that any action will be taken effectively to remove this threat before the winter and spring, can the minister advise whether any officials of his department are taking interim measures to make sure that over the next six to eight months substantial deterioration of the vessel will not occur?

Mr. Jamieson: Yes, Mr. Speaker, an investigation has been undertaken. I am not sure of the technical method but I believe it was by use of a small submarine and a diver. They have looked over the hull and are satisfied there has been no leakage. There was some seepage from the hull at one point, not very much, but this was determined to have been oil from the engine of a very light variety. The bulk of the cargo is all right.

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NATIONAL PARKS

RIDING MOUNTAIN—PUBLIC HEARINGS ON MASTER PLAN

Mr. Craig Stewart (Marquette): Mr. Speaker, I wish to direct a question to the Minister of Indian Affairs and Northern Development. Before the summer recess the minister stated in the House that public hearings would be held in Manitoba in late 1971 or early 1972 concerning the government's master plan for Riding Mountain National Park. Can the minister now tell the House the definite dates of the public hearings in Manitoba, as many groups want to present briefs?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, as soon as the date is set, it will be made public. Interested groups will be informed of the date and place of the public hearings but I cannot give it at the present time.

[*English*]

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, can the minister give us his assurance that when the hearings take place they will be held in western Manitoba, preferably in the city of Brandon?

Mr. Speaker: Order, please. I suggest to the hon. member that this is a representation rather than a question.

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MANPOWER

NUMBER OF JOBS TO BE CREATED BY WINTER WORKS PROGRAMS

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I wish to direct a question to the Minister of Manpower and Immigration. Although the government has refused to table its forecasts of unemployment for the coming months, would the minister at least consider providing to the House, through a statement or in some other form, his information as to the number of jobs the recently announced winter works programs are expected to create during the winter months?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, we have also indicated we would tend to avoid doing that partly because of the number of indirect jobs as well as direct jobs that may be involved. Under the local initiatives program our target is to create the greatest possible number of jobs from the project applications that may be submitted.

ON THE JOB TRAINING—REMOVAL OF EXCLUSION OF MUNICIPALITIES FROM GRANTS

Mr. Edward Broadbent (Oshawa-Whitby): While not accepting that answer, Mr. Speaker, I would like to try another question. Following the requests of a number of municipalities for changes in the on the job training aspects of the program, which currently exclude municipalities from the right to receive grants for on the job training, and following suggestions that they could usefully retrain some people, would the minister seriously consider changing the regulations that exclude municipalities?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, we are having consultations specifically to test what alterations or improvements might be made in the program. In particular, there might be a case for including in it those activities of municipalities that are carried on in some regions by municipalities themselves and which are carried on by private contractors in other regions.

Inquiries of the Ministry

LOCAL INITIATIVES PROGRAM—SUGGESTED REMOVAL OF 30 MAN-MONTH REQUIREMENT—NUMBER OF PROJECTS APPROVED

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, I want to ask the minister a supplementary question. Would he reconsider the restrictive aspects of the local initiatives program, such as the 30 man-month requirement, so that small municipalities can take advantage of that program?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the minimum requirement of 30 man-months is designed to limit to some extent the number of applications we will be considering. Since we expect under this popular program, more applications than can be approved in any case, we are encouraging municipalities where possible to combine parts of programs into one larger program to meet this minimum limit.

Mr. Lundrigan: Would the minister tell the House how many projects have been approved to date under the LIP program?

Mr. Lang: Mr. Speaker, the applications are beginning to come in. I do not imagine that approval has been made to this point, but it should not be long before we begin to have approvals.

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AIR TRANSPORT

IMPROVEMENT OF MONTREAL-VAL-D'OR-ROUYN SERVICE

[*Translation*]

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I have a question for the hon. Minister of Transport.

In view of the continuous increase in the passenger traffic between Montreal and certain Abitibi centres, as Val-d'Or and Rouyn, especially due to the James Bay development, could the minister tell us if action will be taken to improve the air service between Montreal and Rouyn-Val-d'Or?

[*English*]

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I would have to take notice of that question and find out the details for the hon. member.

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AIRPORTS

TORONTO—SELECTION OF NEW SITE

Mr. Colin D. Gibson (Hamilton-Wentworth): Mr. Speaker, I wish to direct a question to the Minister of Transport. Has there been any progress in the selection of the second major airport site in southern Ontario, and has the minister heard from the government of Ontario?

Hon. Donald C. Jamieson (Minister of Transport): No, Mr. Speaker. On this particular project I have not heard from the Minister of Transport of the government of Ontario, but I am sure I will be hearing from him within a matter of the next few days.

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BRIDGES

PROPOSED STRUCTURE TO SEA ISLAND, VANCOUVER—RECONSIDERATION OF PLAN—CONSULTATION WITH LOCAL ORGANIZATIONS

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Minister of Transport. Some time ago the minister indicated that he was reconsidering a specific plan with regard to access to the Vancouver International Airport. I would like to ask the minister whether he is now approaching the end of his revision and, if so, whether he has consulted, in the course of this revision, the local organizations that have expressed great interest in this project?

Hon. Donald C. Jamieson (Minister of Transport): The answer is yes on both counts, Mr. Speaker. We believe we can resolve the matter of the type of access to be provided, but what we cannot do at the moment is assure that there will be ease of access for air travellers, which was the reason we got into the matter in the first instance. We will be asking the local groups concerned and the municipalities if they can find some way to have a bridge built which will ensure speedy access to the airport and one which can be operated on a toll-free basis or some similar system.

* * *

• (2:50 p.m.)

[*Translation*]

MANPOWER

LOCAL INITIATIVE PROGRAM—AGREEMENT WITH QUEBEC RESPECTING ADMINISTRATION

Hon. Martial Asselin (Charlevoix): Mr. Speaker, I would like to give the Minister of Manpower and Immigration the opportunity of clarifying a question directed to him by the leader of the opposition.

Since newspapers report that the Quebec minister of finance has expressed some reservation on behalf of his government in connection with the administration of programs initiated by the federal government and that the minister replied that the difficulties had been wiped out, can he indicate whether the federal government has found a new formula to meet the requirements of Quebec concerning the administration of programs which the federal government is promoting to fight unemployment this coming winter?

[*English*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I do not know that I can add anything to the answer I gave earlier in regard to this matter. So far as I know the procedures in regard to the program are satisfactory.

Mr. Marshall: A supplementary question, Mr. Speaker.

Some hon. Members: Oh, oh!

[*Translation*]

Mr. Asselin: Mr. Speaker, I wish to ask a supplementary question.

Can the minister tell if the Quebec finance minister has approved the formula put forward by the federal government regarding programs which the latter intends to implement in order to fight unemployment during winter or if he has put restrictions on the implementation of these programs?

[*English*]

Mr. Lang: Mr. Speaker, the Minister of Finance has indicated that they welcome the initiatives which we have taken and, administratively, I think we are working very well together.

Mr. Speaker: The hon. member for Humber-St. George's-St. Barbe. The hon. member has caught both the Speaker's eye and the Speaker's ear.

LOCAL INITIATIVES PROGRAM—AVAILABILITY OF INFORMATION TO ORGANIZATIONS IN REMOTE AREAS—PROVISION OF QUOTAS

Mr. Jack Marshall (Humber-St. George's-St. Barbe): That was my parade square voice of 25 years ago, Mr. Speaker. I should like to direct a supplementary question to the Minister of Manpower and Immigration. It has to do with the local initiatives program as it affects community organizations and local groups. I am referring to areas that are far removed from manpower centres. Could the minister advise us what steps are being taken to give those organizations and groups information? Also, is he considering quotas for those people in remote areas where unemployment is greatest?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, as far as the municipalities are concerned, it is expected that the provincial co-ordinator in each case may supply application forms and information to the municipalities within the province. Manpower centres are fairly widespread and, of course, some mobile services bring these services even closer to the municipalities and community groups interested. As far as the question of distribution is concerned, we have, of course, the objective of distributing the available money among the regions in relation to unemployment. This principle will tend to be—

Mr. Speaker: Order, please. We are running short of time. Both answers and questions should be brief. Is the hon. member rising on a further supplementary?

Mr. Marshall: Mr. Speaker, I think the minister missed the purport of my question. I am not referring to municipalities. I am referring to that portion of the program which concerns local and private groups and how they can apply to manpower centres—

An hon. Member: Where there are no municipalities.

Mr. Marshall: —where there are no municipalities. They are far removed from those centres and not getting information.

Mr. Lang: Mr. Speaker, the information is readily available. I am sure if they simply write to or phone the manpower centre they will get it.

Mr. Speaker: Order, please. The hon. member for Comox-Alberni.

* * *

INDIAN AFFAIRS

EDUCATIONAL FACILITIES IN NORTHEASTERN ALBERTA—REQUEST FOR PROVISION OF MONEY TO BUILD SCHOOLS

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, I have a question for the President of the Treasury Board on behalf of the weak and impoverished Minister of Indian Affairs and Northern Development who told us on Friday that it was physically impossible to build six schools. Would the President of the Treasury Board play the role of the good doctor and inject a little financial muscle into the Minister of Indian Affairs and Northern Development so that he can fulfil his constitutional and treaty responsibilities to the Indians of the Saddle Lake-Athabasca region?

* * *

INQUIRY OF THE MINISTRY

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, my question is for the Prime Minister. In light of the outburst of the hon. member for Lanark-Renfrew-Carleton on television and in the House yesterday regarding the right hon. gentleman's recent announcement concerning the Glace Bay heavy water plant, would the Prime Minister consider appointing him as parliamentary secretary to the cabinet minister from Nova Scotia who would educate him on the subject?

Mr. Speaker: Order, please. I assume that this is a representation rather than a question.

Mr. Muir: Mr. Speaker, could I rephrase my question?

Mr. Speaker: Perhaps the hon. member has another question to ask since the first one was not acceptable procedurally.

Mr. Muir: Mr. Speaker, may I ask the right hon. gentleman if he will take that step, thus preventing any more of these demented diatribes from a disappointed deacon?

Mr. Rose: That was very good.

* * *

POLLUTION

LAKE SUPERIOR—REPRESENTATIONS CONCERNING DUMPING OF TACONITE WASTE ON UNITED STATES SIDE

Mr. Randolph Harding (Kootenay West): Mr. Speaker, I have a question for the Minister of the Environment. Is

the minister aware of the serious pollution problem being created in Lake Superior on the United States side by the dumping of 67,000 tons of taconite waste rock daily into the lake by the Reserve Mining Company?

Hon. Jack Davis (Minister of the Environment): Yes, Mr. Speaker.

Mr. Harding: Have representations been made to the United States authorities or to the International Joint Commission by the minister or his department regarding this problem and, if so, with what result?

Mr. Davis: Mr. Speaker, our staffs have been in close consultation both with the Council on Environmental Quality and the Environmental Protection Agency of the United States, and discussions have been going on with respect to industrial practices on boths sides of the border.

* * *

MANPOWER

PLANS TO AVOID LOSS OF FRUIT AND VEGETABLES BECAUSE OF LACK OF LABOUR

Mr. H. W. Danforth (Kent-Essex): Mr. Speaker, I wish to direct a question to the Minister of Manpower and Immigration. My question has to do with the tragedy that is now becoming apparent. In view of the loss of thousands of tons of fruit and vegetables because of the lack of available labour during the harvest season despite high unemployment, will the minister now look into this problem to see if adequate plans cannot be made for the coming season in order to circumvent such a tragedy?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, we endeavour in every way possible to meet manpower needs with regard to harvesting. Perhaps the hon. member might remind his colleagues of this situation should they criticize the Caribbean workers program in another summer.

Mr. Danforth: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. We are running short of time.

* * *

LABOUR CONDITIONS

NOVA SCOTIA MINING INDUSTRY—ELIMINATION OF NECESSITY FOR UNEMPLOYED TO GO TO COURT TO COLLECT UNEMPLOYMENT INSURANCE BENEFITS

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, I have a question for the Prime Minister arising out of the false newscast last night which was supported by the Premier of Nova Scotia. I ask the Prime Minister to ask the Minister of Regional Economic Expansion to make the Premier of Nova Scotia aware of the deplorable situation of the mining industry in Cape Breton.

Mr. Speaker: Order, please. That is a representation rather than a question. I am sure the hon. member appreciates that.

[Mr. Harding.]

Mr. MacInnis: Mr. Speaker, I asked the Prime Minister whether he would ask the Minister of Regional Economic Expansion to make the Premier of Nova Scotia aware of something. I wish to ask a supplementary also.

Mr. Speaker: Order, please. Perhaps the hon. member might ask another question. I have ruled that his previous question was not a question but a representation. If the hon. member wants to ask a question, of course he will be recognized.

Mr. MacInnis: Mr. Speaker, may I direct a further question to the Prime Minister. Since he indicated recently in Nova Scotia that he does not believe in the use of the courts to bring about settlements, would he consider the situation in which Cape Breton miners face the prospect of having to go to court in order to recover unemployment insurance benefits which were wrongfully taken away—I use the word "wrongfully" because that was the word used by the present chairman of Devco—and make a statement to the effect that miners need not spend money to get back from the government what was unlawfully taken from them?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I will take note of the representation of the hon. member.

* * *

CRIMINAL CODE

INQUIRY AS TO DEBATE ON ABORTION

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, my question is for the Prime Minister. In view of his encouraging remarks at Darmouth last Friday, is he now in a position to tell us the approximate date of what he referred to as the "upcoming debate on abortion"?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker, if the opposition parties can tell us when the present debate before the House will terminate.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. The hon. member for Vancouver-Kingsway has a supplementary question. The Chair will recognize her and then the hon. member for Abitibi.

Mrs. MacInnis: Mr. Speaker, may I ask the Prime Minister whether he would be willing to put before the House legislation which would allow Parliament to decide whether or not all references to abortion should be taken out of the Criminal Code?

Mr. Trudeau: No, Mr. Speaker; that is not what we said we would do in the Speech from the Throne to which the hon. member is constantly referring.

[*Translation*]

Mr. Speaker: Order. I think the hon. member for Abitibi wishes to ask a supplementary question.

[*English*]

I recognize the hon. member for Abitibi for the purpose of a supplementary to a previous question. Otherwise, we have reached the end of the question period.

[*Translation*]

MANPOWER

LOCAL INITIATIVES PROGRAM—APPLICABILITY IN UNORGANIZED MUNICIPALITIES

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I would like to ask the Minister of Manpower and Immigration a question about the local initiatives program recently announced.

We know that in some ridings such as Abitibi several parishes are not organized into municipalities. Could the minister say how those parishes will be able to apply for grants under the program dealt with in the recent announcement?

Mr. Speaker: Order. It seems to me the question has just been asked. The hon. member might not be satisfied with the reply. In any event, the question has been asked and the minister answered it.

[*English*]

Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Monday, November 1, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

The Deputy Chairman: When the committee rose last evening, section 117, with an amendment proposed by the hon. member for Winnipeg North Centre, was before the committee. Sections 117, 118, 119, 120, 146, 147, and 204 had been grouped together for the purpose of debate.

On Clause 1—Section 117—*1972 rates.*

Mr. Lambert (Edmonton West): Mr. Chairman, arising out of the amendment proposed last night by the hon. member for Winnipeg North Centre—

Mr. Saltsman: I rise on a point of order. I might bring to your attention, Mr. Chairman, that I called it ten o'clock last night. Might I continue with the remarks I commenced at that time?

The Deputy Chairman: I am sure the hon. member for Edmonton West will not have any objection.

Mr. Saltsman: Thank you, Mr. Chairman. My apologies to the hon. member for Edmonton West whose remarks I always listen to with great interest.

Some hon. Members: Explain.

Mr. Saltsman: Last night I spoke in support of the amendment moved by my colleague, the hon. member for Winnipeg North Centre. I stated at that time that it was one of the most brilliant amendments that had ever been put forth, certainly one of the most sensible ones that had come before this House. I am very proud to support it.

There is quite a history to the attempts of the hon. member for Winnipeg North Centre to get the idea of a tax credit accepted. The wording of his amendments was such that the Chairman of the committee did not find them acceptable. The hon. member very carefully studied the instructions from the Chair and managed to satisfy the Chair with this amendment. In an attempt to get justice for those at the lower income levels, on another occasion the hon. member for Winnipeg North Centre attempted to increase the exemption for single people from $1,500 to $2,000 and for married people from $2,850 to $4,000. I think that at this time these are really the only acceptable levels. In fact, they are minimum acceptable levels. That particular attempt did not meet with success. The government did not view that amendment with favour. Throughout all that time, the hon. member never gave up the idea of the tax credit system. In light of this particular history and the very sensible amendment before us, the government should soften its opposition somewhat, if not because of the obvious merits of the proposal then at least because of the valiant attempts of the hon. member for Winnipeg North Centre to bring this matter before the House.

There are a number of very great advantages to the amendment before us. The amendment seeks to provide what amounts to a tax credit of $500 for every single taxpayer. It will remove approximately $75 in taxes from every person who is subject to tax. This is a good amendment in the sense that it is universal. Everyone will receive some benefit from it. The high taxpayer as well as the low taxpayer will receive this particular form of credit. Therefore, it should be widely accepted.

Unlike our present system of exemptions under which the benefits tend to escalate and improve the more income a person has, the major benefits from this particular proposal will accrue to the people at the lower income level. On a percentage basis, they will receive a higher benefit. That is really where the benefit should be given. It means that those at the lower income level who are married will receive virtually the same treatment as they would receive if the married exemption were $4,000 under an exemption system. Those at the higher income levels would still receive what amounts to a $75 reduction in their taxes. However, unlike the present system, they would not receive a greater benefit with a higher income. The advantage of this tax credit system is that it can be adjusted at any time to the needs of society with far greater precision than the system of exemptions which we now have.

To use a recent example, the government wants to encourage employment in Canada. The government has proposed a tax cut of 3 per cent on taxable income, part of which is to take effect this year. It will take full effect next year. Let us look at this proposal for a 3 per cent tax cut. What sort of benefit would a person who had to pay $50 in income taxes receive? He would receive a $1.50 tax reduction at the lowest income level. Surely, that is the level at which the greatest stimulation is required; that is the level at which people have a need to purchase more commodities. A taxpayer with a tax liability of $3,000 will receive

$90 under the 3 per cent tax cut. How can something like that be accepted as just? Why should a taxpayer at that level receive a greater tax relief? It merely results in an increase in his ability to save rather than his ability to consume. We can see how illogical this system is from an economic point of view. Rather than a tax cut, it would be better to give a tax credit. In that way those at the lower end of the income scale would receive a substantial benefit. Those at the upper end of the income scale, while they would receive some benefit, would not have their benefits escalated because they have a higher tax liability. This applies to the entire tax system.

We have been very critical of the system of exemptions as compared to tax credits because of this particular effect. The hon. member for Winnipeg North Centre pointed out the effect of the $650 exemption for old age pensioners over the age of 65. He pointed out that those at the lowest level of income will receive a $650 benefit. Those at the higher end of the income scale will receive almost 50 per cent more in benefits. It does not make any sense, and certainly does not jibe with any concept of equity. What is often overlooked when we compare the tax credit system with the exemption system is the incentive effect which exists under the proposal advocated in the amendment before us. We know that some people who are perhaps worst off in our society are not always the ones on welfare but what we call the working poor, those who go to work every day. The minute their income exceeds $2,000 they are obliged to pay tax on it. Even under the proposal in the tax reform bill, they would still have to pay tax if their income exceeded $2,850. It seems to me that the greatest measure of relief should be given to this group of working poor in our society. Even when children are taken into account in calculating their exemptions, many people who are working will still be paying tax, although they are at poverty level or below it.

• (3:10 p.m.)

The proposal before us, which would virtually eliminate the next $500 of income from taxation, or, in the case of a couple, the next $1,000, has the advantage of the built in incentive. Instead of a person losing 17 per cent at that level of income, the loss would only be 2 per cent. That is an enormous incentive to go out to work and do somewhat better than a person might otherwise feel compelled to do.

The increased cost of living in the last number of years has substantially raised the point at which we consider a person to be living in poverty. The amendment recognizes this. It would allow a person to be free of tax or to be taxed only minimally at a level below $4,000. One of the difficulties about the tax system as it now stands, the system of exemptions, is that the marginal rates need to be much higher than would be required under a system of tax credits. We hear a great deal of complaint about how progressive our tax system is when, in fact, it is not as progressive as marginal rates would indicate. The Carter Commission pointed out that while marginal rates in Canada seem to be exceptionally high, in fact almost no one pays those high rates, certainly not at the level of 70 per cent and above, because of such factors as the 10 per cent dividend tax credit, the special concessions people get if they invest in resource industries, and so on. And now that the government proposes to abolish estate tax it seems that some will receive a substantial sum of money as an inheritance and will not be required to pay tax on it at all.

An hon. Member: Unless he lives in one of the provinces which retains the estate tax.

Mr. Saltsman: A great deal of the resentment against the present tax system is based on rates which are to some extent illusory. If the present system were replaced by another, some anomalies would remain, but the tax credit system would at least show people in a more realistic way the actual levels of taxation to which they were subject. Our present system looks a lot more progressive than it really is. In an open society there is great merit in things being what they appear to be. The present out-dated method of tax calculation merely continues an illusion.

In the course of a discussion on tax credits versus tax exemptions, the Minister of Finance in a carefully prepared statement pointed out on one occasion that the government could achieve almost identical results, if not identical results, by using the present system as might be obtained under the system we advocated. A similar position has been taken by the parliamentary secretary and by various spokesmen for the government. It is true the same effect could be achieved, but only by perpetuating an illusion, but making the marginal rates higher than they really are in practice. One could average them out, I suppose, or one could achieve the effect by continually juggling the marginal rates, but it is a cumbersome approach. For these reasons I hope members of the committee will view with favour the amendment before the chamber. As I say, it accomplishes a number of useful things. It provides relief where it is most required. It provides relief in a much fairer way than would be the case under the exemption system.

It may be that the sharp pencils on the government side have already been out and that the parliamentary secretary will rise at some point in this debate to say that commendable though the principle might be it would cost too much money to apply. In anticipation of such an approach I have made some rough calculations myself. It looks as though the cost would be in the area of $450 million. That is a substantial amount, but it is not more substantial than the sum which the government is prepared to offer to encourage employment by providing 7 per cent tax relief for corporations and 3 per cent tax relief for individuals. Using the government's own figures, the 7 per cent tax relief for corporations is estimated to cost $175 million; the 3 per cent concession to individual taxpayers is estimated to cost $225 million in the second year. The total reaches a figure very close to what it would cost to implement the proposal contained in the amendment.

If we consider the two proposals, it is evident that the one contained in the amendment is infinitely superior in the sense that it provides money to people who would undoubtedly use it and, in so doing, stimulate the economy. I do not wish to get into a lengthy argument at this point about the relative advantages of reductions in corporation taxes as compared with reductions in rates to individual taxpayers. Nevertheless, I believe that most authorities who have looked into the various methods available to stimulate the economy have reached the con-

clusion that the best way of doing so is by granting tax relief to those who need to make purchases and whose incomes are insufficient to meet their needs, with the result that if they received an additional amount of money they would spend it. For all these reasons, I commend this particular amendment to the House.

Mr. MacEachen: I rise on a point of order, Mr. Chairman, to advise the committee concerning discussions which have taken place among the House leaders in respect of the manner in which we propose to deal with the next grouping of items of the bill.

First, we shall continue with the grouping upon which we began discussion yesterday, including proposed sections 117, 118, 119, 120, 146, 147 and 204. When these have been completed, we will begin another grouping, consisting of sections 9, 10, 11, 12, 13, 15, 18 and 20. It is our expectation that it might be possible to complete these today. As hon. members know, Wednesday and Thursday will be opposition days so we will not be able to resume our discussion of this bill until Friday, at which time we hope to return to section 8 and complete it on Friday.

• (3:20 p.m.)

We will then consider a series of sections which might be regarded as clean-up sections, or sections relating to the major subjects that we have been discussing. This grouping consists of the following sections: 16, 67, 69, 70, 72, 74, 75, 76, 77, 78, 81, 126, 144, 145, 148, 149, 198, 199, 200, 201, 202, 203, 205, 206, 207, 248, 249, 250, 251, 252 and 254. It is our expectation that it might be possible to complete this work on Friday.

On Monday, November 8, we will begin a new grouping, consisting of sections 28, 29, 30 and 31. These have to do with farming issues, such as the basic herd and so on, and following completion of that work we will commence the discussion on capital gains. Under this general subject we would list the following sections, at least tentatively: sections 38 to 55 inclusive, section 3, 9, 71, 73, 85, 87, 88, 89, 96 and 111. There does seem to be some duplication in regard to section 9. We would hope that we can complete the discussion on the capital gains provisions as soon as possible, perhaps early in the week.

Mr. McCleave: Mr. Chairman, I think the significance of the changes announced by the President of the Privy Council, which I gather is acceptable to the House leaders, is that two of the sections we shall next be considering, namely sections 28 and 29, have been grouped with sections 30 and 31, which are to be discussed on Monday next. Sometimes we designate Friday as fish day in the House of Commons, and in this case we are designating Monday as farming day, since sections 28 deals with farmers and section 29 deals with the basic herd concept. Sections 30 and 31 also deal with other aspects of farming operations.

I think it is important that we do put some kind of tag on these provisions so that we will know whether it is the farmers who are supposed to crowd back here early on Monday to take part in debate or whether it is the fishermen, lawyers or the like. I think it is useful to have that point on the record. The effect of the amendment with regard to immediate business is that we are going to take a whole flock of small items on Friday, but that we are taking a very large and substantial item on Monday, namely the taxation provisions in respect to farmers.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, in a sentence or two may I just confirm that the list of sections read out by the President of the Privy Council does represent what was agreed to today by the House leaders of the various parties. I might also state that the hon. member for Halifax-East Hants has done what needed to be done, namely to emphasize that we have made one change from the grouping we agreed to the other day, namely to separate sections 28 and 29 from the grouping they were in and to bracket them together with sections 30 and 31, so that we have a group of four sections dealing with farming matters, such as the basic herd and other considerations.

The other category that we are planning for debate but which we have not yet set up will, of course, be the grouping of sections that deal with the taxation of co-operatives and credit unions. The assumption is that these will follow the groups that have been indicated today.

The Deputy Chairman: Is the Chair to assume that the committee accepts that agreement? It is very difficult for the Chair to call this an order because there might be some changes to the time schedules, but this statement could constitute a flexible agreement for the guidance of the committee.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I think it can be said that this does represent an agreement or a target. Perhaps it should also be on the record that in each case the Chair will call the first section in the grouping.

The Deputy Chairman: Is that agreed by the committee?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): Mr. Chairman, I want to make a few more points with regard to section 117(1)(a), which sets out the scale or schedule of tax rates and seals the fate of Canadian taxpayers over the years to come. The hon. member for Waterloo had a good deal of complaint about what he thought was the favouritism shown those in the higher income groups by the reduction of the top rates. He also complained about eliminating the estate tax. I want to point out to him some facts of life with regard to these rates and also indicate the effectiveness of the estate tax.

Whether he knows it or not, there is an estate tax in every province, bar one. The two socialist governments of our provinces have indicated that they are going to implement an estate tax effective January 1, 1972. The hon. member is the official voice in this House of the New Democratic Party in matters fiscal, but I am sure that the farmers in the three prairie provinces, particularly in Saskatchewan and Manitoba, as well as the farmers in the province of Ontario will really welcome the reimposition of an estate tax plus the introduction of a capital gains tax. Of course, the NDP, and I would think perhaps the people of certain parts of Saskatchewan will be more than interested in this, suggest it is fine to reintroduce the estate tax and have a capital gains tax, but they want the capital gains tax to be double the rate provided for in the

bill. I should like to see the hon. member for Waterloo go out to Saskatchewan, for instance, or even to Waterloo and explain this to the farmers there.

• (3:30 p.m.)

Mr. Saltsman: I will on Friday.

Mr. Lambert (Edmonton West): He says he is going on Friday but by that time no one will hear him. I want him to understand that there is a Succession Duty Act in the province of Ontario; there is one in the province of Quebec; there is one in British Columbia and there will be one in each of the provinces of Saskatchewan and Manitoba. I presume there are some in the Atlantic provinces. All that happens under the act as it now exists is that there is an estate tax levied. There was also an assessed tax under the provincial succession or estate tax act. The two were mixed, however, but the end result was that a tax was paid to one or the other. After the tax was paid, as in the province of Quebec which retained its rights under the Dominion-provincial agreements, whatever was paid in respect of succession duties was a credit under the estate tax assessment to the federal government. Therefore, there was an elimination of double taxation to some degree.

The federal government in the present case proposes to remove the estate tax, but that does not eliminate the provincial estate tax. Therefore estate tax or succession duties will still have to be paid in the provinces, except Alberta where I am told the government has decided not to re-impose the estate tax or succession duty. The net result is that everybody has to pay the estate tax and have added a capital gains tax which is, in effect, a tax on deemed realization on death. Perhaps I have not interpreted this correctly, but my understanding is that the capital gains tax will not be considered a credit towards succession duties levied by the provinces, and therefore there will be an additional tax. We are told there are no additional taxes coming out of this package, but that is not so. There is an additional tax and the people of Canada should know about it. This so-called simplification is in many ways like a shell game; now you see it, now you don't. That is what the Minister of Finance tells us about this simplification, that everyone is to be brought under the one hat, but the hat is of a larger size and the Canadian taxpayer is being asked to wear it.

As was pointed out last night, we are being asked also to simplify one tax rate by combining what had been formerly the income tax portion, the old age security portion and the social service portion. This is now all under one heading, but this does not allow the federal government any abatement of income tax toward the provincial income tax, or for any greater allocation of funds. Any province that wants to increase its revenue will have to impose additional income tax. That is already the case in some places and I am not worried about it. In fact, in some provinces there may be a greater sense of responsibility because if they desire to spend more money that will result in the imposition of larger and additional taxes.

How do we calculate what is to be the total rate. Members have only been looking at federal rates of income tax, for instance the bracket of up to $500. Section 117(1)(a) says the income tax will be $85, or 17 per cent.

[Mr. Lambert (Edmonton West).]

That is not going to be the case. There must be added the conversion factor under this table, because the provincial conversion factor for the purpose of calculation so far has shown this at 30 per cent. Incidentally, there is going to be an amendment to this table.

In other words, from $500 to $1,000 the tax shall be $85 plus 18 per cent of the difference between $500 and $1,000. Then, there shall be added for the individual 30 per cent of the federal rate, which in this instance becomes 5.1 per cent, making a total of 21.1 per cent. This morning the Minister of Finance, in speaking to the provincial finance ministers, had this to say:

> We have made our best estimates about revenue yields of the new tax system. But from the beginning we have recognized that some degree of uncertainty as to these yields will exist until we have actual experience under the new system. We have said we will guarantee for three years that provinces receive no less than they would under the existing system, a length of time that we have felt sufficient to permit accurate assessment.
>
> The tax base upon which provincial taxes are calculated is slightly smaller than the existing base. To receive the same amount of revenue, provinces will need to express their new tax on the smaller base at rates slightly above present rates. I want to emphasize again that this would not result in a higher level of provincial taxes . . .
>
> Our original calculations produced a conversion factor of 30.2 over 28, which was rounded down to 30 over 28. We are now prepared to suggest that the conversion factor be adjusted to 30.5—that is, rounded up to the nearest half point instead of down—as a more appropriate expression of the provincial rates required to maintain the same revenue. Our guarantee will therefore be based on provincial tax rates converted by 30.5 over 28.

The minister then added that the period of guarantee would be extended from three years to five years. In a final summation, he said:

> To make it perfectly clear, the federal government is prepared to guarantee for five years the revenue yield of the new system as compared with the existing system, provided that provinces establish new rates for 1972 no higher than the rate derived from a conversion factor of 30.5 over 28.

• (3:40 p.m.)

I do not know what the reaction of the provinces was to that, but to hon. members I would say that this results in just a slightly higher total rate of tax to the individual taxpayer. It is actually using the federal rate multiplied, plus the result of the multiplication of the federal rate which is not 30 but 30½ per cent. So, if one were to take the table in the bracket of $2,000 to $3,000, which is the table under section 117(1)(d) where the rate is 20 per cent, the total combined federal and provincial tax will be not 26 per cent but 27 per cent at the marginal rate, an increase of 1 per cent in the marginal rate. You see, therefore, how quickly the rates of individual taxpayers have gone up. The Minister of Finance says we will use a factor of 30½ as against 30, and immediately tax rates go up because of an increase in the provincial sector. It would be interesting now to make the conversion, shall we say, in the top bracket of $60,000 which federally is 47 per cent. The rate before this had been 61.1 per cent with the provinces but will now go up to 61.33¼, I suppose 61.34. Strangely enough, percentagewise one will see the difference. I indicated there was a difference of 1 per cent in the total of the taxable bracket of $2,000 to $3,000, but over $60,000 the increase is only one tenth of one per cent.

With regard to the amendment, I have looked up the statistics for the taxation year 1970-71. A tax credit of $75 in the personal income tax field according to a reduction calculation results in a reduction of some $550 million in the revenues therefrom. I notice the parliamentary secretary is nodding his head in general approval of this as being the figure. We are considering a whole year on this basis. The $225 million the minister promised on October 14, as a result of the 3 per cent reduction in tax payable by individuals for the year 1972-73, frankly would not be necessary if a tax credit were now given. A tax credit system is the objective of the move by the hon. member for Winnipeg North Centre, and is one with which we fully agree because we have from the very outset, even before anyone else spoke about it, argued in favour of tax credits. In order to be credible in this I believe I must accept the principle of the amendment and I do so quite willingly. I have some reservation concerning the validity of the ruling with regard to the amendment. I say that merely on a personal basis. The amendment having been accepted, however, I now say we are quite prepared to support it.

The tax credit as proposed would give much more relief from tax in the lower income groups than would the proposed 3 per cent the minister has proposed for the 18 month period beginning July 1, 1971. I want to make quite clear that while I recognize the cost to the treasury in diminution of funds, it is not necessarily a total loss. It is in the first instance, but there is a multiplier effect and there is a recapturing of some of this money that the government forgives in the way of income tax because it is picked up through the sales tax, through an increase in economic activity and so on. On October 14 the minister said that the purpose of the tax cut was to stimulate the economy and that the government was prepared to put into the national spending pot some $350 million. Then, it hopes to recover a given portion of this through the increase in economic activity, more jobs, higher incomes and more income taxes both from the personal point of view and the corporate point of view. Therefore, one must not look at such a tax cut as representing a cost to the national treasury of $550 million. We have taken off $225 million with regard to the 3 per cent tax cut, which would be the exchange, and I would say there would be a good deal more revenue generated by the increased economic activity so that the net cost, bearing in mind the social purpose of the tax cut, would be more than compensated by the benefit to the individuals receiving the same. To that extent, therefore, I hope the committee would see fit to support the amendment.

Mr. Broadbent: Mr. Chairman, it came as a bit of a surprise to us that the hon. member for Edmonton West would support this rational, sensible and equitable proposal. We welcome the support for this serious amendment. One of the persistent and unfortunate facts of so-called tax reform in other countries in the past 30 years has been that it almost never resulted in any significant shift in income in any of the advanced industrial countries, this country included. I should like the parliamentary secretary to look at a work which might be of interest to him. I refer to Professor Titmus' study of income distribution and social change over a few years ago in England. I hope he would have a look at it and seriously assess the comments made concerning a full variety of so-called approaches to tax reform which have resulted not in redistribution of income but rather in the maintenance of the present income patterns in society. I suggest that the present tax proposals, the hundreds of pages of them that we have before us, really amount to a continuation of this lamentable tradition. We have had a number of proposals in a number of areas, and I would like to comment on each of them by way of a brief preamble to the specific amendments.

• (3:50 p.m.)

The capital gains tax has at last been introduced in this country, the last country in the western world to do it. Instead of taxing all the capital gains as part of one's income, in the typical Liberal fashion it has been decided to tax only 50 per cent of these gains. The worker pays tax on all of his taxable income, all his earned dollars if you like. But the man who clips coupons, who makes a gain in the stock market in Toronto, will be able to continue that wonderful tradition and will pay tax on only half of what he gains.

• (3:50 p.m.)

We have made reference to the estate tax proposals which again benefit the rich, notwithstanding what the hon. member who preceded me said. Incidentally,—I am sorry he has left the House—it has always been made clear by our members, particularly by our western members, that there is no intention to tax the small family farm estates. A distinction has always been made by this party in that regard and it is unfortunate the hon. member for Edmonton West did not point out this fact, since I suspect he is well aware of it.

Mr. McCleave: Sanctimonious guys.

Mr. Howard (Skeena): Take it easy.

Mr. Broadbent: I will refrain from commenting on the interjection of my good friend to the right. Perhaps he will join in later. I do not make these points in jest and, as a matter of fact, I respect my hon. friend very much. I make these points in all seriousness. I think that a tax system in a democratic society is or should be one of the most important means of bringing about some equity in terms of income distribution. If this party has said on a number of occasions that this is not being done in our society, apparently it is necessary to go on saying it because we are not getting the kind of change that we think is desirable.

The third item seems to me frankly discriminatory. It is the proposal that workingmen get an exemption for work expenses so long as they do not exceed $150. The provision says nothing about the junior jet set executives who will entertain their friends in Toronto and be able to claim exemption at a much higher level than the ordinary working people.

The fourth point in the current tax proposals is the continued taxing of people whom the Economic Council of Canada says live at the poverty level. There is no decision to go beyond that kind of economic barbarism. There has been no introduction of the tax credit system which, as has been mentioned many times, is a much

more equitable basis for taxation than is the changing of the level of exemptions so favoured by this government.

Finally, in words of the Minister of Finance, we have the proposal to reduce corporate income tax by 7 per cent, which is said to be an important spark or incentive for industrial expansion. I do not know any serious economist who would argue that the corporation really conducts its investment plans on the basis of expected increases or decreases in taxation levels. It seems to me that they operate always on the basis of profit levels, what they really think the market would provide in positive or negative terms. Therefore, I think that a 7 per cent tax relief for corporations is really a colossal give away to the corporate sector of this society.

Having made all these points, and I think they are worth making about the present system of taxation in Canada, especially underlining the present proposals that are supposed to constitute tax reform, I would like to make one or two brief comments about the amendment of the hon. member for Winnipeg North Centre. It seems to me that what it would do is something that all the other items that I have mentioned avoid doing, that is to provide relief in terms of degree where it is most seriously needed. What it really amounts to is a $75 deduction for most taxpayers. What is important about this from the point of equity is that $75 is a hell of a lot more to an average or poor man than it is to a rich man and therefore, as has been said by those who have supported the proposal, this is real economic justice. By passing this amendment we would help the unorganized worker in Halifax, the poor farmer wherever he is, the organized worker in Oshawa, Hamilton or Vancouver, and, in short, bring early, important and immediate benefits to many of the average and poor people. Therefore, I think it is desirable from that point of view.

The effect of such a reduction to these people who put most of their money into the economy directly as opposed to high income people who devote a substantial percentage of their income to investment would be an immediate economic stimulus to the economy, and therefore the net effects over a year or so, in terms of economic costs alone, could well be positive. In other words, if it is true that it would cost about $515 million to put this proposal into effect right now, the economic spin-off effect in terms of its impact on the economy could perhaps exceed that loss of revenue if the stimulus on the economy is as positive as a number of us think it would be. Therefore, on grounds of equity, and in terms of the criteria of economic efficiency for the economy as a whole, I urge support of this amendment.

[*Translation*]

Mr. Rodrigue: Mr. Chairman, I consider the amendment brought forward by the hon. member for Winnipeg North Centre to be worthwhile and important, seeking fiscal relief for a group of people who would certainly appreciate it, particularly those in the lower income group. I therefore support the amendment and hope the House will adopt it.

This amendment would save all taxpayers approximately $75 a year. For some, the amount may seem small, but for those in the lower income group a 2 or 3 per cent increase in income would be most welcome. It would have practically the same results as boosting exemptions to $2,000 for single persons and $3,300 for a married couple.

The amendment seems very realistic to me, particularly at the present time when the cost of products and services is rising from one week to the next.

Another reason why I support this amendment is that it would leave in the hands of the people a good deal of money. The hon. member for Waterloo (Mr. Saltsman) mentioned a while ago that this amount would be around $450 million. That would be an injection of money in additional purchasing power into an economy which is slowing down. It is exactly what the government is trying to do at this time, by implementing new programs.

We are specially concerned in this debate on the Income Tax Act about the fate of people in low income brackets. As a matter of fact, the amendment proposed by the hon. member for Winnipeg North Centre aims at saving them a certain amount of tax money.

As members of the Social Credit party, we have repeatedly suggested basic exemptions of $3,000 for single people and of $5,000 for married persons. But, even if this amendment does not meet with the goals we had called for, it seems to us that it represents a step forward towards that objective.

The adoption of that amendment may create some technical difficulties. But in my opinion, we should not be tied down by this detail.

With respect to the difficulties that the provinces might encounter concerning what tax percentage should be set up, some of them may not be satisfied. But we should not forget that some provinces have been asking for a greater share of the taxes. I fail to see why those provinces should hesitate to increase their income tax percentages if they have to, considering that it would be a good thing anyway for Canadians to know, once and for all, how much tax they have to pay to the federal government, and how much to provincial governments. This tax credit would mean additional income in the hands of people who really need it.

I hope that the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) will take my remarks into consideration and give serious thought to the amendment proposed by the hon. member for Winnipeg North Centre, in which we join and which we fully support.

• (4:00 p.m.)

[*English*]

Mr. McCleave: Mr. Chairman, I would like to deal with the substance of the point raised by the hon. member for Winnipeg North Centre. I should like also to give notice that later I will be dealing with some technical points arising out of section 146(9)(a) on page 395 which relates to the disposition of property by trusts. I shall do that after we have dealt with the amendment before us. I hope to persuade everybody that I am trying to keep a rather amorphous debate within limits as much as possible.

I would like to add my support to that of the hon. member for Edmonton West for the amendment moved by the hon. member for Winnipeg North Centre, and which was accepted by the Chair. Two speakers earlier we heard the remarks of the hon. member for Oshawa-Whitby, that delightful fellow. I think he and I share a

great admiration for a great stalwart in the political spectrum, John Stuart Mill. However, I think the hon. member might tend to look down his nose a bit at the Tories in regard to the matter of tax credits. Indeed, I suspect he could find himself on the road to Damascus and, while he was undergoing conversion, might notice that all the people raising dust in front of him on that road were members of the Conservative party who were initially sponsors of the idea of tax credits in this country. If he wants proof positive of this statement he would look at the very thoughful presentation that was made to the Finance Committee by the government of the province of Ontario. I notice that government lacked nothing in popular support when it went to the polls very recently, so it must be blazing some trails.

In any event, Mr. Chairman, I know there is a school of thought that believes that anything the hon. member says is the gospel truth and, even though I and others of my ilk have gone down that road to Damascus in front of him, that anything we say is not to be believed. I know there are enough characters of that kind in the press gallery. I am just stating a fact. Let me get to the guts of the amendment before us because that, after all, is what we are being asked to decide upon, although I do like to keep history straight from time to time. It is one of my preoccupations.

What the amendment moved by the hon. member for Winnipeg North Centre proposes is to give those on lower incomes an exemption of up to $75 on their income tax, assuming they are taxed from zero to $75. Then, from that point on everybody would be given an exemption of $75 on the personal income tax they pay. I do not think we should lose sight of the fact that from $75 down to zero, that is for those people who earn $500 taxable income or less per year, the benefits are in diminishing proportions, whereas for those over that figure they are on a quantum basis of $75 across the board. Apart from that, I think it can be regarded as a tax credit, as my hon. friend from Edmonton West has labelled it.

The advantage of the proposal is that it provides a very large sum for the economy. My hon. friend from Edmonton West thinks it would be in the neighbourhood of $550 million a year, if I heard his calculation correctly. I, myself, have worked it out at $532.9 million a year. But in any event, we are dealing with more than half a billion dollars that would be pumped into the economy as a result of the amended Income Tax Act that we are being asked to pass in this parliament. But the greater advantage is that it is not a lump sum left in any one particular person's hands or in the hands of any one group. Except for the group I have noted, this sum is divided amongst the population on the ratio of $75 per person. Each of us can look around and determine that if he or she had $75 more in his or her pocket or purse that that money would be infused, indeed enthusiastically infused, back into the economy. In that sense, because the effect of it is spread from one end of the income earning spectrum to the other, I think it probably has a greater advantage than the proposal made to us by the Minister of Finance.

As you will recall, Mr. Chairman, in an act of extraordinary repentance on a Thursday evening a few weeks back, the Minister of Finance did suggest a certain cut in income taxes over a specific period of time, with the purpose of getting money into the economy. I suggest the formula we have now before us gives everybody a crack at using the money that will come back to us—or will not be extracted from us, I guess would be a better way of putting it—for clothing, for food, for education for our children, for a better car or a Japanese radio set or heaven knows what. There are so many different ways to spend money, and I am sure we will all spend it. This proposal commends itself. It is a better approach than the one suggested by the Minister of Finance.

We should also accept the fact, because we have to be fiscally orthodox to a certain extent and we have to be almost close to paying our way if we cannot pay our way at certain times, that if we vote for the amendment presented by the hon. member for Winnipeg North Centre, as I intend to do, we cannot accept the alternative presented by the Minister of Finance. This seems to be a quicker and better way of achieving what he is trying to do, which is get money back into the economy when the economy needs it, no matter whether you call it a tax credit system or anything else. The proposal commends itself to me. I do not think we should be looking at two things. I prefer one, and I prefer the one I intend to support in a few minutes.

• (4:10 p.m.)

[*Translation*]

Mr. Matte: Mr. Chairman, I should like to say a few words in favour of the amendment. To all intents and purposes, it aims at increasing the basic exemption to $2,000.

It is timely, because if we stop and think of the Canadian who earns $2,000 a year, we know full well that this amount is far from adequate. The individual who earns that amount can barely pay his room and board. I say "barely" because he still has to get clothes for himself, and he has other unavoidable expenses. All hon. members, and specially the Minister of Finance (Mr. Benson), will surely recognize that $2,000 a year is clearly inadequate.

Consequently, is it reasonable? Is it logical then that this individual should pay $85 in income tax? Mr. Chairman, to ask the question is to provide the answer. This is something which is absolutely illogical, something which does not make any sense. In other words, before being in a position to provide for essentials such as food and clothing, the individual who earns $2,000 will have to pay $85 in income tax. That is overdoing it! This is why if such an amendment was passed, we would deal with the basic injustice from which the small wage-earner suffers.

Apparently the government is always inclined to think that there are no small wage-earners having a $2,000 yearly income. On the contrary, they do exist. There are people in some areas or at least in some constituencies who actually receive an income which is not over $2,000. This means that these people who are hard up and can scarcely make both ends meet are compelled first and foremost to pay $85 in income tax to their government. This is truly shameful.

I think that under the proposed amendment this situation is being improved upon, and that the individual who is in a truly bad predicament and who is being paid a very low salary is being treated a little bit more fairly.

It would then be quite fair, as the amendment suggests, to reduce the rate from 17 to 2 per cent. I therefore approve this amendment without any qualification.

[*English*]

Mr. Gilbert: Mr. Chairman, the amendment of the hon. member for Winnipeg North Centre is so clear, concise and convincing that I will restrict my remarks this afternoon. I was impressed by the hon. member's amendment, as well as by the argument in support, presented by the hon. member for Waterloo and the hon. member for Oshawa-Whitby, for the reason that the amendment contains within it the principle of universality. If there is one principle that ought to be applied today in these matters, it is the principle of universality. In the past we have got into great trouble in the provision of certain programs because we attempted to get away from the principle of universality. Here is an opportunity for us to apply this principle across the board to all Canadians.

I am sure that past objections of the parliamentary secretary to the effect that the tax credit system was difficult to impose have been cleared away as a result of the amendment that was brought forward yesterday evening by the hon. member for Winnipeg North Centre. The parliamentary secretary has always suggested that implementing the tax credit system would be too difficult. If we implement a tax credit system, we shall give some recognition to the late Mr. Carter, who was responsible for the Carter commission report. We shall honour him, because one of the fundamental recommendations in the Carter report related to the implementation of the tax credit system. In such a system Mr. Carter saw enshrined the principle of equity and fairness. That principle would apply to all Canadians. So, Mr. Chairman, I think we ought to honour and respect the man who has tried to bring about equity and fairness in our tax system.

I think Mr. Carter might be sadly disappointed if he were here today, because we are not adopting one of his suggestions, namely, that we reduce the personal income tax rate from 80 per cent to 50 per cent. That suggested reduction was based on the premise that we would also include in this bill two other major principles of taxation, one being the principle of a full capital gains tax and the other the principle of integrating all incomes that a person receives. We have sadly deviated from the principles laid down by Mr. Carter.

At present we have the opportunity to implement the tax credit system. I hope some members of the Liberal party will speak in support of this principle. Thus far, the debate with regard to the reduction of 15 per cent, or the reduction of $75 across the board, has been carried by members of the opposition. I was happy to hear the hon. member for Edmonton West support the principle we support, Mr. Chairman. He is the first lawyer I have known who, in a 20 minute speech, could speak for 15 minutes against the principle and for the last five minutes in favour of it. Perhaps as he looked skyward and saw the lights in the ceiling of the chamber he saw the light of conversion on the road to Damascus, so to speak.

An hon. Member: Hallelujah, brother.

Mr. Gilbert: I was rather happy to hear what he said in the last five minutes of his speech. He was under that divine direction which gave him insight, foresight and the necessary articulation for supporting this amendment.

[Mr. Matte.]

Mr. Lambert (Edmonton West): Mr. Chairman, may I ask the hon. member a question? I wonder if the hon. member for Broadview has had the patience and opportunity to read from the earliest committee reports of the examination of government officials and the minister on the white paper and the advocacy then of the hon. member for Edmonton West for the tax credit system?

• (4:20 p.m.)

Mr. Gilbert: I am very happy the hon. member has come around to supporting our position. It really does not matter which party brings forth an amendment to implement the tax credit system. The important feature is that it is brought forward. We in the New Democratic Party brought it forward. We are very proud and happy that the hon. member for Edmonton West is supporting this principle.

Yesterday the Minister of Finance for Ontario recommended, on behalf of the province of Ontario, a tax credit system. He indicated the unfairness of the present system to people in the lower income brackets with regard to sales, property and income taxes. Maybe we will be able to persuade the adamant, stubborn parliamentary secretary that this proposal is fair. He shakes his head. This indicates that he opposes the tax credit system. Is it any wonder that we in the opposition become so frustrated when the government takes this position?

I notice the hon. member for Scarborough West is in the chamber this afternoon. He is a brilliant economist who supported Walter Gordon. He is known as one of the whiz kids of Canada with regard to economic theories. I invite the member for Scarborough West to state why he, as a member of the Liberal party, will not support this amendment. I would like to hear his explanation. As I said in my opening remarks, it is only the members of the opposition who have participated in this debate. The parliamentary secretary has sat back and smugly waited for us to fall by the wayside.

It has been pointed out that the hon. member for Don Valley has not participated in this debate. He comes from the affluent society, the upper middle class of Don Valley. I would like to hear what he has to say with regard to the impact of this amendment on the people of Canada. If I thought he would get up and speak, I would immediately sit down. I am attempting to persuade him and the member for Scarborough West, both men who have had experience in the field and know what the impact will be, to get up and let the people of Canada know just what is wrong with the amendment proposed by the hon. member for Winnipeg North Centre. This amendment has been described as brilliant. I agree. At the beginning of my remarks, I said I would be brief. I have been very brief. I resume my seat on the assumption that some Liberal members will either speak for or against this amendment.

Mr. Ritchie: Mr. Chairman, I wish to say a few words on this amendment. It has considerable appeal. I wish to add a few ideas on the averaging formula in the bill and its relationship in the future.

The rates on the progressive income tax for the so-called middle income group have some curious financial implications. To some extent, they are a tax on inflation. Inflation has risen as high as 6 per cent a year. It rarely has been lower than 3 per cent a year. This is a result of fiscal dividends. As a taxpayer's income increases, he moves into higher brackets and, accordingly, pays relatively higher taxes. The new tax structure moves substantial payments into income for this so-called middle income group, mainly capital gains, research scholarships and other things. Even at the lower end of the scale, the so-called unemployment insurance coverage may now be extended to include teachers and salaried workers earning a substantially higher amount of money. This fiscal dividend becomes important.

In light of the fact the amendment will reduce the tax in the lower bracket and the fact the $75 will be applicable to each bracket in some ways the proposal can be likened to the so-called temporary surtax which has now been removed. The surtax did something in that it was at least a tax on a tax on income. Those at the bottom of the scale contributed very little. Those who paid a lot of tax contributed substantially more. Through the progressive tax for the middle income group, governments each year, even in times of inflation and without any real growth, substantially increase their tax take in the income tax field.

With regard to the matter of averaging, I commend the government for making a very modest attempt at general averaging provisions. This is long overdue. In my particular profession, it is necessary to spend many years preparing to earn a living. I did not make any money until I was 34 years of age. I received less than $1,000 a year. Then, I was pitchforked into a fairly large and substantial income. I do not know if this income is too much. However, I suggest that the progressive income tax creates economic distortions, particularly in the high salaried area. We might well consider the implications of this. A person's take home pay really reflects what society thinks he is worth or what he is able to command in society, whether or not this is always economically sound. In essence, people receive their take home pay plus taxes. However, we still persist in considering the gross salary or gross income of a person before taxes and on this basis make our assessment of how much he earns, whereas we should really be considering the individual's take home pay.

The very modest, general averaging proposition by the government is a backward averaging, 110 per cent in one formula. If it is above 110 per cent in the immediately preceding year or 120 per cent of the average income for the immediately preceding four years, you get the beginning of an averaging formula. It is useful. It should be of some value when salaries are increasing rapidly, as they often do between the ages of 40 and 50 and particularly in the 50's. However, there is no real way of increasing or giving a true averaging on a downward grade. This should be dealt with in the tax structure whenever possible. For people who reach a peak in their 50's, and must of necessity have a reduced income later, there is no provision for averaging on the downward trend. If a true averaging could be carried out, and I admit this would probably result in large and formidable changes in income tax revenue, it might help our economic system substantially. If there were a true five year average it might reduce the demand for wage increases. For many years, farmers have been able to do this and it does not seem to have created enormous difficulties for the Department of National Revenue. In any case, the present averaging proposal is a step in the right direction. If it proves a sensible one and works to advantage we would be well advised to proceed with it further in the years ahead.

• (4:30 p.m.)

In the matter of income and annuity averaging, I should like to draw the attention of the parliamentary secretary to one feature which may not have been mentioned. The annuity must be bought within two months of the end of the taxation year, as the bill is presently drafted. This may be doing a disservice to the very people the legislation is designed to help. I have in mind a man who once in a lifetime sells a house or a business for a lump sum of money. Not being used to chartered accountants and so on, he may be unaware that this provision applies to him. If he must take action before the normal date on which he computes his income tax he may well find that the legislation does not help him.

In essence, the amendment put forward by the hon. member for Winnipeg North has much to commend it. I would support it in a general way. I would even support it on the basis that if it is to replace the 3 per cent cut in the personal income tax, whatever the equivalent is, then that should be built into the amendment, or something like it. I believe it would do much for the present state of the economy to provide increased income for the lower income group. I noticed in dealing with cases this summer that many of the lower income group were better off taking welfare, particularly if there were three or four children in the family, than working at occupations where their incomes would be subject to tax. I will clarify this statement by saying that if the government can accept the equivalent of 3 per cent income tax I would be happy to support the amendment in some way which could be worked out.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I am happy to say a few words on the amendment under consideration.

The object of this amendment is to reduce the tax rate on the first $500, from 17 per cent to 2 per cent. It is therefore with pleasure that I wholeheartedly support this amendment, because I know that Canadians already pay too much taxes.

We know that rates and taxes make the economy more sluggish and prevent its progress. This amendment to the Income Tax Act will reduce the already too heavy tax burden of the Canadian taxpayer. The latter would thus gain a small benefit or a small reduction in taxes; even if it is not much it is better than nothing at all.

It is our duty, as citizens and representatives of the people, to take part in the discussion and support this amendment, and if that had been possible, I should have liked to say more on this subject.

We support this amendment, and commend the hon. member for Winnipeg North Centre (Mr. Knowles) for

having moved it, slipped it among the others, which will enable Canadians to breathe a little easier.

I am convinced that by carrying on with the consideratiion of this legislation, we will manage to find other means to alleviate the tax burden of taxpayers, so that the law may be more logical and that taxpayers pay less and less taxes.

I know that the tax legislation means a substantial increase in taxes. Taxes are reduced in certain areas but increased in others.

Since all citizens may benefit from the proposed amendment, we are prepared to support it.

[*English*]

Mr. Kaplan: Mr. Chairman, I did not intend to speak at this time. I have nothing much to say, in fact. My contribution on this particular subject was to have been my vote. I intend to vote this amendment down, or contribute to voting it down. But I thought it was funny to sit here and listen to the two opposition parties argue about which was further down the road to Damascus and which one was being blinded by the other's dust. Sitting on this side I must say that those two parties, the Conservative party and the New Democratic Party, are very much alike.

This is a situation which disturbs me very much. I would not support the amendment, but I would very much welcome a true Socialist alternative before the people of Canada. I would be glad to see a party which stood for a new concept of industrial democracy, a party with its own sense of social justice, a party with new ideas.

An hon. Member: What about the amendment?

Mr. Kaplan: What we find, if I can put it in a gentle way, is a group of benign chisellers who come before us in a well-meaning manner saying something like this: "You have proposed a minimum wage of $1.75. Why not make it $2.00? You have proposed $1,400 as the minimum exemption. Make it $2,000—we will settle for $1,800." This is their style. They are quite satisfied with the social order. I regard my party as being a more revolutionary party than theirs.

I can remember when I was a little boy listening to the hon. member for York South on the radio. He was saying then exactly the same thing that I heard him say a month ago during the Ontario provincial campaign. The people of Canada, he said, are not fools; they will reject the old line parties. That statement is the oldest line in Canadian politics.

• (4:40 p.m.)

The Chairman: Order, please. With respect, I think the Chair is able to conduct the proceedings of this committee more to the advantage of hon. members if, when an hon. member rises in his place, he indicates to the Chair why he is rising. This will give the Chair the opportunity to recognize him. I recognize the hon. member for Hamilton West.

Mr. Alexander: Mr. Chairman, I do not need any gratuitous remarks from the Parliamentary Secretary to the Minister of Finance. With all due respect to the Chair, I did point out that I was rising on a point of order. My point of order is this: I have been sitting in this chamber

[Mr. Latulippe.]

for days listening to contributions that had some merit. Having heard the Chair admonish and chastise those hon. members who did not follow the rule of relevancy, my point of order is that we on this side had hoped the hon. member for Don Valley would make a fantastic contribution—

Some hon. Members: He did.

Mr. Alexander: —as he was challenged to do by the hon. member for Broadview. But instead of that we listened to fairy tales. With all due respect, I think the hon. member's remarks have been irrelevant to the subject matter under debate this afternoon.

The Chairman: Order. I think I should say to the hon. member for Hamilton West that I was unable to ascertain that he was rising on a point of order because his microphone was not switched on. However, it did seem to me that perhaps the hon. member for Don Valley, who has the floor, was wandering a bit and I would invite him to come back to the subject matter of the bill.

Mr. Kaplan: Mr. Chairman, as it happens I was just coming back to my main point, which was to indicate that I regarded the benign plea for an extra $75 across the board as one that we should reject. I was characterizing it in terms of the whole behaviour of the New Democratic Party. May I finish in one more sentence? Decade after decade this party, which purports to have something new and which rejects, it seems to me by its own words, the "old line", proves it is the same old party, a party where power is inherited, as is its leadership.

Mr. Saltsman: Mr. Chairman, I have a few additional comments to make on this amendment. If this committee ever required an endorsation of the amendment and arguments to support it, I think we have had them from the hon. member for Don Valley. Not once did he deal with the substance of the proposal we are debating. Faced with the logic of our argument and the justice of our stand, the Liberal party have resorted to vile rhetoric, to wild benality. I would have expected from the hon. member for Don Valley far more than the kind of performance he has given us.

An hon. Member: He made an excellent contribution.

Mr. Saltsman: He may have made a contribution to this debate, and it is understandable that there are divisions of opinion and people with differing views, but if the hon. member has differing views and has some substantial disagreement with this amendment, why did he not say so? Whether we are nice guys or whether we are not, whether on occasion the New Democratic Party and the Conservative party happen to agree, has really nothing to do with what we are discussing. We are discussing something that is of vital importance to almost six million taxpayers in this country. If there were any need for reassurance to us on this side that we are on the right track and that the government does not have any substantial or good reason for rejecting this amendment, then we received that assurance by the intervention that has just been made.

Mr. Harding: Mr. Chairman, I intend to speak very briefly on the amendment before the House. The remarks of the Liberal member for Don Valley disappointed me. According to him, any time the government brings forth a tax measure we always try to increase the benefits. In this particular case we are talking of those in the extremely low income tax brackets. I want to inform the hon. member that apparently he has not done his homework on this particular phase of the legislation.

To prove my point, all I have to do is refer to the cost of living index. The present personal tax exemptions were set in the year 1949, and at that date the cost of living index stood at 77.4 per cent. Today, it stands at 134.7 per cent. What we are attempting to do is to raise the exemptions for a single person from $1,000 to $1,650. This represents a 65 per cent increase. Over the period I have referred to, the increase in the cost of living has been over 74 per cent, so even with our figure we are not catching up with the increase in the index since 1949, the year on which the exemptions were based.

This is why the hon. member for Winnipeg North Centre moved his amendment which seeks to cut the tax rate on the first $500 of income from 17 per cent to 2 per cent. What is wrong with that? This will give the working people of this country, the pensioners and those on fixed incomes who are in desperate straits, the opportunity to pay less income tax. This country in the year 1971 is much wealthier than it was in 1949 when the present rates were set. It is sheer idiocy and nonsense for Liberal members across the aisle to laugh and to vote this amendment down. If the government is not prepared even to bring the rate up to a level that reflects purchasing power today, then it is not doing the job it was elected to do.

This is a good, sound amendment, one for which we have been fighting. Organizations across the country, old age pensioner groups and so on, have been asking in hundreds and thousands of letters and telegrams they have sent to Members of Parliament that legislation of the kind that is reflected in our amendment be supported. I suggest hon. members opposite do so, if not for themselves at least for those they represent.

• (4:50 p.m.)

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I consider it as my duty to support the amendment moved by the hon. member for Winnipeg North Centre (Mr. Knowles). As this amendment aims at an immediate reduction of personal income tax, I think we must support this amendment if we consider the facts which have already been analysed in the course of the preceding debates on clauses 109 and 110.

Small enterprises must absolutely benefit from a tax reduction in order to be in a position to protect as much as possible their sources of income and to invest more in order to better serve their environment. The survival of those small enterprises which contributed so much to the development of this country must be assured.

I also consider that this tax reduction must be applied immediately to the workers who contributed in a fantastic way to the development of this country, namely to the increase of the gross national product to which I drew the attention of the Chair last week when sections 109 and 110 were under consideration.

I also think that the small shopkeepers in our cities and villages are doing a lot for the people. For them to survive, they should also benefit from tax exemptions because if we continue along the same lines, overtaxation will eliminate some of them year after year. And when our small shopkeepers, grocers, butchers, and so on stop operating the corner stores and extending the weekly credit needed by our families, particularly the larger ones, low-income families will be deprived then of that service.

Mr. Chairman, farmers also are overtaxed. Production costs are increasing from day to day, and it is enough to look ever so little at the situation to realize that it is worsening from day to day.

Mr. Chairman, if I had more time I would read a letter I received today from an industrial milk producer in my riding who complains because he had to convert his business. He was forced to choose either one of the two types of production, whole milk and industrial milk, in which he was engaged. He opted for industrial milk production, which is liable to reduce considerably his income. If we do not immediately grant this category of producers a tax exemption, we once again run the risk of seeing a greater number of people leave their farms to become welfare recipients and costly dependents of the community. And then, the governments through their finance ministers will ask those who are still working and are lucky enough to operate a business to carry a heavier tax burden in order to maintain the unemployed.

In such circumstances, the whole House should get together to adopt the amendment calling for immediate reduction of personal income tax.

Mr. Chairman. sometimes, and this is most unfortunate, some hon. members, seeing opposition members rise to take part in an important debate such as the one on Bill C-259, believe they are filibustering, or just trying to delay the proceedings of the House and the passage of such an important piece of legislation.

I should like to take the opportunity to show that our parliamentary system is useful and necessary and that all hon. members, whatever party they belong to, have an important role to play as spokesmen of the people of Canada.

It is therefore upsetting, Mr. Chairman to see them right and left, playing at representing opposition members as useless or as members who are only seeking to delay the business of the House.

If the government is not satisfied with our parliamentary system, all it has to do is introduce amending measures and if it wants to remove the opposition, it should say so frankly. As a matter of fact, it is not for our own pleasure that we rise and claim more equitable legislation for all social classes.

We are not favouring a social class in particular, but we want an equitable and rational personal and corporate income tax, and the government should not go beyond a reasonable rate.

Considering the representations that are made to us, we find the government is going beyond a reasonable rate, it does not pay any attention to the taxpayers' ability to pay, thus jeopardizing the security and the freedom of

individuals as well as the development of the Canadian family.

If the government wants to get the money needed to finance its own services and to provide the Canadian people with the services they are asking for, we must proceed with a thorough reform of our tax structure as well as of our monetary structure which has become a cancer within Canadian society. And once society has become basically "cancerous", one can hardly keep quiet and hide the truth from the whole population.

This is why I think that the proposed amendment should go through, in the best interest of the whole population, because it is of the kind that will ensure fairness to individuals, to small tradesmen and businessmen, who all have a place in society. In fact, they have to remain in existence in order to serve the community. But if their survival is to be ensured, we will have to cut their income tax, and thus give them a chance to expand and provide improved services in their neighbourhood. By so doing, they will allow Canadian society to advance.

This is why I support this amendment, and I hope it will carry.

[*English*]

The Chairman: Order, please. Before I recognize the hon. member for Winnipeg North Centre, perhaps I might be permitted to advise members of the proceedings on the adjournment motion tonight.

It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Vancouver-Kingsway (Mrs. MacInnis)—Criminal Code—Inquiry as to debate on abortion; the hon. member for Halifax-East Hants (Mr. McCleave)—Air Transport—national policy—possibility of Canadian Pacific Airlines becoming second trans-Canada carrier; the hon. member for Brant (Mr. Blackburn)—Labour conditions—Ste. Therese, Quebec—lay-off of employees by General Motors—government action.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I believe the effect of the amendment that is now before the House is quite clear to all hon. members. It proposes a tax cut. It proposes it in a way which perhaps is fairer than any tax cut which has ever been put before this House of Commons for a vote. Most tax cuts give more to those who have than to those who have not. This one would provide a decrease in the amount to be paid on the first $500 of taxable income for every taxpayer in Canada. It would provide the same number of dollars for those in the lower income brackets that it provides for those at the top. Since there are more taxpayers at the lower end of the scale, that is where most of the dollars would go. I suggest this proposition is perhaps fairer than any this House has ever dealt with by way of an income tax reduction and I hope the committee will give this amendment its support.

• (5:00 p.m.)

Mr. Mahoney: Mr. Chairman, first of all I should like to congratulate the hon. member for Winnipeg North Centre on the modest manner in which he has endorsed his handiwork. I think we are all indeed impressed by the result of his labours. I could not help but be, having listened to his testimonial.

I should make a number of comments on the various items which have been raised to date during the debate on this particular block of sections. First, I should say I do not propose to rehash my side of the debate on the relative merits of tax credits as opposed to the exemption syndrome. This was discussed at length in the debate on section 109 which dealt with the exemptions. All that has been passed and this is now a matter which has been decided by the House because the House has passed the sections which set the new exemptions. However, I do wish to congratulate myself for not having risen in respect of the matter again raised by the New Democratic Party members, particularly the hon. member for Broadview, in respect of his security blanket which is fashioned from what he imagines Mr. Carter said. Again, I shall not reiterate at length the comments I made a few days ago in reminding the House what Mr. Carter said. Mr. Carter did not recommend a tax credit system. He recommended an exemption system such as we have, with tax credits in certain cases. Those who use Carter as an authority for the substitution of a tax credit system for the present exemption system are stretching their authority rather far.

I should also say to the hon. member for Broadview that I did not suggest that a tax credit system is too difficult. What I did suggest—and I agree with the comments of the hon. member for Winnipeg North Centre when he introduced his original proposal in that regard—was that there would have to be different tax credits for different family circumstances, and so on, it would not, in fact, be a simpler system than the one we have had up until now and the one we propose to continue under the new bill. I would suggest also that the exemption system can achieve the same result as a tax credit system and that it is equally flexible. Furthermore, of course, it does have the great advantage—since you can achieve everything under a tax exemption system that you can achieve under a tax credit system—of being familiar to the Canadian taxpayers. The important thing in either system is not that you have a tax credit or a provision which exempts a certain amount of income from taxation, but it is the rate schedule which applies to the income which is to be taxed.

Then, we had the comments of the members of the New Democratic Party on the question of top marginal rates. Again, I do not think the complete story can be told on that particular point without consciously considering the inclusion of the capital gains in the tax base. I think these are the facts. There is a feeling in Canada that, somehow or other, there is a great mass of wealthy taxpayers who are avoiding taxation and that if somehow we were to get them into the tax collector's net there would be a great reduction in tax at the lower level. In the 1971 issue of taxation statistics which apply to the 1969 taxation year, out 7,363,963 taxpayers in Canada 190 reported incomes of $200,000 and more. A further 1,553 reported income of $100,000 a year or more. Even if you confiscated all the income of those people over their basic exemption, you would not make any significant difference in the tax burden which the other Canadian taxpayers have to bear. The inclusion of the capital gains in the tax base will go a very long way in making sure that those people pay a

[Mr. Lambert (Bellechasse).]

fairer share of taxes than they heretofore have. We assume that these are precisely the people who are able to arrange their affairs in such a way as to minimize the tax attracted under the present system because of the non-inclusion of capital gains in the tax base.

The hon. member for Edmonton West discussed at some length that various rates and the suggestion advanced by the Minister of Finance today to the provincial treasurers. I am not sure the hon. member appreciates that the suggested rate—the 30.5 over 28 formula that was advanced by the minister—is not necessarily the tax rate the provinces will adopt but is merely the ceiling which the federal government has indicated to them. If they do not exceed that ceiling they would be entitled to receive the revenue guarantee offered by the federal government. Of course, one would have to apply it to individual tax rates in each given province at the present time in order to arrive at the final figure of provincial taxes.

Mr. Lambert (Edmonton West): But, Mr. Chairman, the Parliamentary Secretary will agree that the 30.5 suggested by the minister this morning is the equivalent of what we call the basic 28.

Mr. Mahoney: It is intended to replace it and it certainly is roughly equivalent to it, yes. The point, however, is that under the tax bill the tax reductions for about two out of every three taxpayers—and the complete elimination of income tax in respect of one million is envisaged—will be borne by the federal government and the rates which have been suggested to the provincial governments will be rates which will permit the provincial governments to collect as much provincial income tax under the new system as they are presently collecting. The federal tax generally will result in a reduction of taxation for most Canadian taxpayers.

The amendment the hon. member for Winnipeg North Centre has before us is not, of course, acceptable to the government. The hon. member for Waterloo ascribed to the hon. member for Winnipeg North Centre, in almost as glowing terms as the member for Winnipeg North Centre himself used in respect of his amendment, most of the adjectives in the litany of saints. The only one he forgot was "irresponsible". In this particular case the government, in proposing tax amendments has to determine just what kind of budgetary considerations are acceptable for the continued prosperity and the economic growth of Canada and its good government. Certainly, a tax reduction which I think has been rather accurately estimated as costing between $450 million and $550 million is not one which the government would regard as responsible in addition to those which have already been made.

• (5:10 p.m.)

I notice hon. members opposite have been very generous in suggesting that perhaps the Minister of Finance could be allowed to abandon some of the other things he has suggested to stimulate the economy and to put more money into the hands of Canada's taxpayers. I thank them for that generosity, but I think that as long as this government is here this government is the one that must accept the responsibility for determining what the best tax measures are.

Some hon. Members: Hear, hear!

Mr. Mahoney: Finally, the hon. member for Dauphin raised the question of the requirement that for income averaging an annuity be purchased within two months of the end of the taxpayers' year. As a matter of fact, that item is dealt with in section 61 which was adopted by the committee yesterday and the averaging provisions that are now before us are the general averaging provisions under the Income Tax Act. However, I think the hon. member will appreciate that since the individual taxpayers' taxation year coincides with the calendar year, and since he must file his return by the end of April, that decision has to be made some time before the end of April, so the two months after the end of the taxation year was regarded as reasonable.

The Assistant Deputy Chairman: Is the committee ready for the question?

Some hon. Members: Question.

The Assistant Deputy Chairman: The question is on the amendment of the hon. member for Winnipeg North Centre. All those in favour please rise. All those opposed please rise.

Amendment (Mr. Knowles, Winnipeg North Centre) negatived: Yeas, 42; Nays, 64.

The Assistant Deputy Chairman: The text of the next amendment proposed by the Minister of National Revenue is to be found at page 8949 of *Hansard* for October 22. Shall the amendment carry?

Mr. McCleave: I am sure that in the excitement of the vote, Mr. Chairman, your voice did not quite carry through although ordinarily it is strong, clear and pure. I wonder if you would mind repeating the point about the amendment please.

The Acting Chairman (Mr. Boulanger): The question is on the amendment which was proposed by the Minister of National Revenue. The text is to be found on page 8949 of *Hansard* for October 22. The amendment reads:

That section 117 as set forth in clause 1 of the said bill be amended by striking out subsection (8) thereof on page 312

Mr. McCleave: I am glad that I am reminded of it, Mr. Chairman. I asked the parliamentary secretary the other day why the section was being deleted, and I think he owes us an explanation.

Mr. Mahoney: It is being deleted only temporarily and, as a matter of fact, if we had been dealing with this bill in consecutive order, it would already have to be replaced in section 82. The amendment is simply to delete a provision in section 117 which, when we reach it, will be inserted in section 82 and a further amendment to the same effect is proposed. The subsection being deleted is a provision to deal with a situation where a taxpayer's married exemption is reduced by reason of dividends received by his spouse and where neither the taxpayer nor his spouse can use the dividend tax credit involved. The deleted provision will be replaced by a new subsection in section 82.

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Benson) agreed to.

The Assistant Deputy Chairman: Shall section 117 as amended carry?

Some hon. Members: Agreed.

Clause 1, section 117, as amended, agreed to.

The Acting Chairman (Mr. Boulanger): Shall section 118 carry?

On Clause 1—Section 118—*General Averaging*

Mr. Lambert (Edmonton West): Section 118 has to do with averaging and it is a new provision. With regard to this principle of averaging, we must recognize that the present Income Tax Act contains a number of averaging provisions which would tend to smooth out the progressive rate structure of a taxpayer who has an unusually high income in the year because he has received certain specified types of income during that year. For instance, if he has been repaid a lump sum out of a pension plan, if he has exercised his rights under an employee stock option plan, or if he has had a property on which he has claimed depreciation, has sold it and there is a recapture of the capital cost allowance, he may then average out. However, there are limitations as to that.

In any event, Bill C-259 will eventually eliminate all the present averaging provisions except those applicable to farmers and fishermen, and it will replace them with two averaging provisions available to all individuals. First, there will be a general averaging provision which applies regardless of the type of income, and second, an income averaging annuity provisions which applies only where special types of income have been received. The use of the latter does not affect the first type. In other words, the utilization of the second form of averaging will not affect the first form because the latter will be instituted directly and automatically by the Department of National Revenue.

• (5:20 p.m.)

The general averaging proposal we are considering in section 118 follows that contained in the white paper. It will apply in any year in which the individual's income is (a) at least 110 per cent of the immediately preceding year, and (b), 120 per cent of the average income for the four immediately preceding years. Let us illustrate this by an example.

Let us assume that in the four preceding years the income was $30,000 but in the fifth year, for some particular reason, the income goes to $36,000. Now, let us apply the tests to see whether that $6,000 could be averaged in any way to smooth out the rather dramatic escalation that there will be in tax due to the progressive tax system. Under the first test, that is, at least 110 per cent of the immediately preceding year's income, 110 per cent would be $33,000. So therefore since the income is $36,000 it has passed test (a). Now, let us look at test (b), which says that the income has to be at least 120 per cent of the average income for the four immediately preceding years. If you take 120 per cent of $30,000 it comes to $36,000, and so, unfortunately, the income does not exceed the 120 per cent of the average of the four immediately preceding years. There is no averaging excess, and therefore there is no way that the general averaging will be available. So, one has to be very careful about this.

[The Assistant Deputy Chairman.]

I suppose that to consider this we could go into certain refinements. But in the year of death of a taxpayer, for instance, the averaging formula will be read as if the percentages in what I call (a) and (b)—the (a) being 110 per cent of the preceding year, and the (b) being 120 per cent of the four preceding years—as though those percentages were 100 per cent, and this concession is not available if the executors elect to file a separate return in respect of rights or things receivable at death. This is another very complicated provision of income tax for consultants and auditors. But let us have a look at the transition. This does not come into effect in 1972. The general averaging provision I referred to is not available for 1972, and in the years 1973, 1974 and 1975 the formula will be applied as if condition (b), that is, the 120 per cent of the four immediately preceding years, were to read respectively one, two and three years, so that by 1976 it will be into the full four years.

The existing averaging provisions deal with employee stock options, the sale of inventory and receivables, authors, and combined income and capital receipts, and may be used by individuals for tax years ending in 1972 and 1973. These are matters of detail. The present averaging rules covering recaptured capital cost allowance and incorrect inventory valuation will continue for individuals for the taxation years ending before 1976. Neither the new general averaging provision nor the transitional provisions are available to corporations which, under the present act, can average on certain of these items, such as recaptured capital cost allowance.

It is said that these rules are somewhat more generous than those proposed in the white paper, and to that extent I suppose they are an improvement. Mr. Chairman, it was very easy to improve on the white paper. May I say that I do not know who was responsible for all of these changes. I do not think the finance committee should take any credit here because, frankly, the moves in here are so elaborate and complicated that they go beyond the ken of the average member of this House to thread his way through them, and we would need the advice of tax consultants. So, while we recognize that some of the new sections are going to provide some benefits, all taxpayers should know that there are limits to them. Having said that, Mr. Chairman, I am quite prepared to accept the changes made, to the extent that they are an improvement over the white paper. They are not as generous as individuals might have wanted, but I think they are better than what had originally been offered.

In his statement today to the provincial finance ministers, the Minister of Finance indicated that undoubtedly there would have to be many amendments next year and in the following year to provide for inequities that might show up, and that in any event, if there were inequities that could not be corrected by changes in the Income Tax Act in the immediate future there would always be a form of relief that could be granted under the Financial Administration Act. From past experience, Mr. Chairman, I can say that holding out this hope of relief under the Financial Administration Act is almost like telling an individual he may be forgiven his sins providing he can climb up and see the Lord Almighty to get forgiveness.

Clause 1, section 118, agreed to.

On clause 1—section 119—*Averaging for farmers and fishermen.*

The Assistant Deputy Chairman: Shall section 119 carry?

Mr. McCleave: Mr. Chairman, this section deals with the averaging formula for farmers and fishermen, and it provides substantially what we have had in the law previously. But perhaps it would be useful to have on the record an answer to a question that I would like to present to the parliamentary secretary. I present this question for the reason that we have had some changes in the circumstances of fishermen, particularly as the result of the war against pollution. I am thinking more particularly of the swordfish fishery in my riding.

I suspect that the modifications that are presented to us are really so insubstantial compared with the former law that they are not worth elaborating on, but I would like to give the parliamentary secretary a chance to do that also. It might be helpful if he can indicate that there can be averaging for fishermen who suddenly find themselves in periods of loss because they are no longer allowed to carry out their trade, to go to sea to catch swordfish because of the mercury pollutant level that has been established in those fish. Perhaps they are being hurt by foreign trawlers in offshore waters, and the like. I think it would be worth while if the parliamentary secretary made a statement. I do not expect, a long one. I do not expect, if you will pardon the expression, a Newfoundland-type debate. However, I should like the parliamentary secretary to say something about the points I have raised.

• (5:30 p.m.)

Mr. Mahoney: Mr. Chairman, the only change is that the word "taxpayer" has been changed to "individual" in this particular section, as in another section; otherwise the purport of the section is the same. That is the only modification. The hon. member is quite correct in suggesting that fishermen may average down as a result of losses to their income from the causes he mentioned.

There is one point I should like to take under advisement, however, and that is his suggestion that perhaps a fisherman has completely left the fishing trade. I would not want to give an off-the-cuff answer on that point. For example, if as a result of problems in the swordfishing industry a fisherman has abandoned his occupation as a fisherman and has gone to work elsewhere, that is something we shall consider. I should like to take that point under advisement. However, so long as he is still a fisherman, certainly he can average down.

Mr. McCleave: Mr. Chairman, so that we do not hold up the committee unnecessarily on this point, could we not agree that if the parliamentary secretary needs to examine some of the points I have mentioned in order to reply, that he be allowed to come back to these points and speak to them, and that otherwise the section be passed?

Mr. Ritchie: Mr. Chairman, may I ask the parliamentary secretary a question about subsection (7) which relates to rents or trust income from farming or fishing? Does the wording of the subsection imply that that portion of a trust income that arises from farming or fishing can be averaged?

Mr. Mahoney: Mr. Chairman, is the hon. member dealing with section 119?

Mr. Ritchie: I am speaking on subsection (7) to be found on page 319 of the bill.

Mr. Mahoney: Mr. Chairman, this provision has been in the act from time immemorial. It is a relieving section and is to make sure that for purposes of averaging that type of income is farm income. I suppose this problem would relate quite closely to the problem I left up in the air when answering the hon. member for Halifax-East Hants. For example, if a farmer leaves farming but rents the farm to someone else, then that rental is considered as farming income and therefore can be averaged back against the years when he was in active business.

[*Translation*]

The Assistant Deputy Chairman: Is section 119 agreed to?

Some hon. Members: Agreed.

Section 119 agreed to.

[*English*]

Mr. McCleave: Mr. Chairman, perhaps this section could carry, with the proviso I made that if the parliamentary secretary needs to reopen discussion on the points I raised, he be permitted to do so in order to deal strictly with those points.

Mr. Mahoney: Mr. Chairman, I will certainly clarify the points of the hon. member, and I agree that if we must reopen discussion on that part of the section, we will reopen it.

On clause 1—section 120: *Addition to tax re income not earned in a province.*

Mr. Lambert (Edmonton West): Mr. Chairman, with regard to section 120 I want the parliamentary secretary to verify what is meant by the words "Addition to tax re income not earned in a province". Does that mean that if part of the income is earned in a province and part is earned in a territory, all the income shall be deemed to have been earned in Canada, or does this in some way say that the individual who has lived for a period in a particular province and then has gone out of the country and earned income for the balance of the year shall be assessed on the basis as though he had earned the income within the province?

I ask this question because section 120(1) provides that there shall be added to the portion of the tax that is payable under the federal portion an amount that bears the same proportion to 30 per cent of that tax that the amount of the income which is earned outside of the province bears to the total income. Does that not mean that if the income earned outside the province were 25 per cent of the total income, there would have to be added 7½ per cent of the tax payable?

It seems to me that here we talk about the proportion that the income earned outside the province bears to the total income for the year. If that exteriorally earned income is 25 per cent of the total, then the portion of the

tax with respect to that shall be 25 per cent of 30 per cent of the tax that is payable under the federal rate. I want to know whether I am correct in this assumption.

Mr. Mahoney: Mr. Chairman, the purpose of this provision is to impose an extra tax where there is some income not earned in a province. I suppose the most conspicuous case would be income earned in the Northwest Territories or the Yukon. This brings the tax back up to the general level as if one included provincial taxation. The additional tax corresponds with provincial taxes, and while they may be imposed they are not likely to be less than 30 per cent. That is why 30 per cent was chosen. I suppose the absence of an amendment on our part to change that figure to 30.5 per cent by reason of the points the hon. member raised earlier is very clear evidence of our intention to try to pass tax cuts at the federal level along to individual taxpayers.

Mr. Lambert (Edmonton West): Mr. Chairman, I am not satisfied on that last point. I think there may have to be a change here in that since the guarantee is now to be at 30.5 per cent we may find ourselves using that figure. Be that as it may, the government may have agreed to the 30 per cent figure because it would be rather complicated to bring in an amendment providing for that extra one half of one per cent. Therefore the federal government may well agree to accept a shortfall in taxes resulting from the difference between 30 per cent and 30.5 per cent. That is quite all right.

I made some remarks last night with regard to subsection (2). The province of Quebec is the only province in which subsection (2) will apply, because this is a specific exception in the bill. Here is provided a deduction of 3 per cent of that portion of tax that is payable on and related to income earned in a province, and is with regard to the provision of schooling allowances. I suppose that 3 per cent to cover the schooling allowances of the province of Quebec is introduced in lieu of the youth allowances program which is an extension of the family allowances program that exists in all the other provinces. Perhaps the parliamentary secretary could confirm whether my understanding is correct in this regard.

Mr. Mahoney: Yes, Mr. Chairman. The hon. member's understanding is correct.

The Assistant Deputy Chairman: Shall section 120 carry?

Clause 1, section 120, agreed to.

• (5:40 p.m.)

On clause 1—section 146: *Definitions.*

The Assistant Deputy Chairman: The question is now on the amendment moved by the Minister of National Revenue for the Minister of Finance. It is found at page 8955 of *Hansard* for October 22. The amendment reads as follows:

> The French version of section 146 as set forth in clause 1 of the said bill be amended by striking out lines 31 to 33, on page 397 and substituting the following:
>
> "b) à titre de cotisation à une caisse ou à un régime enregistré de pensions ou en vertu d'une telle caisse ou régime enregistré,"

[Mr. Lambert (Edmonton West).]

Mr. Mahoney: Mr. Chairman, this amendment to the French version only is simply to change the wording used to describe a registered retirement pension fund to make it conform to language used in other parts of the bill.

Amendment (Mr. Benson) agreed to.

The Assistant Deputy Chairman: Shall the section as amended carry?

Mr. McCleave: Mr. Chairman, I indicated to the parliamentary secretary that I have a question arising out of paragraph 9 on page 395. That paragraph concerns events in the taxation year and provides:

> Where in a taxation year a trust governed by a registered retirement savings plan
>
> (a) disposes of property for a consideration less than the fair market value of the property at the time of the disposition, or for no consideration, or
>
> (b) acquires property for a consideration greater than the fair market value of the property at the time of the acquisition—

These appear to be rather puzzling events. They seem to indicate transactions not really taking place at arms length but where someone operating within several companies, one of which is operating a registered retirement savings plan, is disposing of property at a considerable loss or disposing of the property and making artificial adjustments or getting much more than it is worth. Perhaps I have simply restated my puzzlement. I ask the parliamentary secretary exactly what we are trying to do here. I notice that this is a new provision added to the law.

I also have another question which involves a substantial number of people, particularly employees of Simpsons-Sears and similar organizations. Perhaps in the few minutes remaining before six o'clock the parliamentary secretary would again state the changes proposed in this section and the next, particularly the section that deals with registered retirement savings plans. I think the answer to my question and a general statement on the government's philosophy would be helpful to us.

Mr. Mahoney: Mr. Chairman, section 146(9) is part of the new rules concerning the investment operations of a trust for retirement savings plans. As the hon. member has said, it requires that amounts shall be included in the income of the annuity under a plan where the trust property is sold for less than its value or greater than its value. It is assumed that such a situation would only arise where there was a non-arms length transaction, if not between the trustee and the person who is buying and selling then certainly a non-arms length relationship between the annuitant and the person from whom the trustee was buying or selling. The intent is to prevent a trustee using the plan to confer a benefit on the annuitant or someone named by him and thus perpetuating a tax avoidance.

Mr. McCleave: I thank the parliamentary secretary for the explanation. I cannot see any reason why we should not have such a provision in the section to prevent abuses. With regard to my other question, perhaps the parliamentary secretary could be a little more general and give the committee and the country, through *Hansard*, an explanation of the one or two proposed substantial changes that are being introduced with regard to registered retirement savings plans.

Mr. Mahoney: Mr. Chairman, the particular question regarding the Simpsons-Sears plan actually arises under section 147. However, I suppose it is appropriate to deal with both of them at the same time because the registered retirement savings plan is very similar in scope. The general rules for these plans have not been changed but the contribution limits have been increased. Rules are added to govern the investments that may be made by the trust, and so on. We were talking about one of those rules when dealing with subsection (9). Also, the present special tax treatment for a return of contributions on death is cancelled.

The definitions in this subsection are the same as in the present subsection 79B(1) except that definitions have been added for non-qualified investments and qualified investments. We will get to them when we reach section 204 in this group of sections. Trusts for plans in existence will not be required to dispose of non-qualified investments that they now hold. The non-qualified investments are defined in paragraph (1)(e) of section 146 as property acquired by the trust after 1971.

Transitional clause 61 in part III of the bill, at page 695, provides that property acquired after June 18, 1971, and before January 1, 1972, be deemed to have been acquired by the trust on January 1, 1972. Only investments by trusts for retirement savings plans come under the new rules. It is possible to have a non-trustee plan in such a case when dealing with a licensed annuity company, an endowment insurance policy or something of that nature which as long as it is issued by a corporation approved by the governor in council as a seller of investment contracts. That type of non-trustee plan is not subject to this particular problem.

The complaint of Simpsons-Sears and similar organizations concerning deferred profit-sharing plans under section 147 relates to the taxation of lump sum withdrawals. The old formula for taxing such a lump sum was contained in section 36. That was one of the special averaging positions that the hon. member for Edmonton West was discussing a few moments ago. That is replaced in the new bill by the general averaging provision which the committee has just adopted.

• (5:50 p.m.)

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, my question to the parliamentary secretary is one in the course of which I shall ask him about certain relationships. For example, we have on the federal statute books the Pension Benefits Standards Act and there are similar pieces of legislation on the statute books of some of the provinces. I believe most of these statutes run more or less parallel. I should like to know whether the requirements laid down in this section with respect to registered retirement savings plans meet the conditions spelled out in the statutes to which I have referred.

At the same time, could the parliamentary secretary tell us what the relationship is between this statute and the Blue Book—at least it used to be called that. I think the colour has changed, and instead of its being put out by the Department of National Revenue it is now put out by the Department of Insurance. In other words, this is a question about relationships. Do these things all hang together?

Mr. Mahoney: Do I understand the hon. member to be referring to the investment discretion left to a trustee under the Pension Benefits Standards Act or are we talking about vesting provisions and various other items which require that a pension be fully vested within a limited period?

Mr. Knowles (Winnipeg North Centre): I am directing my question to the general requirements in the Pension Benefits Standards Act. It is in relation not to any specific subsection but to the whole of section 146.

Mr. Mahoney: The registered retirement savings plan is, of course, a man's own pension plan. It is fully vested. The money which goes into it is his own. Thus, the provision in the Pension Benefits Standards Act which requires employers' contributions to be vested in certain minimum periods of time does not apply. There are no provisions in this bill which would be parallel to the type of provision to which the hon. member has referred.

Mr. Knowles (Winnipeg North Centre): In other words, it is correct to say we have now reached a stage at which control over pension plans generally is not through the medium of the Income Tax Act but more directly through the Pension Benefits Standards Act and similar legislation in the provinces?

Mr. Mahoney: That is correct. Of course, the Pension Benefits Standards Act applies only to those to whom the Canada Labour Code applies. I suppose most of the other 95 per cent of employees in Canada are affected by the provincial legislation which I understand to be uniform throughout the country.

Mr. Knowles (Winnipeg North Centre): And this bill applies to all taxpayers.

Mr. Mahoney: That is correct.

Mr. Lambert (Edmonton West): I have a number of questions to ask with regard to this section, which is a lengthy one and extremely complex; as a matter of fact, it covers some ten pages of the text of this bill. I think I shall approach them seriatim from subsection (1) onwards.

Mr. Knowles (Winnipeg North Centre): Why not call it six o'clock?

Mr. Lambert (Edmonton West): May I first refer to subsection (1)(g). What is a qualified investment? The parliamentary secretary, at my request, met with a delegation from the British Columbia Teachers' Federation who put forward a brief on behalf of members of the federation and members of the Alberta Teachers' Federation who participate in a registered retirement savings plan covering some 3,500 members. The funds are invested in a credit union which then lends the money to teachers in remote areas of British Columbia to provide them with housing accommodation and certain other amenities. There is a considerable fund of money invested in these particular notes and this is the only way in which the result I have mentioned can be achieved. Actually, such credit union notes do not qualify for acceptance under the definition of what is known as a qualified investment.

I want to know what consideration has been given to the proposal put forward by the teachers. Is there to be any

undertaking given that an appropriate regulation will be passed under subparagraph (iv) of paragraph (g) or is this whole program—a very laudable one designed to bring about a result which cannot be achieved in any other way—to be knocked on the head?

I do not know why it has been assumed that these teachers could produce, out of thin air, housing for themselves in remote areas of the constituency of the hon. member for Comox-Alberni, for instance, or of the hon. member for Skeena where normal lending agencies, including Central Mortgage and Housing Corporation, declined to lend money for the building of homes for teachers. Out of sheer necessity the teachers have formed this co-operative, and the only way in which the co-operative could get funds was to obtain them on the basis of notes provided through a registered retirement savings plan.

An hon. Member: Six o'clock.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Deputy Chairman: Is the committee ready for the question?

Mr. Mahoney: Mr. Chairman, the hon. member for Edmonton West is just arriving.

Mr. Lambert (Edmonton West): Mr. Chairman, I apologize to hon. members but there is a thing called a slow elevator around this place and I took one. I think the hon. member for Kamloops-Cariboo should be talking about the particular matter about which I am going to speak because there are many teachers involved. At six o'clock I was talking about section 146(1)(g) which has to do with qualified investments under registered retirement savings plans. I was indicating that the B.C. Teachers' Federation had a supplementary pension plan whereby funds were paid into a national trust company under the trust plan and were then transferred to a credit union run by the B.C. teachers under the security of a note. These funds were then used by the borrowers, the teachers, to build homes in central and rural areas of British Columbia.

Some 1,250 teachers participate in this registered retirement savings plan in British Columbia, and there are 72 in Alberta as of July 1, 1971. The amount invested in the fund at that time was $1,650,000. The plan is designed to enable members of the plan to designate at the time of subscribing to the plan and at annual intervals thereafter the amount to be contributed to each of the investment income sections and the equity section. Funds contributed to the investment income sections are paid over to the trustee who is free to invest in notes of the B.C. federation and co-operative association so long as the association is prepared to receive them at current rates.

Under the new section that describes what is a qualified investment the notes signed by the teachers' federation co-operative are not qualified. They will not be covered by this section unless some change in the bill is made by the government so as to include this type of investment under the heading of "qualified investment". The government can either make a specific amendment to this effect or utilize the provision contained in section 146(1)(g)(iv) which provides:

—such other investments as may be prescribed by regulations of the Governor in Council made on the recommendation of the Minister of Finance—

The plan to which I have referred provides a supplementary pension for the teachers, most of whom are within ten or 15 years of retirement and want to supplement their pensions with a savings plan. They started teaching at a time when teachers' salaries were very low and therefore the contributions to and interest in their pension plans are rather slim.

I think the teachers have done a very fine job, not only on their own behalf but also in providing credit funds for building homes and other facilities for teachers in outlying areas where no other credit facility will venture. Central Mortgage and Housing Corporation will not go to these areas, the banks will not go and the conventional insurance companies will not go. It seems to me it would be a tragedy if some rather too rigidly drawn provision—which, by the way, is an amendment to the Income Tax Act—should knock this completely on the head.

I have been talking to the solicitors representing the teachers' federation and co-operative, and they have not been able to devise any other way whereby the form of security is one that would qualify under the presently enumerated paragraphs of section 146(1)(g). Therefore I make this plea to the parliamentary secretary, and through him to the minister, that since the teachers' federation have presented their case to the government, the government should be able to decide now whether this will be allowed to go forward.

I also want to make reference to section 146(2) which deals with the acceptance by the minister of registered retirement savings plans. It seems to me that in the past an almost scandalous situation has existed whereby the Minister of National Revenue and his officials have held plans in abeyance for a long time. I want to know whether this situation has now been cleared up and, if so, under what conditions. Or am I confusing this with some other type of plan?

Mr. Mahoney: Pension plans.

Mr. Lambert (Edmonton West): Then that is fine; I shall withdraw my comments in that regard. But what I am concerned about is this: In the case of non-acceptance by the minister, what recourse does an individual have? Does he have any appeal if certain steps are taken? Surely it would not be to the Tax Review Board—but would an appeal lie to the Federal Court? Perhaps the parliamentary secretary would consult his officials, who have much more detailed knowledge of this legislation, and tell us what is the situation. After all, subsection (2) provides:

The minister shall not accept for registration for the purposes of this act any retirement savings plan unless, in his opinion—

• (8:10 p.m.)

This is great, because it is tied to the opinion of the minister and his ability to exercise discretion as to adherence and compliance with certain requirements laid out in

the section. I should like to know what recourse an individual or a group of individuals might have who want to qualify a bona fide registered retirement savings plan which the minister or his officials have deemed not to comply with the subsection. To some extent the same thing would apply to subsection (3) where we find the words, "The minister may accept", and so on.

Let me turn to subsection (5) and again ask for an explanation from the parliamentary secretary. While there is a modification here, I should like him to confirm that the date February 28 is still the operative date in respect of any registered retirement savings plan. If an individual wishes to exercise his option during the first two months of 1972, can he qualify for a registered retirement savings plan for 1971 and be entitled to deduct the appropriate contributions made in 1971 from his net income before arriving at his taxable income?

Then I should like an explanation of subsection (6). What can be done for the disposition of non-qualified investments? May I say here that I have run into problems where a taxpayer has changed his or her mind regarding a registered retirement savings plan. The contribution was put forward but the deduction was not made on the income tax return. As a result of misunderstandings we do encounter situations where an individual may be chastised, or it may be put to the taxpayer that he furnished improper information in the return. I suppose every case depends on the circumstances. In any event, I should like a full explanation of subsection (6).

We then have a whole series of new subsections—(9), (10) and (11). I should like an explanation from the parliamentary secretary in respect of these. This section has 16 subsections, but many of the others are carried forward from the present act and I need not go into them in detail or get explanations in that regard.

Mr. Hogarth: Mr. Chairman, I should like to reply briefly to the remarks of the hon. member who has just spoken in respect of the position of the B.C. teachers regarding section 146(1)(g). As the hon. member has suggested, the B.C. Teachers' Federation sent representatives to Ottawa to meet with all persons concerned, including the B.C. caucus, to discuss problems which have arisen pertaining to the provisions of section 146.

As I understand it, the Parliamentary Secretary to the Minister of Finance will be commenting on this matter shortly. But as I understand it, the government is extremely sympathetic to the views of the B.C. teachers who have a particular form of investment which, as it now stands, offends the provisions of the bill before this House. Theoretically, we should move to amend the act in order to correct this deficiency. However, the B.C. caucus in unanimity has taken up the problem with the Minister of Finance, his parliamentary secretary and officials of the department and we are assured that by virtue of the provisions of section 146 regulations will be passed to accommodate the peculiar position of the B.C. teachers pertaining to their investment in their retirement savings plan.

We ask, as the hon. member for Edmonton West has asked, why it is that we do not move to amend the act? The government's position and the position of the B.C. caucus is precisely that any move to amend the statute at this stage would probably accommodate many other situations which offend the substance of the provisions we are considering in section 146 and would permit further tax avoidances which section 146 as it now stands is designed to prevent.

There is no doubt in the minds of the B.C. caucus that the government will be moving more or less with the passage of this act to provide by regulation—

Mr. Lambert (Edmonton West): What is the B.C. caucus?

Mr. Knowles (Winnipeg North Centre): What group is this?

Mr. Hogarth: As far as we are concerned, the B.C. caucus is made up of government members on this side of the House. The government will be moving by regulation to accommodate this organization and such other organizations in the country that can show themselves to be bona fide and within the purview and substance of this particular provision of the bill.

Mr. Lambert (Edmonton West): It is very touching to note that there is a sub-party or sub-group in this House which seems to have taken up the cudgel. It is quite proper that B.C. members should do that. I, too, met with the B.C. teachers. It came to my attention, through another source, that they were down here to see me. I did speak about this on a previous occasion, and that possibly inspired the hon. member to make some inquiries.

I must say the suggestion that the government will pass regulations governing this and other bodies, if they can show they are affected in the same way, is one thing. But this does not deal with the problem of individual members of the teachers' federation who want to know whether they should continue making payments into the retirement savings plan. They want to know now, not six months hence. They are not interested in the suggestion that in the normal course of events—and that is very slow when it comes to the Department of Finance and the Department of National Revenue—regulations will be passed permitting these people to go forward.

Since their plan was registered, legal and in existence, nothing should be done now by bringing in an amendment to the act which would nullify the present plan and its arrangements. It is perfectly bona fide, and surely to goodness the 1,200 or more members in this savings plan are entitled to an answer now. I trust the parliamentary secretary will give an answer, or at least an undertaking to answer. I do not want to indicate the name of a particular official because he is not in a position to answer in this House, but he is here and has had a good deal to do with this. At the committee hearings he would be questioned by me and other members.

• (8:20 p.m.)

This question goes back many months. I am sure there is good will all the way but I am concerned about the time element and what the people who participate in this plan are to be told. What are they to do? Are they to suspend their payments? After all, they have an obligation under their contract with the trust company. Would they place themselves in default, and would their contract be in

default if they did not make the payment? This is a question which must be answered.

Mr. Pringle: Mr. Chairman, I should like to say a few words with respect to this section. I believe the hon. member for Edmonton West has missed the main point made by the hon. member for New Westminster. While we are all in sympathy with the predicament in which the B.C. Teachers' Federation retirement savings plan is involved, we have all been well briefed and have thoroughly discussed this matter on behalf of the teachers' federation. We must also realize that by virtue of the fact that it is a change or a departure from a previous list of the type of investment which can be accepted by the Minister of Finance, there are also such organizations as the B.C. central retirement savings plan and there will be others.

With regard to the time element, I think we all understand that the proclamation of the bill will not be made on the day the bill is passed. This will give the Minister of Finance plenty of time in which to hear submissions from various other organizations. I am quite confident that the B.C. Teachers' Federation would be sympathetic to similar types of organizations in other parts of Canada which may have within their organizations the criteria to obtain agreement from the Minister of Finance that a change should be made and that they should be included as well. I think this is the vital and important feature to be considered.

Amendment of the bill on behalf of the B.C. Teachers' Federation retirement savings plan would be acceptable, I presume, so far as we are concerned. It certainly would be so far as I am concerned and so far as my colleagues are concerned. We feel, however, that the more appropriate way would be to provide them with the necessary legislation through regulations subsequent to the passage of this bill. Therefore, I would support my colleague from New Westminster and I should like to assure the B.C. Teachers' Federation that we certainly feel, after exhaustive examination and discussion, that this is a better method by which to bring about a solution to the problem and to provide them with the necessary machinery so that they will be able to carry on without any problems in the interim. I would therefore hope we can continue on that basis on behalf of the federation.

Mr. Anderson: Mr. Chairman, I shall be brief because the hon. member for Edmonton West, the hon. member for Fraser Valley East and I all heard the same representations from what one might call, in all kindness, a very good lobby group and we might all say much the same thing. The question of the slowness and the uncertainty which has been raised is something which hits just about every other group affected by this section.

Candidly, I cannot see that it is a serious objection. I should like to point out that the particular plan we are talking about is one which is financed out of the pockets of the teachers who contribute. It is not the situation of a company or its employees contributing to a fund which they in turn—although they call it a retirement fund—use for the purpose of the business of the company. This is not a device to do something outside their control; it is a legitimate way of protecting themselves for the future, after retirement. I am sure many members know that until very recently the provisions for the retirement of teachers in British Columbia and Alberta had been very poor.

The hon. member for Fraser Valley East raised the point that the British Columbia central retirement savings plan, which is substantially the same as the B.C. Central Credit Union, has exceptions in respect of the regulations for the British Columbia teachers. Will those exceptions apply in a generic sense to other organizations just the same as to the British Columbia central retirement savings plan and other such schemes?

I quite agree that the government is correct in its attempt to plug the hole in the income tax regulation whereby it is possible to put money into a retirement savings plan, lend it back and have it used by the company and thus be a device by which to get around the tax law. In at least these two instances, however, I feel the people have acted in good faith in setting up such a scheme.

I should like to know exactly what the proposals are in respect of the regulations and whether not only these two but similar organizations might be involved. While we have talked consistently about the B.C. teachers' retirement pension plan, there is a similar plan in operation in the province of Alberta. This is not strictly a matter of personal interest to British Columbia, in my opinion: we are dealing with an issue which is general to the country at large. I promised to speak briefly, Mr. Chairman, and I trust I have done so.

Mr. Kaplan: Mr. Chairman, I should like to add a word of dissatisfaction on my own part with the way in which the government proposes to deal with deferred profit-sharing plans which are in effect, which have been in existence and under which in many cases very considerable contributions have been made. Under the present law a deferred profit-sharing plan is an extremely attractive way in which to save for retirement. The employee of a company makes contributions and at retirement, under the present law, he has been able to draw out the substantial sum that has been built up during his working career and invest it in a small business. In the case, for example, of the Simpsons-Sears deferred profit-sharing plan, this is frequently done.

The proposals in the bill before us permit continued favoured treatment to the pay-out provided that the retiree invests his savings in a pension. If he continues to do what has been traditional in the past, that is, if he takes the money out and invests it in a business or in other capital assets, it is taxed at an extremely heavy rate compared to the previous treatment it enjoyed. I would ask the parliamentary secretary to the Minister of Finance to give consideration to the possibility of permitting this continued favourable treatment for investments in preferred profit-sharing plans, especially when the assets are withdrawn and used for investment in the capital assets of a business.

• (8:30 p.m.)

It is one thing for someone who has saved all his working life in a deferred profit-sharing plan and who retires, draws the money out and spends it on improving his home or in some other form of consumption, say in retirement

travelling or making gifts or something of that nature, but it is another where a person continues to invest the money but rather than investing it in an annuity he invests it in a small business or in a capital asset. For these people there are ways of providing a more equitable tax treatment.

The parliamentary secretary will recall the days when the finance committee operated and a number of methods of achieving this result were put forward. I proposed one myself and I am disappointed that it was not possible for the minister, in the bill which he proposed, to consider this important situation. I hope that the parliamentary secretary will not inform me that all hope should be abandoned, because if that is the case it will be a grave setback to the deferred profit-sharing plans of many corporations which have been of great benefit to the country.

Mr. Thomson: I have a question for the parliamentary secretary. Has he received many representations regarding the particular item mentioned by the hon. member for Don Valley?

Mr. Mahoney: I should say that the only representation I have received on this particular item has been from the Simpsons-Sears deferred profit-sharing plan. However, that is a personal answer and does not necessarily reflect the representations that may have been received either by the minister or by the Department of Finance. I am afraid I do not have an assessment of what the volume of representations may have been in that respect.

Mr. Thomson: The question which I intended to ask was whether there were many companies that had this type of plan. Logically, if a great many companies had this type of plan, maybe they should receive general consideration. I wonder if the government has looked at this question to see whether they might give more equitable treatment to these employees.

Mr. Mahoney: Of course, the problem here is not only one of more equitable treatment, but perhaps I will deal with that when I have an opportunity to respond to the various general representations that have been made. There are a number of companies, probably a couple of dozen—I am reminded of Dofasco, the Dominion Foundry and Steel Company—that have this type of set up, as well as Simpsons-Sears and one or two of the oil companies in my own area; and there are a few others.

It is not a plan that is widely used in terms of the business community, but where it is used it is certainly one to which the people who have implemented it seem to have a very deep attachment. The problem that arises here and to which they are really objecting is the substitution of the current very favourable averaging provisions under section 36 of the present act on some payments taken out of the deferred sharing plan. Section 36 will continue in effect under the new tax regime for contributions made up to the end of the current year, but for contributions made in 1972 and beyond, the general averaging provisions which the committee approved earlier today will apply and the favourable averaging provisions under section 36 will be replaced by those provisions.

Mr. Douglas: Mr. Chairman, I rise for the purpose of asking the parliamentary secretary whether he will comment on the matters which have been raised with respect to the B.C. teachers' retirement plan. I do not think there is any necessity to repeat what has already been put before the parliamentary secretary. We would like to know what amendments he would be prepared to move or to accept, particularly with reference to the one point at issue in section 146(g), or whether there is some way under the regulations by which he proposes to deal with the situation which has been described—because there is no doubt that in section 146(g) the government is trying to prevent some of the abuses that have taken place.

There is always the possibility of a retirement plan being used to benefit the members in some way other than just for retirement purposes. But I think it is fairly clear from all the data which I have seen and from discussions with those who are interested in this plan that the B.C. teachers' retirement plan has not been used to benefit the members directly but has become a co-operative that has made it possible for teachers all over B.C. to borrow money to build houses. The advantage has been that the interest rates are fair and reasonable.

More important, the interest rates are uniform across the province, with the result that a teacher in Tofino can borrow money at the same rate as a teacher in Vancouver or Burnaby. This has been very helpful in providing housing accommodation for teachers all over the province of British Columbia. I do not need to labour the point; I am sure the minister is familiar with it. I understand that the representatives of the B.C. teachers' retirement plan discussed the matter with the parliamentary secretary and received a very sympathetic hearing. My reason for rising was to ask the parliamentary secretary whether he has reached any conclusion regarding how this problem might be resolved.

Mr. Mahoney: Mr. Chairman, I certainly did not intend to avoid responding to this question. However, it seemed to me that there was a certain amount of home cooking going on around the chamber and I wanted to give all hon. members who wished to get their cases on the record an opportunity to have their say before I answered. However, if no other hon. members wish to discuss this point I shall be delighted to deal with it now.

The B.C. central retirement savings plan, which is the creature of the B.C. Central Credit Union, and the B.C. Teachers' Federation retirement savings plan, which operates through the B.C. Teachers' Federation Co-operative Association, both made very persuasive arguments to the government in respect of the problem with which they are confronted—the intervention at this point of the sections defining qualified investments. There is no question that the method by which these organizations have invested up to this point their extra pension funds—and of course this is over and above the statutory pensions with which B.C. teachers are provided in the ordinary course of events by the school boards, and so on—is not at present, under the bill before us, an authorized investment. The hon. member for Edmonton West described that rather fully so I will not reiterate what he said.

Hon. members have noted that the reason for defining qualified investments is to prevent the eventuality of a taxpayer who has deferred taxation as a result of the provisions of the tax bill that permit retirement savings to be accumulated tax free and tax deferred until the bene-

fits are drawn out to somehow or other filter back and become available for the personal use of the taxpayer or of people who are not at arms length with him. So there are some general rules provided in the bill that will govern that situation.

• (8:40 p.m.)

There is provision in section 146(1)(g)(iv) for the Governor in Council, on the recommendation of the Minister of Finance, to prescribe by regulation additional types of investments to those specifically enumerated or referred to in the section. It is the intention of the Minister of Finance to recommend to the Governor in Council that regulations be adopted which will effectively solve the problem of the two bodies with which we are concerned.

Some hon. Members: Hear, hear!

Mr. Mahoney: I am not in a position at this point to give the details of those, but I am sure the criteria will involve the number of members of the credit union and perhaps even the longevity of such a credit union before it starts to offer its securities for this purpose. However, I can give the assurance to hon. members—there have been representations from all sides of the House and in particular, I am reminded, from the B.C. caucus, whoever they may be—that I am sure when the recommendations are made public the organizations concerned will be satisfied. I am also conscious of the problem that the hon. member for Edmonton West emphasized, of the necessity of these organizations to know now that their investment policies will not be proscribed in the future. I am pleased to have the opportunity to give that assurance, and I hope they will now be able to proceed with an easier mind.

Hon. members have raised other matters in the course of the debate. I think that in responding to the specific questions of the hon. member for Battleford-Kindersley I perhaps answered the hon. member for Don Valley as well, in dealing with the rather specific problems that were raised by the Simpsons-Sears deferred profit-sharing plan management, among others. I am sorry the answer is not more favourable, but the proponents of that plan and of other profit-sharing plans have presented their case very eloquently to the Minister of Finance and to the department.

I can assure the House that there is no retroactive penalty or effect in the provisions of the bill with respect to those plans, but for future contributions beyond the end of the current year the general averaging provisions, rather than the very favourable averaging provisions which pertain under section 36 of the present act, will apply. The general averaging provisions are not in fact as advantageous to the taxpayers as those special provisions are in the case of lump sum withdrawals from deferred profit-sharing plans.

The hon. member for Edmonton West has raised a number of specific questions involving subsections (5), (6), (9), (10) and (11).

Mr. Lambert (Edmonton West): And subsection (2).

Mr. Mahoney: And subsection (2). I am getting a little confused, as we call "bingo" here, with the subsections of section 146. I will deal with these seriatim as well. So far as subsection (2) is concerned, this is the same as the present subsection 79B(b). This subsection, together with subsection (3), describes the requirements to be met by a plan if it is to be accepted for registration by the Minister of National Revenue. The plan must provide that the proceeds be taken as an annuity for life. The whole purpose of retirement savings plans is to provide for those who cannot become members of a pension plan, or people who have an inadequate pension plan, to defer tax on amounts set aside for retirement income. For this reason the rules concerning these plans, and in particular the rules about the use of proceeds, are designed to be comparable to the rules under which pension plans operate. With respect to subsection (5)—

Mr. Lambert (Edmonton West): Mr. Chairman, the particular point I raised was not so much questioning the regulations or requirements of the plan but what provision is there if there is an honest difference of opinion? Is it the minister's decision that is final, and where do we now turn, if at all, for any particular type of appeal? Here I am relying on the encyclopedic knowledge of the officials.

Mr. Mahoney: I would refer the hon. member to section 172(3). If when he has perused that he has further questions, I will be pleased to answer them or try to answer them. Dealing with subsection (5) this, again, is the same as the present provisions of the bill in subsection 79B(5), except that the limits on the amount of a premium that may be deducted from income have been increased. The new limits are, first, where the individual is a member of a registered pension plan to which contributions are made by an employer, an amount that when added to the amount deducted by him for the year of the pension plan contribution does not exceed the lesser of $2,500 or 20 per cent of his earned income, and where the individual is not a member of a registered pension plan, the limit is the lesser of $4,000 or 20 per cent of his earned income. The present limits of $1,500 and $2,500 are replaced by the limits of $2,500 and $4,000 to which I have referred. No change has been made with regard to the limit of 20 per cent of earned income.

With respect to subsection (6), Mr. Chairman, this is part of the new rules for the investment of trust and other savings plans. It provides relief for the penalty imposed for non-qualified investment. This should be read in conjunction with subsection (10) which requires that the cost of a non-qualified investment made by a trust should be included in the income of the annuitant. Where a trust disposes of a non-qualified investment an amount equal to that amount included in the purchase cost may be deducted from the annuitant's income. If a non-qualified investment is disposed of for less than cost, then only the proceeds of disposition may be deducted.

With respect to subsection (9), again this is part of the new rules. It requires that the amounts shall be included in the income of the annuitant under the plan where a trust sells trust property for less than its value or buys property at greater than its value. I think I dealt with this matter at greater length in response to a question by the hon. member for Halifax-East Hants. One would not ordinarily expect such an eventuality to arise except in transactions that were not at arms length, and this to

avoid a tax deferred income to people with whom the annuitant is dealing on a non-arms length basis.

Subsection (10) imposes a penalty where a trust governed by a registered retirement savings plan acquires a non-qualified investment or uses trust property as security for a loan. The penalty is an amount equal to the cost of the non-qualified investment or the value of the property used as security, and requires that it be included in the income of the annuitant under the plan. And, as I mentioned earlier, that should be read in conjunction with subsection (6).

Subsection (11), again, is part of the new rules concerning investments of a trust for retirement savings plans. The definition of qualified investment for retirement savings plans does not include life insurance contracts, but this will permit a trust to hold certain kinds of insurance contracts. The policies described are the same as those which may be held by a trust for a deferred profit-sharing plan as described in section 198(6) of the bill. The cash surrender value must not be less than the amount insured at a certain time before the seventy-first birthday of the insured person.

• (8:50 p.m.)

I think, Mr. Chairman, that I have responded to the specific questions which have been asked. If I have missed any, I welcome reminders from hon. members opposite.

Mr. Douglas: Mr. Chairman, may I ask the parliamentary secretary a question? I know that those who are interested in the B.C. teachers' retirement plan will be most appreciative of the statement just made by the parliamentary secretary. There is no doubt that this question can be dealt with much more expeditiously by regulation than by a complicated amendment here. Is the parliamentary secretary in a position to make any commitment that such a change in the regulations will be made almost immediately after the act is proclaimed, in order that there may not be any gap in time during which the matter of investments could be called in question?

If there is any hiatus in that regard, serious legal complications could result. If the parliamentary secretary could give me an assurance in this regard it would ease the minds of those who are concerned about this matter.

Mr. Mahoney: Mr. Chairman, without being able to say when the provision will be promulgated by the Governor in Council, I can assure the hon. member that its terms will be such that no gap will exist.

Mr. Knowles (Norfolk-Haldimand): Mr. Chairman, I rise to ask the parliamentary secretary whether he thinks that the legislation respecting profit-sharing plans will have the effect of phasing out this type of arrangement between employer and employee. I ask this question because I feel that this type of arrangement with the employees of certain companies has gone a long way toward maintaining excellent employer-employee relations and has worked to the benefit of both employer and employee. I wonder if the people who have such profit-sharing plans are satisfied with the legislation. In fact, I know they are not completely satisfied. Does the parliamentary secretary think that those people can live with the legislation, or will it have, as might be suggested, the effect of phasing out such arrangements?

Mr. Mahoney: Mr. Chairman, it should not have that effect and I do not think it will have that effect. I believe the effect will be this: it will treat this type of plan, which is a method of providing for retirement savings, in exactly the same way as it treats other methods of providing for the same eventuality. Both registered retirement savings plans and pension plans will be so treated. Lump sum payments with respect to those plans will be treated in a similar fashion rather than being given the extremely favourable treatment under section 36 of the present act.

Mr. Lambert (Edmonton West): Mr. Chairman, the parliamentary secretary referred me to section 172(3). Most of us are not familiar with this part of the bill because these are entirely new sections. I notice that that section comes in a total block dealing with the Tax Review Board and the Federal Court of Appeal, and therefore any commentary on these matters ought to be made when that section is considered. This is a very convenient block which I hope we will get to before too long.

Mr. McCleave: Mr. Chairman, I would ask a short question that arises out of a phrase on page 390, subsection (2)(a)(i), which provides:

(a) the plan does not

(i) provide for the payment of any benefit before maturity, except by way of a refund of premiums—

My question arises out of that phrase and may interest the B.C. teachers, among others. Since this is rapidly becoming a country of nomads in which people cross provincial boundaries, my question is pertinent. A person may work for a short while as a teacher in British Columbia, Nova Scotia or what-have-you and then move. All that person can look for, I take it, will be a return of premiums paid with respect to this plan. I take it that the language of this subsection means that he cannot get interest on the money that is being applied to these savings plans and that after letters are exchanged back and forth that person may get his money returned without any other benefit or interest. In other words, he merely gets a straight cash return. Am I correct in assuming that?

Mr. Mahoney: Mr. Chairman, the word "premium" and the phrase "refund of premiums" have rather unusual meanings in this section. I would refer the hon. member to the definition section contained in subsection 146(1)(f) in the case of "premium" and to subsection 146(1)(h) in the case of the definition "refund of premiums". Essentially, however, the hon. member is correct. The plan, to qualify, must provide that the proceeds will be taken as an annuity for life, and the only thing that the member may get back is his contribution.

The Deputy Chairman: Is the committee ready for the question? Shall section 146 as amended carry?

Some hon. Members: Agreed.

Clause 1, section 146, as amended, agreed to.

On Clause 1—section 147: *Definitions*

The Deputy Chairman: The committee will now proceed to consideration of section 147. The Minister of National

Revenue, for the Minister of Finance, has moved an amendment to section 147, at page 408 of the bill, which reads:

That the French version of section 147 as set forth in clause 1 of the said bill be amended by striking out line 14 on page 408, substituting the following:

contribuable était un employé qui était un bénéficiaire en vertu'

Shall the amendment carry?

Amendment (Mr. Benson) agreed to.

The Deputy Chairman: Shall section 147 as amended carry?

Some hon. Members: Agreed.

Clause 1, section 147, as amended, agreed to.

On Clause 1, section 204: *Definitions*

The Deputy Chairman: The committee will now proceed to study the last section of this grouping, section 204 at page 490 of the bill. Shall section 204 carry?

Mr. Lambert (Edmonton West): Mr. Chairman, I should like to make a suggestion with regard to this part, even though I have not consulted my colleague for Halifax-East Hants. This section really forms the last part of the series that starts with section 198 with regard to taxes on deferred profit-sharing plans and revoked plans. Actually, this is the last part of part X of the bill. It seems to me that consideration of this part ought to be deferred until we deal with this matter in the bill, because in that way debate could be much more cohesive and manageable.

I am sure that when we come to section 198 the hon. member for Don Valley will be interested in making some observations because we shall be dealing with deferred profit-sharing plans. There are some changes and modifications in that area of the bill. It seems to me that in this circumstance we could move directly to section 9 which is the opener of the next series.

Mr. Mahoney: Mr. Chairman, in view of the small change contained in part X, I wonder if that whole part could not be dealt with at the same time. There is not much in it.

Mr. Lambert (Edmonton West): I want to have a look at that, Mr. Chairman.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I think it might be better to accept the suggestion of the hon. member for Edmonton West. Section 204 was obviously omitted from the long list that was read today, because it was already in the grouping we are now considering. I suggest we could agree to transfer section 204 to the other grouping, after consideration of section 203.

The Deputy Chairman: Am I to understand that the suggestion of the hon. member for Winnipeg North Centre is that section 204 be grouped with the numerous sections which will be studied next Friday along with sections 200, 203 and 205?

Mr. Knowles (Winnipeg North Centre): That is right, Mr. Chairman.

• (9:00 p.m.)

The Deputy Chairman: I understand there has been agreement of the committee to study section 204. I invite the comments of the parliamentary secretary before we agree to this.

[The Deputy Chairman.]

Mr. Mahoney: Mr. Chairman, I understand that the whole of part X, including section 204, is included in Friday's menu to be dealt with after we deal with section 8 which has been stood. I think we will be quite agreeable to that suggestion.

The Deputy Chairman: Is it agreed that section 204 be stood and included in the group of sections to be examined next Friday?

Some hon. Members: Agreed.

Clause 1, section 204, stands.

The Deputy Chairman: Pursuant to an order accepted Friday of last week, the committee will now proceed to the consideration of sections 9 to 13 and sections 15, 18 and 20.

On clause 1—section 9: *Income from business or property*

Mr. McCleave: Mr. Chairman, in these eight sections we are being asked to consider, with regard to two of them—namely, section 15 on page 48 and section 18 on page 57—that most of the provisions relating thereto are new. With regard to the rest of these sections, I notice that the law that is proposed is the law already in existence. It strikes me we are getting into remarkably little new ground in dealing with these particular sections.

It might be helpful to the discussion if the parliamentary secretary would lead off in a general way to indicate the new ground that is being broached. Also, since we have not reached the section on capital gains, perhaps he could indicate whether the definitions or income provisions incorporate the new capital gains provisions. I will have some technical questions to ask as we go through them. This might be a reasonable point of departure on the tail end of a rather successful day.

Mr. Lambert (Edmonton West): Mr. Chairman, in this group of sections I wish to deal with section 10(1) which has been somewhat modified. As far as the taxpayer is concerned, this has been done very badly. Will the parliamentary secretary indicate if there is an existing regulation or if it is proposed to put in any regulation which will not materially affect section 10(1)? This deals with the valuation of inventory property. It reads:

For the purpose of computing income from a business, the property described in an inventory shall be valued at its cost to the taxpayer or its fair market value, whichever is lower, or in such other manner as may be permitted by regulation.

Just what method may be permitted by regulation? Are any other methods now in existence and, if so, what are they? Are there any methods in contemplation which may be brought in by regulation and, if so, what are they? If not, is the last phrase "or in such other manner as may be permitted by regulation" put in by the draftsman merely as a type of caution that he has provided for the eventuality that there might be some way in which the subsection is too restrictive? Can the parliamentary secretary give us an explanation?

Mr. Mahoney: Mr. Chairman, section 10(1) is identical to the provisions of section 14(2) of the Income Tax Act. It has remained unchanged since the last major revision of the act in 1949. I am advised that the government has not heretofore prescribed any regulations under the authority granted by this section.

Mr. Lambert (Edmonton West): Why put in the word "modify"? Has somebody put a second dot to an "i"?

Mr. Mahoney: The expression "modification" refers to the over-all section. Previously there was subsection 14(1) of the bill which was repealed in 1958 without changing the numbers of the subsequent subsections. This is the modification. It is a housekeeping chore.

The Deputy Chairman: Is the committee ready for the question?

Clause 1, sections 9, 10 and 11 agreed to.

On clause 1—section 12: *Amounts to be included as income from business or property.*

The Deputy Chairman: On clause 12, the committee has in front of it an amendment moved by the Minister of National Revenue, for the Minister of Finance.

[*Translation*]

Mr. Gray moved:

That the French version of section 12 as set forth in clause 1 of the said Bill be amended by striking out line 7 on page 26 and substituting the following:

"(ii) déduite, en vertu de l'alinéa 20(1)*n*) ou du paragraphe 20(7),"

[*English*]

The Deputy Chairman: Shall the amendment carry?

Amendment (Mr. Benson) agreed to.

The Deputy Chairman: Shall section 12 as amended carry?

Mr. Lambert (Edmonton West): Mr. Chairman, I want to pause on one of the new paragraphs and draw to the attention of the committee what I call a drafting nightmare. Section 12(1)(e) reads:

(e) any amount

(i) deducted under paragraph 20(1)(m) (including any amount substituted by virtue of subsection 20(6) for any amount deducted under that paragraph) or subsection 20(7), or

(ii) deducted under paragraph 20(1)(n) or subsection 20(7).

Let us now go to the key paragraph, section 20(1)(m) which appears at line 10 on page 66. It reads:

subject to subsection (6), where amounts described in paragraph 12(1)(a) have been included in computing the taxpayer's income from a business for the year or a previous year, a reasonable amount as a reserve in respect of—

It then refers to goods and services. Even for a lawyer who is presumably somewhat familiar with legal language we have here, first, a direction that there shall be included in the income for a year from a business or property such of the following amounts as are applicable and so on. That is all right. That is our general direction—arriving at some income to be included in business income.

• (9:10 p.m.)

Then we read about any amount which has been deducted under a further subsection, 21(m), including any amount which was substituted by virtue of another section if any amount deducted under that paragraph was from a further subsection. Then we go to 21(n) and we find a further reference back. Surely to goodness something better than that could be devised. How are we to understand such things as this? And this is supposed to be, not for large corporations but for small businesses such as grocery stores or service stations. Their tax auditors, who are not high-priced tax advisers, must wallow through verbiage of this nature. We just wonder where we are getting to.

Mr. Mahoney: Again, I have to profess to the same degree of perplexity as the hon. member feels when he reads this clause for the first time. But the fact is that these are carryovers from the existing Income Tax Act rather than anything new.

Mr. Knowles (Winnipeg North Centre): I thought this was reform.

Mr. Lambert (Edmonton West): This is supposed to be reform.

Mr. Mahoney: In the mind of the government, reform involves basic principles rather than semantics. I can only say this. Obviously, this is not one of the areas of complexity about which the members of the Canadian Bar were complaining, because they have been working with this since 1949.

Mr. Lambert (Edmonton West): That does not make a bit of difference. It is almost facetious for the parliamentary secretary to say this is existing law and it is already in force. We have heard a great many complaints about the complexity of the Income Tax Act. The minister is asking for the re-enactment of provisions. As far as he is concerned, he is back to square zero. The fact that it existed before means nothing. If these sections were nonsensical, they continue to be nonsensical and this House will be even more nonsensical if it were casually to adopt a provision which is meaningless to most people. This particular item has been flagged; it is not a case of bumping up against it for the first time.

Mr. Mahoney: Mr. Chairman, a particular provision of sections 20 (m) and (n) allows the deduction from taxable income for the year of amounts which a taxpayer anticipates he will have to spend in meeting commitments entered into for the sale of goods, services, and so on. In the case of (n) there is provision for the deduction of amounts in anticipation of the sale of property. The provision in section 12 simply requires that this be brought back into income if it is actually realized. This is the usual practice followed in dealing with various reserves which a taxpayer is allowed to make out of business income. I do not see that there is the amount of confusion here the hon. member is suggesting, at least in the minds of the people who deal with this subject.

Mr. Ritchie: I should like to ask the parliamentary secretary a question in connection with section 12(1)(b) concerning the amount receivable with respect to property sold or services rendered in the course of business. It says:

Unless the method adopted by the taxpayer from computing

income from the business and accepted for the purpose of this part does not require him to include any amount receivable in computing his income for a taxation year unless it has been received in the year.

Will this be further defined in other sections of the act?

Mr. Mahoney: This is the same kind of provision as is contained in section 85(1)(b) of the existing act. An example I can think of in this section which is fairly common is the permission given to contractors to report on a complete contract basis rather than on a cash basis in respect of contracts running through more than one fiscal year.

Clause 1, section 12, as amended, agreed to.

On clause 1—section 13: *Excess of proceeds over undepreciated capital cost.*

Mr. McCleave: I have one question arising out of section 13. This is on page 34. It deals with a new provision in the law, that is, subsection (8) which deals with property disposed of after ceasing business. Normally, in winding up a business, everything goes at once so you liquidate in an orderly fashion and are left, presumably, with nothing but money which then finds its separate ways and a court order disposes of the whole operation. I was wondering what particular area this clause is reaching into. Is it the individual who has incorporated as a grocery store and then has wound up the grocery business and is left with an asset on which he has claimed depreciation? Over the years the grocery store flourished, and therefore he is liable to make his peace with the income tax department before he sells the property. Perhaps the parliamentary secretary can tell us precisely what is involved here, and also why it is involved.

Mr. Mahoney: Mr. Chairman, this section is a new section. It clarifies the rates applicable when a business property is sold after the taxpayer ceases to carry on business. It provides that the rates shall apply to terminal losses and to recaptured capital cost allowance in the same way as though the business were still being carried on.

Mr. McCleave: In other words, he cannot take advantage and throw it into another fiscal year: he is caught within the year in which his business ceases during the time in which his business ceased to operate? Am I right in that assumption?

• (9:20 p.m.)

Mr. Mahoney: I will have to take that question as notice and supply the hon. member with an answer.

Mr. Ritchie: Mr. Chairman, on page 29, subsection (4) refers to subsection 20(5a) modified. I should like to ask the parliamentary secretary in what manner it has been modified.

Mr. Mahoney: Mr. Chairman, we shall have to compare that with the present section of the Income Tax Act before I can supply the answer. I can give no obvious response.

Mr. Gilbert: Mr. Chairman, I should like some information from the parliamentary secretary. On page 34 of the bill one finds subsection (8) about which the hon. member for Halifax-East Hants posed a question. I should like the parliamentary secretary to tell me whether this section is the recapture of depreciation section. If it is, is there any substantial change in this recapture provision compared with the provision in the old act?

While I am on my feet I would ask the parliamentary secretary whether as a result there has been any change in the tax rate. Let me give him an example. Supposing that a person who owns a small business has assets totalling $10,000. During the time he is in business these assets depreciate to $8,000. Then he subsequently sells his assets for $12,000. What recapture is there in those circumstances and what rate would apply? How much would be recaptured and what effective rate would apply?

Mr. Mahoney: In the example the hon. member has given, the taxpayer would have a $2,000 recapture and this is ordinary income. No particular rate would apply; it is just regarded as income.

Mr. Ritchie: Could the parliamentary secretary inform me which sections deals with property that is disposed of at less than its depreciable value?

Mr. Mahoney: Could I ask the hon. member to give the number of the section? We are dealing with quite a large block of sections here.

Mr. Ritchie: That is what I am not sure of. As I understand it, there is a section that deals with depreciated property. If a taxpayer sustains a loss on a property that he sells below its depreciated value—the so-called terminal loss section, I believe—which section of the act will cover that situation?

Mr. Mahoney: Terminal losses are covered by the regulations under the Income Tax Act and are not dealt with in the present bill.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I would like to ask the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) to explain the meaning of subsection (4) of section 13 on page 29:

Insurance and compensation proceeds

Does this subsection apply, for instance, to compensation paid to a farmer under crop insurance and does it mean that such compensation would be regarded as income, even if the crop lost was not fully covered by insurance supposed to cover losses the farmer may incur?

[*English*]

Mr. Mahoney: Mr. Chairman, I am sorry, but the translation did not come through well enough for me even to get the section number to which the hon. member was referring. Could I ask him to repeat his question more slowly for the benefit perhaps of the interpreter?

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I see that we sometimes misunderstand the interpretation. I feel that the interpreters are not to be blamed, but the communication is rather difficult. This problem which the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) faces does not upset me at all. I know that there is an explanation for that.

My question was as follows: Concerning subsection (4) of section 13 on page 29, which states:

Insurance and compensation proceeds

I should like to know whether compensation which would be paid to a farmer under crop insurance following a loss suffered during the year could be considered as a taxable income.

[*English*]

Mr. Mahoney: Mr. Chairman, I think the answer to that question is yes. Crop insurance normally replaces income. If the insurance proceeds replace income, then those proceeds are themselves income. The premiums payable on the insurance are deductible, of course.

While on this same section, the hon. member for Dauphin asked a question about what change had been made. The change to this section is the addition of lines 30 to 37 inclusive on page 29 of the bill. That is all new.

The Chairman: Members of the committee appreciate that there is a proposed amendment to section 13. If it is agreeable to the committee we might deal with that at this time and then the Chair will put the section as amended. The amendment appears at page 8934 of *Hansard* for October 22, moved by the Minister of National Revenue for the Minister of Finance. It reads as follows:

That section 13 as set forth in clause 1 of the said bill be amended by striking out lines 1 and 2 on page 35 and substituting the following:

(11) Any deduction made under subparagraph 8(1)(j)(ii) of this act or subsection 11(11) of *The*

Shall the amendment carry?

Amendment (Mr. Benson) agreed to.

The Chairman: Shall the section as amended carry?

Some hon. Members: Carried.

Clause 1, section 13, as amended, agreed to.

The Chairman: Shall section 15 carry?

On clause 1—Section 15: *Appropriation of property to shareholder.*

Mr. McCleave: Mr. Chairman, there are two new provisions here and I should like to deal with one of them. I did ask a question earlier of the parliamentary secretary which arose in part from the new provisions on page 48, but obviously capital gains are not dealt with here. The section I intend to raise is subsection (5) which deals with a shareholder who has the benefit of an automobile. I suppose in some ways this is the counterpart of an employee who has the benefit of an automobile.

I take it this provision really deals with the income of people in Canada. If a corporation which is not even resident in Canada or does not carry on business primarily in Canada provides the use of an automobile for a shareholder and he does not meet the entire cost of the automobile—this is a simplification of the situation—it must be counted as income. Am I correct in interpreting this provision in that way?

• (9:30 p.m.)

Mr. Mahoney: This is very comparable to the provision we discussed under section 6(1)(e) when we were dealing with an employee who had the use of an automobile provided by his employer. This deals with the situation where a company provides an automobile to a shareholder and makes that a taxable benefit.

Mr. Lambert (Edmonton West): If you look at section 6(1)(e) and section 15(5) you will see that they are the stand-by charges for automobiles. The wording is the same and they are subject to the same disabilities or difficulties. Why should there be a difference if the automobile is leased or owned by the employer? Why should there be a different formula? If the car is owned or leased by the company, why should this make any difference to the shareholder? This suggests that section 6(2) is applicable *mutatis mutandis* with section 5, so we are dealing with precisely the same sort of thing. Why is this not on the basis or theory that there is an aliquot portion per month or value of the automobile? Why is it not on that basis?

The hon. member for Calgary Centre asked what sort of solution is to be provided for the difficulties of an automobile salesman. A salesman on straight commission might be using a demonstrator car for his personal use. It may be a very valuable car. Two weeks later he may be using a standard model which has a much lower value. This could easily be true of a salesman who works for a multi-model agency. I will not name one because I might offend hon. members who have a liking for a different automobile manufacturer. But if you walk down a few blocks from this edifice you might find a Chevrolet, Oldsmobile, Cadillac agency. A salesman there might be furnished with a Chevrolet car for a period of a month, then he might be given an Oldsmobile and, subsequently, a Cadillac. There is quite a difference in the selling price of those vehicles. How do you work out this formula in that situation?

If the taxpayer happens to be a shareholder in the company owning the dealership, the same questions would have to be asked. Why should there be these differences? Why is this not simply worked on the basis of a proportionate value of the automobile, because in cases where different automobiles are made available you run into trouble. This question of leasing or owning a car involves the use of a different formula, particularly under section 6, and that is a lot of nonsense.

An hon. Member: That is part of the weekly swindle-sheet.

Mr. Mahoney: I think it is the practice of the Department of National Revenue, where an individual is both an employee and a shareholder, to look at him as an employee for this purpose. We did not run into that kind of confusion, or at least that was my experience when I was in both positions and had a company car. Those were the good old days.

Mr. Lambert (Edmonton West): All I can say is that the parliamentary secretary's confusion must be compounded, because section 6 is worse than that.

Mr. Mahoney: The question raised the other day by the hon. member for Calgary Centre regarding salesmen for automobile companies is one we have undertaken to look at. There is a problem which is recognized, and certainly

any rectification of that problem will be effective for the whole of the 1972 taxation year.

Mr. Lambert (Edmonton West): Why is there a different formula in respect of leasing compared with owning an automobile? Section 6 ties into section 15 by cross-reference, so my remarks regarding the complications of section 6 are fully germane. Why is there a distinction between leasing and owning a vehicle? It provides for different formulas for charging a taxpayer who operates a vehicle under lease or one that is owned.

Mr. Mahoney: The value of the unit is what is assessed for the purpose of the taxpayer. There is obviously a different cost to the employer depending on whether he leases or owns the car provided the employee or the shareholder, and hence the value is different.

Mr. Lambert (Edmonton West): With the greatest respect, I find that this is similar to determining the value of a horse by its rear end. It is the benefit to the taxpayer or the employee that is important. It is that benefit which is being taxed; it is not what the employer has to pay for the car that is involved. What is the value to the employee, that is the question? You may have two salesmen working for competing companies. There may be more advantages to one company in leasing cars than the other because one is bigger and is entitled to a fleet discount.

There are no hard and fast rules which apply to leasing vehicles. We have two salesmen doing the same blessed thing, driving similar cars, yet you are going to charge one more than the other, which is quite conceivable under a leasing agreement, yet the benefit to each is precisely the same. It matters not one whit what the owner or employer has to pay for the vehicle. That has nothing to do with it. What is involved is the benefit to the employee. If a salesman for Procter and Gamble gets a standard Chev. leased by a company, and another salesman gets the same kind of car leased by a much smaller soap distributing company which has to pay more under the leasing agreement, is the minister or the parliamentary secretary saying that the salesman for the smaller company is to be charged more for the benefit he receives? This is patent nonsense.

Mr. Mahoney: I am inclined to agree with the hon. member. This certainly is nonsense. The value of the benefit to the employee is not based on whether he is given precisely the same car as his neighbour. The value to him as an employee is based on a great number of variables, including the amount of use the employee has for the car. Employee "A" may be given exactly the same car model as employee "B", but employee "A" gets considerably more benefit from that car because he drives it 4,000 miles on his annual holiday and things like that, whereas employee "B" does not. So the only criterion from a practical point of view that the income tax department can use in assessing the value of the benefit is the cost to the person providing that benefit. The value to the particular person receiving the benefit depends entirely on how much he uses it. All these are variables which will change from person to person. There is no practical way in which to measure it from that point of view.

[Mr. Mahoney.]

• (9:40 p.m.)

The Chairman: As the committee knows, there is a proposed amendment to section 15. The amendment appears at page 8934 of *Hansard* for October 22. Shall the said amendment carry?

Amendment (Mr. Benson) agreed to.

Clause 1, section 15, as amended agreed to.

On clause 1—section 18: *General limitations.*

Mr. McCleave: Mr. Chairman, once in a while a person has a nightmare in which he dreams he is dealing with tax reform on the floor of the House of Commons. I find myself involved in such a nightmare now. More particularly, my anguish arises out of trying to understand what is meant by subsection (2) at page 55. This is something which has been added to the law and in that sense I suppose it qualifies as reform if one could understand what in effect it means. This deals with the question of what one can claim on the ownership of land. I presume it really is an attempt to control speculation in land, or at least to see that speculation in land does not automatically by itself draw tax benefits, because in part the section provides:

—except to the extent that the taxpayer's gross revenue, if any, from the land for that year exceeds the aggregate of all other amounts deducted in computing his income from the land for that year.

As one goes through the whole thing it is like the music that goes around and around and one wonders where it comes out. I will put my bafflement in this way: Am I correct in understanding it is really to discourage speculation in land, that is, that people simply are not to be allowed to hunt around the edges of our rapidly growing cities, pick up land and enjoy certain tax benefits as a result of so doing? In other words, if land is so acquired it must be land which can bear its share of the taxes of this country? If I have asked the wrong question perhaps the parliamentary secretary could give some enlightenment on th ephilosophy of this subsection.

Mr. Benson: Well, Mr. Chairman—

Some hon. Members: Hear, hear!

An hon. Member: The hon. gentleman has returned.

Mr. Knowles (Winnipeg North Centre): Welcome to Parliament.

Mr. Benson: Mr. Chairman, here we are dealing with people who buy land who really are not in the business of dealing with land. That is, they are not in land trading and buying and selling all the time so that they have profits and losses from it but, rather, are buying land on what one might say is a speculative basis. These are people who might write the particular cost against other income. Under the new section this will be added to the inventory value of the land and, when he ultimately sells it, it would be subject to a tax; but this will become part of his costs and not operating expenses which he can write off with other income.

Mr. McCleave: I would not fault the minister for this approach although I believe from a practical sense the once-in-a-lifetime deal in land has attracted income taxes

in the past. I am aware of one man in Halifax, for example, who has spent the last 15 years trying to reverse a decision made that long ago. However, I ask: Where does the difference lie between a fellow who jumps in for the purpose of speculation and the fellow who jumps in for the purpose of being a land developer? Does a person have to buy more than one parcel of land in order to qualify in the latter category, or must his income position be different? Or how does he achieve the hallowed position of a respectable land dealer rather than the unhallowed position of a speculator in land?

Mr. Benson: The position is exactly the same as under the existing law. Had we moved, as originally proposed in the white paper, to the point where gains were fully taxed, this question would not arise; but in a situation where we are to tax capital gains at half rates we will have the same problem of distinction between what is a capital gain and what is a trading profit as we presently have. Here it is a matter of case law and decisions by the courts.

Mr. Kaplan: Mr. Chairman, would the minister indicate if any consideration is being given to the introduction by regulatio nof a more realistic capital cost allowance schedule. Th eproblem to which a solution is addressed arises because an undue and unrealistic amount of capital cost allowance is available for buildings beyond the amount of actual depreciation. It is thi sproblem area which leads to the apparent unfairness in the tax system.

Mr. Benson: Mr. Chairman, first of all, it does not apply to this particular section with which we are dealing since it deals with lan donly. The matter of the capital cost allowance, as I have said, is a matter to be reviewed by the government in due course. We have asked for submissions, with regard to a capital cost allowance, from various interested parties including the Canadian Manufacturers Association. I think the whole system of capital cost allowances will have to be reviewed. I should like to emphasize, however, that until this thorough review is carried out there is no intention on the part of the government to change the present capital cost allowance schedules.

Mr. Lambert (Edmonton West): Mr. Chairman, I will start right at the very beginning, on section 18 (1) (*a*). I think this is the area in which one can come up with a personal beef or bleat for Members of Parliament and others who may find themselves in a simila rposition. I would say it is also possible for a member of a provincial legislature to be in a similar position.

The lawyer, the accountant, the medical practitioner or the engineer, by being a full-time parliamentarian, is reduced in his professional capacity to an almost non-operating basis; he has little or no income from his business or profession. However, he will attend, for instance in the case of lawyers—and remember he does not have an independent office—the annual convention of the Canadian Bar Association because he is particularly interested in this House in being a specialist in, shall we say, the law of the sea, the law of the air or perhaps, now, the law of pollution control. He may be a specialist in criminal law and he will go to the Canadian Bar, but he has little or no professional income: it may be merely nominal and certainly would be less than 50 per cent of his parliamentary stipend.

• (9.50 p.m.)

I put it to the minister that the interpretation of section 18 (1)(a) is that he would not be entitled to his expenses, although there is another section that deals with convention expenses and so forth, yet this is an outlay of expense except to the extent that was made by the taxpayer for the purpose of gaining or producing income from his business or property. He is not gaining any income from his business.

The hon. member for Laurier could attend an annual convention or some of the periodic conventions of the Canadian Tax Foundation or of the Institute of Chartered Accountants to improve his knowledge so as to make him a better member of the House. I have been to several conferences of the Canadian Tax Foundation and I hope it has given me greater knowledge and greater facility in dealing with tax matters. Yet I have gone to the tax department and they have said I was not entitled because I am not a practising lawyer, my connection with the law firm is purely tenuous because I am a full-time member of the House. I find it rather strange that a Member of Parliament cannot go to one of these professional conferences within his own competence in order to keep himself up to date and to improve his professional knowledge so as to make him a better Member of Parliament. I would like to hear the views of the minister in this connection.

Mr. Benson: I would say that hon. members cannot have it both ways. We have an expense allowance which, by legislation, is tax free. If a Member of Parliament is practising law as well as being a Member of Parliament, which many members used to be able to do—I agree that now it is difficult to do so because this is a full time job—he could deduct such expenses as my hon. friend mentioned. If a person has chosen, instead, to be a Member of Parliament he cannot deduct any expenses, but he does have the advantage of the tax free expense allowance.

Mr. Lambert (Edmonton West): But that is in connection with many other claims from his constituency. There is no reason why a Member of Parliament should not be on the same basis with regard to attending those conferences as are members of the minister's department who attend these conferences by the dozen.

Some hon. Members: Hear, hear!

Mr. Lambert (Edmonton West): This also applies to the officials of the Department of National Revenue. I get to know them at these conventions—because they are always there.

Mr. Benson: All that is wrong here is that we should change the members of the House of Commons and Senate act in order to allow the government to pay such legitimate expenses as these, which would not be taxable benefits. I see nothing wrong with it. If my hon. friend wanted to make such a proposal I can assure him that the government would give it every consideration.

Mr. Lambert (Edmonton West): That is the wrong way to do it.

Mr. Ritchie: At page 55, subsection (3) reads:

In subsection (2), "land" does not include (a) any property that is a building or other depreciable property affixed to land—

I should like to ask whether, if a taxpayer has property which under subsection (2) is not eligible for interest property tax deduction except as revenue from that, the definition of land on which there is a building becomes depreciable property in relationship to the land on which it is placed. Also, on page 56 paragraph (b) reads:

the land subadjacent to any property described in paragraph (a)—

Does this also apply to (c)?

Mr. Mahoney: Mr. Chairman, subsection (3) of section 18 excludes certain items from the provisions of subsection (2), and of course included among that are buildings or other depreciable property affixed to the land. So subsection (3) is a list of exclusions from subsection (2).

Mr. Ritchie: If there is a building on a piece of property which applies under subsection (2), can the depreciation be deducted from the taxpayer's income other than what is applied in subsection (2); that is, can it be deducted from a source of income other than on that land?

Mr. Mahoney: I think that on studying this section the hon. member will realize that depreciation as such does not come into the question. If there is a depreciable asset fixed to the land it does not come within the provisions of subsection (2), and therefore the question of interest on borrowed money and property taxes is not the subject of the deduction as referred to in section 18(2). The depreciable property is the test, but in talking about section 18 we are not talking about the deduction of depreciation of capital cost allowance from income.

The Chairman: Order, please. Before I see the clock it might be useful, for continuity of the record—because I understand the committee will not come back to this section until Friday—to mention that the section is subject to an amendment moved by the Minister of National Revenue, for the Minister of Finance, but not yet dealt with, appearing on pages 8934 and 8935 of *Hansard* for October 22.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

CRIMINAL CODE—INQUIRY AS TO DEBATE ON ABORTION

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, in deliberately keeping the matter of abortion from being discussed in the House of Commons, the government is guilty of a series of very unfair and very cruel acts. It is forcing unknown numbers of women to bear unwanted children, with all the terrible consequences to them and to society. It is forcing women on low income to face the horrors of a back street operator or the do-it-yourself procedures which cripple and kill. It is forcing women who can afford it to go to foreign countries for an abortion.

[Mr. Lambert (Edmonton West).]

• (10:00 p.m.)

Last year 1,649 Canadian women had to seek such help in New York state. I understand that 44 per cent of them were from the province of Quebec alone. It is forcing uncounted other women to run from hospital to hospital in Canada trying desperately to find one that will help them while the clock ticks remorselessly on and the authorities, with eyes averted from their misery, pass by on the other side.

It is permitting those who are opposed to abortion to force their will on the majority in Canada who believe, equally strongly, that abortion should be legalized. All these things are going on while the government washes its hands and refuses to accept responsibility for a situation which it alone can change. Yet last Friday the Prime Minister (Mr. Trudeau) told a high school class in Nova Scotia that women should be the ones to decide whether they should have the legal right to have an abortion if they want one. The young folk applauded loudly, quite unaware of the fact that the Prime Minister is unwilling even to have a debate on abortion in this House this session, as he promised a year ago.

He told the students that he would be very much influenced by the overwhelming feeling of women. He said, "I don't feel I can speak with great authority on this because I am not a woman." Yet when I asked him this afternoon if he would bring in a measure to take abortion from the Criminal Code and allow the elected representatives of the people to vote on it, he completely sidestepped the question. He and his government are the only ones who can bring such a measure before Parliament. Why don't they do it?

To leave the law as it is now simply means that they are on the side of those who are opposed to abortion and are determined to force that position on everyone else, regardless of what it does to women in every part of Canada. Let there be no mistake about that. I can only hope that this attitude will arouse freedom-loving women and men to bring organized pressure on the government in order to show it how wrong it is.

The forces which today are preventing changes in the abortion law are the same ones who for years were successful in keeping birth control illegal and which will resist government action for effective methods of birth control across Canada. These are the forces responsible for unnecessarily large numbers of abortions. These are the forces causing untold suffering and injustice to thousands of women who should have the right to consult their doctors and seek an abortion safely, legally and openly.

On November 20 a large group of Canadian women are coming to Ottawa to impress upon the government the fact, as the Prime Minister told the students in Nova Scotia, that women should be the ones to decide whether they should have the legal right to an abortion. I trust that he will give them that opportunity by having a debate on the subject in Parliament and then by introducing legislation to take abortion out of the Criminal Code and leaving it, as we leave all other medical procedures, a matter between the patient and her doctor, thus allowing both

sides to practice their principles freely without either side trying to force its beliefs on the other.

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): Mr. Speaker, I am pleased to participate in this debate with the hon. member. This is a subject which raises deep emotions among all of us. I would question the phraseology of the hon. member for Vancouver-Kingsway (Mrs. MacInnis) in saying the government is deliberately postponing facing this issue. The government liberalized the existing legislation and made it far more humane through amendments to the Criminal Code.

In the Speech from the Throne the government said it would set aside a day for debate on this issue, but the fact is that the government simply has not committed itself to further amendments. It said it would set aside a day in the hope that this subject, which is sensitive to all of us, could be aired. Regrettably, the progress of business of the House and the priorities involved have delayed the doing of many things which the government would wish to do. But to say it refuses to accept responsibility is, I think, somewhat unfair. The Prime Minister (Mr. Trudeau) did, indeed, in Halifax make a statement similar to that attributed to him by the hon. member. But the people in their wisdom have not elected very many women to the House of Commons.

Mr. Knowles (Winnipeg North Centre): Wisdom?

Mr. Danson: The woman that has been elected to this House certainly represents her constituents with great credit. I came here from a dinner given for some of our guests from Yugoslavia, Mr. Speaker, and when they heard that I would be answering the hon. member for Vancouver-Kingsway, the only woman member of the House, they expressed surprise that there was only one woman in the House of Commons. I do not think that reflects particular credit on us. Perhaps women make the ultimate decision in some matters. Yet the men here represent men and women and they are given the responsibility to take into consideration the representations of women and the influence that they bring to bear on our lives.

We must consider the representations made by the hon. member for Vancouver-Kingsway. It is not an easy matter. Progress, regrettably, comes more slowly than one would wish. The hon. member for Vancouver-Kingsway represents a viewpoint. She states that if women are not to be allowed to make this decision, women will be demonstrating on Parliament Hill. We should be guided by her remarks and remember, indeed, that this is not total representation and that there are many women expressing this viewpoint.

AIR TRANSPORT—NATIONAL POLICY—POSSIBILITY OF CANADIAN PACIFIC AIRLINES BECOMING SECOND TRANS-CANADA CARRIER

Mr. Robert McCleave (Halifax-East Hants): Mr. Speaker, I understand that the Minister of Transport (Mr. Jamieson) has escaped back, alive and well, to the mainland from Newfoundland in the company of Mr. Smallwood and that I am to have the pleasure of hearing the parliamentary secretary reply to my question.

The question that I raise at least once a year is about the possible extension of Canadian Pacific Airlines service into Atlantic Canada so that there will be two national airlines serving from coast to coast. The Minister of Transport looked a little askance when I asked this question the other day. He thought that I simply meant to give CPA the profitable run between Montreal and Halifax. I assured him, and this is my view on the subject, that such national service means service from Bonavista to Vancouver Island and from the forty-ninth parallel to as near the North Pole as one can go. Let there be no doubt about that—I am not asking for any privilege for Canadian Pacific Airlines.

If government policy is rearranged in this direction and Canadian Pacific Airlines is allowed to compete in Canada east of Montreal, I hope that it will not compete on the profitable runs only but that it will bear some of the burdens borne by other airlines; in other words, that it will become part of the national air policy to service all parts of Canada. Or, to put it in more vulgar terms, I hope that it has to take the skim milk as well as the cream.

I raise this matter because I think the feelings of opposition members should be made known on national matters and should be placed on the record. I know that aviation economics is not the most delightful subject for a company controller to dabble in, that airlines are having a great deal of trouble making profits, that the regional airlines play a most important part in the Canadian picture, and that in Atlantic Canada Eastern Provincial Airways has done a tremendous job. One cannot simply ask Canadian Pacific to burst holus-bolus into the picture; the economics of airline transportation must be considered carefully before any such decision is made.

It should also be noted clearly for the record that there must be a cabinet directive before the Canadian Transport Commission can even consider extending Canadian Pacific Airlines service in eastern Canada. If the cabinet is silent on the matter, Mr. Pickersgill, as head of the Canadian Transport Commission, will be justified in refusing to consider the matter at all. I know the Minister of Transport was not quite as frank as he usually is when dealing with the question asked in this regard the other day by the hon. member for Central Nova (Mr. MacKay). He seemed to imply that the cabinet does not have a role in this, whereas I suggest that it does.

• (10:10 p.m.)

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): Mr. Speaker, the Minister of Transport (Mr. Jamieson) has asked me to respond to the hon. member for Halifax-East Hants (Mr. McCleave). In speaking to him earlier, he planned to be here this evening. There were some last minute changes in his schedule. I disagree with the hon. member for Halifax-East Hants that the minister looked somewhat askance when he heard the question. I have never known him to look that way in this House. He is a pretty forthright, honest member of the treasury benches.

The present transcontinental air policy clearly sets out the framework under which Air Canada and Canadian Pacific operate. In terms of this policy the minister has consistently raised with Air Canada, in the interests of the travelling public, the continuous need for improved ser-

vices between Halifax and the rest of the major trunk lines operating across Canada, and I understand that the management of Air Canada are sympathetic to these needs.

In so far as the extension of Canadian Pacific services to Halifax is concerned, this would be a matter for referral to the Canadian Transport Commission under the existing policy prescribed for the two major carriers on domestic trunk routes and the sharing formula which is well known to the hon. member. The government is continuously keeping an eye on the changing patterns of travel growth in Canada, and if any policy changes are required as a result of this the House will be informed in the usual way.

In conclusion, I noted that the hon. member was honest enough, as he usually is in his presentations in this House, to recognize the area of aviation economics and to recognize this particular area of involvement and concern.

LABOUR CONDITIONS—STE. THÉRÈSE, QUÉBEC—LAY-OFF OF EMPLOYEES BY GENERAL MOTORS—GOVERNMENT ACTION

Mr. Derek Blackburn (Brant): Mr. Speaker, my remarks this evening arise out of a question I put to the Minister of Regional Economic Expansion (Mr. Marchand) last Friday. It related to the imminent lay-off of 665 workers at the General Motors Plant at Ste. Thérèse, Québec. I asked the minister if he would consider the argument put forward to him personally by representatives of local 1163 of the United Auto Workers. The argument was to the effect that if all workers worked a shorter work week, no lay-offs would be necessary. The minister replied that this would not be practical, for if this were done for one industry it would have to be done for all such industries facing lay-offs. The answer also implied that it would be too costly.

I would like to outline the argument put forward by local 1163 to the minister. The proposal by the union local was based on research carried out by Professor Sydney Inkerman of McGill University. Now that the 665 workers have been laid off they will be receiving $77 per man per week in unemployment insurance benefits. Based on a six-month period, which is a reasonable assumption, this expenditure will cost the federal government $1,331,330. Some of this money will go back to both the federal and Quebec governments to the extent of $83,802 in taxes.

For their computations, the union uses as its example one married man with a child. In the brief the union stated that the family would be paying $100 per month for rent and $151 for food, for a total of $251 per month. The remaining income from unemployment insurance would be taxed for such things as clothes, cigarettes, gas, etc. The union argued that the company should not lay off anybody but that all should work a four-day week. In addition, the government would pay 80 per cent of the net earnings for all employees for the fifth day.

The cost to the government, over the same six-month period, would be $1,311,336. This alone would be a saving to the government of $20,000. In addition, the 665 workers, over the six-month period, would contribute $28,528 to the Unemployment Insurance Commission. This, coupled with the employer's contributions, would amount to $57,057. Now that the 665 workers have been laid off, these contributions are lost. Moreover, if the men laid off had been kept on the job they would be paying $28,129 to the Quebec pension fund and, with comparable contributions from the company, the total contribution would be $56,259. Again, this money has been lost due to the lay-off.

The amount of money the laid-off workers would have paid in the form of federal income taxes, had they been employed over these six months, would amount to $295,659. Another sum of $197,970 would have been paid into Quebec income taxes. Again, this money has been lost. In addition, if these 665 men were still employed they would have had $312 left over after food and rent costs each month. Over a six-month period the 665 men now laid off would have had $1,244,999 to pump into the consumer market. Sales taxes would have amounted to $99,599. Medicare contributions, now lost, would amount to another $45,645 from both employer and employees. Had the UAW, local 1163, recommendations been accepted it is very possible that the federal government would have received $352,716 in revenue and the Quebec government would have received an added $399,475, for a grand total of $752,191 in revenue.

So far as the company is concerned, by accepting the union argument or proposal it would have taken 39.2 hours of labour per unit—in this case, per automobile—but under the present situation, with the lay-off of 665 men it is going to take 42 hours of labour per unit.

Mr. Speaker, cost of materials would remain the same, operating overhead or fixed costs would remain the same. In short, and in conclusion, the UAW's proposal would not have cost the company any more, neither would it have cost the government any more. But now that 665 men have been laid off the government will lose income tax revenue, it will have to pay out benefits in unemployment insurance, purchasing power has been reduced, the Quebec pension fund will suffer and Quebec medicare premium income also will suffer.

Mr. John Roberts (Parliamentary Secretary to Minister of Regional Economic Expansion): Mr. Speaker, I should like to thank the hon. member for having raised this question. His inquiry in the House and his speech tonight indicate his concern over the situation we face at Ste. Thérèse. I should add that the hon. member for Terrebonne (Mr. Comtois) has approached the minister several times as a result of his concern for the people who are involved in these lay-offs. I should like to congratulate the hon. member for presenting to us the research prepared by the UAW local. If it is anything to the House, I must confess it was rather dense. I do not mean it was unintelligent; I mean it was densely packed with statistics in support of the argument presented. I should like to look at it again tomorrow to make sure I am not getting any percentages mixed up.

However, as the minister indicated in the House when this question was raised, he was sceptical of the approach which had been suggested, partly on account of the precedent it might create in other sectors of the economy. I do not think the hon. member addressed himself to the question of what the effect of such an approach might be in other areas as distinct from the automobile sector of the industry in Ste. Thérèse. This scepticism is all the more

justified in that there is an alternative approach to dealing with these problems, one which seems to be fruitful in its effects.

• (10:20 p.m.)

As the minister indicated in this House, he discussed with members making representations to him the procedures under Manpower that will assist these workers with their problems. As a matter of fact, both the company and the union at Ste. Thérèse have been contacted by the Canada Manpower consultative service and it was agreed that the establishment of a joint committee under the Canada Manpower adjustment program would be deferred until January 1, 1972, when we will know a little more definitely exactly what the situation of the 600 workers laid off at Ste. Thérèse will be, whether the lay-off will prove to be temporary, as we hope is the case, or permanent.

Many of the workers laid off are entitled to supplementary unemployment benefits amounting to over 90 per cent of their regular earnings for varying periods of time while on lay-off. It is due to this fact that the lay-offs have just become effective at the end of the month, and demands placed on Canada Manpower consultative services for assistance have been very limited, at least up to the present. As soon as those who have been laid off have visited—

Mr. Deputy Speaker: Order. I regret to interrupt the parliamentary secretary, but the motion to adjourn the House is now deemed to have been adopted. Accordingly this House stands adjourned until tomorrow at 2 p.m.

Motion agreed to and the House adjourned at 10.25 p.m.

HOUSE OF COMMONS

Wednesday, November 3, 1971

The House met at 2 p.m.

HOUSE OF COMMONS

CONGRATULATIONS TO MEMBER FOR VANCOUVER EAST ON 38 YEARS OF PARLIAMENTARY SERVICE

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, on a question of privilege I ask the indulgence of the House for a moment or two in order that I may make reference to one of our highly respected and most distinguished colleagues, the hon. member for Vancouver East (Mr. Winch).

As hon. members are aware, our colleague indicated to his constituents yesterday that he does not intend to be a candidate in the next general election. This is something all of us regret. However, there is a significance attached to his timing which I think we could note. Yesterday the hon. member completed 38 years of parliamentary service; he is today, therefore, beginning his 39th year as the member for Vancouver East in the legislature of British Columbia or the Parliament of Canada. We pay tribute to our friend and we extend to him our very best wishes.

Some hon. Members: Hear, hear!

Mr. Speaker: On behalf of all the members of the House I congratulate the hon. member for Vancouver East and wish him well in the years ahead.

ROUTINE PROCEEDINGS

POLLUTION

TABLING OF NEW PULP AND PAPER EFFLUENT REGULATIONS

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, pursuant to Standing Order 41(2) I wish to table the new pulp and paper effluent regulations as provided for in the Fisheries Act.

* * *

AGRICULTURE

ANNOUNCEMENT OF REDUCTION IN DAIRY COMMISSION HOLDBACK ON IN-QUOTA MANUFACTURING MILK DELIVERIES

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, the Canadian Dairy Commission's rate of holdback from payments to dairy farmers on in-quota deliveries of manufacturing milk is being lowered to ten cents per hundred pounds of milk, or 2.85 cents per pound of butterfat. The previous rates had been 26 cents on April and May deliveries and 20 cents on deliveries starting in June.

The new rate will apply to all in-quota deliveries of manufacturing milk since April 1, 1971. It will be effective on future milk payments and there will be a refund to producers on previous deliveries for the difference between the earlier rates and the revised rate. This refund to producers will amount to 16 cents per hundred pounds of milk, or 4.57 cents per pound butterfat, on all in-quota deliveries to which the earlier 26 cent rate had applied and ten cents per hundred pounds milk, or 2.85 cents per pound butterfat, on previous deliveries at the 20 cent holdback rate.

The amount to be refunded on earlier deliveries and the saving to producers at the lower rate on subsequent deliveries will add about $8.5 million to the income of shippers of manufacturing milk in the 1971-72 dairy year.

The holdback is used by the commission to cover the difference between Canadian support prices and surpluses exported at a lower price. The surplus is, or has been, mainly skim milk powder.

• (2:10 p.m.)

The international and domestic dairy marketing situation has improved significantly this year. Surpluses, including those in Canada, have been reduced substantially and world prices are much firmer. With the heavy producing season now past, the Commission's costs for the year ending next March 31 can now be more closely estimated, thus permitting reduction in the holdback on in-quota milk to the ten cent rate. And, by the way, Mr. Speaker, there is no holdback on in-quota cream at the present time.

Mr. H. A. Moore (Wetaskiwin): Mr. Speaker, we are naturally pleased to hear of the reduction in the holdback from payments to dairy farmers on in-quota deliveries of manufacturing milk and also that there is a general firming, internationally and domestically, of the market for dairy products and of prices. Since we now have a short supply rather than a surplus of dairy production in this country, we hope that future dairy policies will be designed to keep producers in business rather than to force so many out, as has been the policy of the government in the past few years. We also hope that some of the inflexibilities in the sales policy of the Dairy Commission will be reviewed in light of a situation that was brought to our attention in the committee on agriculture relating, for example, to Mexican purchases of skim milk powder some time ago.

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I agree with the previous speaker that we welcome this move to increase the incomes of producers of manufacturing milk. We also hope that the pressure that has been put on producers to cut back and which has actually

caused some producers to go out of business will now ease.

Although this may be a little outside the scope of the minister's responsibilities, I hope the government will also turn its attention to the possibility of distributing milk products and by-products to those people in our country whose incomes are at or below poverty level. In this way some of our productive capacity could be used to see that all people in Canada are well fed. I hope the government's policy does not settle into a pattern of cutting back production for the non-commercial market and ignoring entirely that very considerable sector of society which has not been able to afford all of the protein foods it needs. We have heard reports in recent months that in one of our major cities conditions exist of which Canadians should be ashamed. We cannot justify cutting back production of basic protein foods while such conditions exist.

[*Translation*]

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I am very happy about the announcement the Minister of Agriculture has just made.

The adjustment he has just announced has been made possible as a result of the efforts of the producers concerned who have greatly contributed to the establishment of a dairy policy more profitable for manufactured milk producers.

Also, the international market has improved. Stronger prices have enabled the Canadian Dairy Commission to recommend to the minister to mitigate the penalty imposed upon producers for quite some time, through a reduction of the holdback and a refund of part of the amount held back since April 1, 1971.

I am very happy, Mr. Speaker, that the petition signed by 25,000 industrial dairy producers, which I had the honour of introducing in the House on February 18, 1970, is at last having effect. At the time, the producers were much disappointed when they left Ottawa, but they subsequently realized that they could anticipate the improvement the hon. minister has just announced.

I am also glad that I brought forward in the House on February 19, 1970, a motion to discuss dairy policy. At that time, there was little hope, there did not seem to be enough interest in the problem. However it was subsequently realized that dairy policy was improving from month to month and was having genuine results.

I therefore congratulate manufacturing milk producers who looked after their business. It proves that if they are alert and we as members of Parliament take our responsibilities, it is possible to provide a fairer policy for the farmers. We should say it out loud as we do when we criticize the government.

I wish to commend the important work performed by the Canadian Dairy Commission, which should be better known not only to hon. members but also to manufacturing milk producers.

In conclusion, I add that we shall have to be careful in the future not to disorganize our industry and be consequently obliged to import dairy products. We will have to keep a close eye on the situation so as to avoid the opposite extreme.

[Mr. Gleave.]

That is what I wanted to say after the minister's statement which I consider good news.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

[*English*]

GRAIN

Question No. 1,598—**Mr. Yewchuk:**

1. What consideration is being given by the government to the Canada Grain Council reports that (a) in country after country Canada is unknown as an exporter of feed grains (b) more effective selling systems must be developed (c) government should finance market research (d) government should offer grants to help establish feed mill facilities in the Caribbean to promote Canadian feed grain sales?

2. What consideration is given by the Canadian Wheat Board to the Canada Grain Council which reported that (a) present barley varieties will not compete in the feed grain market (b) many countries are not familiar with barley (c) many countries do not want feed barley the way it is now graded?

Hon. Otto E. Lang (Minister Responsible for the Canadian Wheat Board): Part 1: In October, 1970, the Government's Prairie Grains Policy Proposals stressed the aggressive development of new grain markets as one of the prime areas requiring new and intensive attention by the grain industry and government. In this context, consideration has, of course, been given by the government to the feed grain mission reports of the Canada Grains Council which were published in March, 1971. To assist in giving new emphasis in this area, the government is making available substantial amounts from a fund which will eventually have up to $10 million annually for the support of specific market development projects undertaken in co-operation with the Canadian Wheat Board and industry. Funds can be used for projects to enlarge and assist in maintaining existing domestic and export markets for food and feed and also on activities for developing new products and uses for our grain. The market development approach includes provision for supporting Canadian industry investment in grain transportation, storage, handling and processing (milling, crushing, feed grinding, baking) facilities abroad.

The Canadian Wheat Board appointed in July, 1970, a Committee of internationally recognized grain marketing specialists to evaluate Canada's system of selling grain under changing world conditions and to report back to the Board. The Board has made a careful study of the Committee's recommendations and action has been taken with regard to a number of the recommendations. The Board is very much aware that to develop and maintain a systematic approach to selling Canadian grain, improvements and modifications must continously be made to our existing selling system to adapt the system to the product, the customer and changes in the market situation. This is illustrated by the record 172 million bushels of Canadian barley exported in 1970-71. A concentrated market development effort must be maintained in feed grain markets. In this respect, the development of an integrated feed

grain marketing program is in progress at both the Governmental and Canadian Wheat Board level.

Developing our product and services to a point where buyers have a strong preference for them is not easy and cannot be done overnight. A long term plan is being adopted and will be pursued with persistence and adequate resources. However, since Canadian resources are not unlimited, the first and immediate priority in our overall plan must be given to our major feed grain markets and the designing of market programs specifically tailored for each. In the short term, feed grain import markets of highly developed countries, in which all classes of livestock are fed on a variety of coarse grain rations, depending on the area in question, must receive priority attention. Feed grain import markets in some developing countries, particularly those in which livestock is fed on corn and sorghum-based rations, must initially form part of our long range program, where the thrust will be primarily on educating feeders to develop a preference for Canadian feed grains.

Part 2: Reports of the Canada Grains Council are received by the Canadian Wheat Board as they are by many other agencies in the grain trade. They are of course reviewed and considered in the light of all the marketing knowledge gained directly by the Board through its own extensive efforts and from a variety of other sources. It must be remembered that the same Canada Grain Council Mission reports which draw attention to certain possible export markets for feed grains in Central and South America and the Caribbean, also indicate that the quantities involved were relatively small. It must also be indicate that the quantities involved were relatively small. It must also be remembered that sources of supply in close proximity to these markets were able to satisfy these markets at prices reflecting the geographic advantage of the supplier. It is recognized that there is a need to constantly review and improve barley varieties, our grading system and our promotional efforts. However, the fact that Canada was the world's largest exporter of barley in 1970-71, is an indication that the characteristics of Canadian barley are well known and appreciated in major world barley markets.

AIR CANADA—PAYMENT OF CAPITAL EQUIPMENT FROM CONSOLIDATED REVENUE FUND

Question No. 1,643—**Mr. Mazankowski:**

1. What purchases of capital equipment were made for Air Canada from the Consolidated Revenue Fund for the fiscal years 1968-69, 1969-70 and 1970-71?

2. What were the individual and total amounts of these purchases?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): The Management of Air Canada advises as follows: 1 and 2. Pursuant to the annual Canadian National Railways Financing and Guarantee Acts the Minister of Finance upon application of Air Canada approved by the Minister of Transport, may with the approval of the Governor in Council make loans to Air Canada out of the Consolidated Revenue Fund during specifically designated periods of time for the purpose of enabling Air Canada to discharge obligations that have become due and payable during said periods. As such borrowings are combined with the Corporations self generated funds to meet expenditures included in its approved capital budgets it is not possible to determine what portions of the loans are used for specific items of equipment. Page 20 of the Air Canada Annual Report for 1970 gives a statement of the source and application of funds. Similar statements may be found on Page 18 of the 1969 Annual Report and Page 19 of the 1968 Annual Report.

CANADIAN WHEAT BOARD—RETIREMENT AGE OF EMPLOYEES

Question No. 1,645—**Mr. Knowles (Winnipeg North Centre):**

1. At what age does the Canadian Wheat Board retire its employees?

2. Is there any difference in the retirement age for men and women and, if so, what is the retirement age in each case?

3. Is there a stated reason for any such difference and, if so, what is it?

4. Is consideration being given to establishing one retirement age for all Canadian Wheat Board employees?

[*Translation*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): 1. Age 65 for males. Age 60 for females.

2. Answered by 1 above.

3. No stated reason. Plan instituted in 1948 at a time when such distinction was common in many retirement plans.

4. Yes.

[*English*]

CNR—STATUS OF EMPLOYEES IN P.E.I. AS A RESULT OF ESTABLISHMENT OF SERVOCENTRE, CHARLOTTETOWN

Question No. 1,666—**Mr. Macquarrie:**

1. How many CNR employees have lost or will lose their employment with the CNR in Prince Edward Island as a result of the pending establishment of the Charlottetown Servocentre of the Canadian National Railways?

2. How many of the former employees have been assigned positions in Prince Edward Island?

3. What is the employment status of other employees?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): The Management of Canadian National Railways advises as follows: 1. The setting up of the Servocentre has resulted in the creation of fifteen new jobs in Prince Edward Island. At the same time however CN has applied for permission to remove agents from seventeen stations which become redundant with the setting up of the Servocentre.

2. Of the fifteen being created, seven are being or will be filled from the ranks of agents on the Island. The other jobs are claimed by members of another union. All jobs in the new Servocentre are being filled by employees already on the Island.

3. All employees affected by the closure of agencies will be able to use their seniority to bid for other jobs in the Maritime and Chaleur Areas. An analysis of attrition and manpower requirements for remaining agencies in the Atlantic Region indicates that no agent with more than six

years service or older than 26 will have to seek employment outside his particular line of work in the company. Only one agent in the stations affected falls into this category. The company has a manpower planning program to ensure that every effort is made to ensure that any agents who cannot find employment in their own line of work as a result of closures are given opportunities to fill other jobs in the company for which they are qualified. For example a number of the supervisory and management positions opening up as a result of the setting up of Servocentres have been filled by former agents.

GRAIN—COST OF MOBILE DISPLAY UNIT ILLUSTRATING GOVERNMENT POLICY

Question No. 1,683—**Mr. Mazankowski:**

1. What was the cost of the mobile display unit illustrating government policy in the grains industry, which covered the western fair circuit?

2. What was the total amount allocated to this project?

3. How many people were employed in this project and what were their salaries?

4. What was the total amount allocated for radio, newspaper, television and other display aids spent to date on this programme?

Hon. H. A. Olson (Minister of Agriculture): 1. The cost of the mobile display unit was $23,548.46.

2. $40,000.

3. Two people were employed. Their salaries totaled $4,921.80.

4. The total amount allocated and spent on radio, newspapers, television and display aids with regard to the mobile display unit was $5,106.

SCIENTIFIC AND TECHNOLOGICAL AGREEMENTS

Question No. 1,759—**Mr. MacLean:**

1. With what countries has Canada scientific and technological agreements similar to those signed with West Germany, Belgium and the USSR?

2. Are similar agreements being negotiated with any other countries at the present time?

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. None.

2. No.

WHEAT—BASIS FOR REFUSAL TO MAKE PAYMENTS UNDER TEMPORARY WHEAT RESERVES ACT

Question No. 1,789—**Mr. Burton:**

What is the authority or basis on which the government acted in not making certain payments to the Canadian Wheat Board under the terms of the Temporary Wheat Reserves Act since August 1, 1970?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, the government has made payments to the Canadian Wheat Board in accordance with the Temporary Wheat Reserves Act.

WATERLOO-OXFORD HIGH SCHOOL GLEE CLUB PARTICIPATION IN 1971 FESTIVAL, GERMANY

Question, No. 1,792—**Mr. Nesbitt:**

1. Did the Waterloo-Oxford High School Glee Club request financial assistance from any federal department or agency in order to take part in the Festival competition in Germany during the summer of 1971 and, if so, was any such financial assistance given to this Organization?

2. Were arrangements made for this Organization to perform at the Canadian Air Force Base in the Black Forest and, if so, what were the details of the arrangements?

3. Was the scheduled performance at the Air Base cancelled and, if so, for what reason?

4. Was a letter sent to the group by the Minister of Citizenship (Mr. Stanbury) congratulating the group and indicating how pleased the government was to lend financial support to their tour of Germany?

5. Are arrangements being made to provide any financial support to this group?

Mr. J. A. Jerome (Parliamentary Secretary to President of Privy Council): I am informed by the Department of Secretary of State and the Department of National Defence as follows: 1. (a) The Waterloo-Oxford High School Glee Club did request financial assistance from the Citizenship Development Branch of the Secretary of State. (b) No.

2. No.

3. Not applicable.

4. Yes, since the group received financial assistance from the Trans-Canada German Alliance which had received a grant from the Citizenship Development Branch of the Secretary of State to cover a portion of the transportation costs involved for groups participating, in this organization's German programs.

5. No.

HEALTH AND WELFARE—FEDERAL EXPENDITURES FOR HEALTH SCIENCES TEACHING FACILITIES

Question No. 1,812—**Mr. Orlikow:**

In the past year, what were the federal expenditures on the planning, building and equipping of health sciences teaching facilities for each of the following (a) Hospital Construction Grants (b) National Health Grants (c) General Public Health Grants (d) National Research Council (e) Medical Research Council (f) Health Resources Fund (g) others?

Mr. J. A. Jerome (Parliamentary Secretary to President of Privy Council): I am informed by the Department of National Health and Welfare and National Research Council as follows: (a) Nil; (b) nil; (c) nil; (d) nil; (e) nil; (f) 37,500,000; (g) nil.

PROJECTS APPROVED BY OPPORTUNITIES FOR YOUTH PROGRAM

Question No. 1,828—**Mr. Yewchuk:**

How many projects which have been approved by the Opportunities for Youth Program (a) have terminated with the return of students to their studies (b) will be continued next summer (c) will continue on a permanent yearly basis?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. (a) All projects which have been approved by the Opportunities for Youth Programme have terminated as of September 30, 1971; (b) If projects wish to continue under Opportunities for Youth, they would need to reapply next summer, if the program is continued; (c) Since Opportunities for Youth is strictly a summer programme, projects cannot

continue on a permanent yearly basis. However, some projects have fulfilled a real need in the communities in which they were situated and the communities have felt that the services provided would really be missed. Therefore, attempts are being made by Opportunities for Youth to encourage other departments to fund projects which fall under their area of concern.

MANPOWER TRAINING COURSES

Question No. 1,915—**Mr. Latulippe:**

1. How many people took Manpower Training courses between August 1, 1970 and September 1, 1971?

2. How many of these were unemployed when the courses began?

[*Translation*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): 1. Between August 1, 1970 and September 1, 1971, 352,216 adults received training under the Canada Manpower Training Program. Of these 102,968 were enrolled in part-time courses or training-in-industry programs.

2. Of the remaining 249,248 between 50 and 55 per cent (124,600-137,000) may have been unemployed at the time of referral. (Estimates based on prior year's pattern. Actual figures not yet available.)

[*English*]

REPRESENTATIONS RELATIVE TO FOOD PRICE WARS

Question No. 1,920—**Mr. MacDonald (Egmont):**

What meetings, if any, took place between the Minister of Consumer and Corporate Affairs and representatives of the major food chains relative to food price wars over the past year and when and where did these meetings take place?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): None.

INCREASED AMERICAN TARIFFS—DISCUSSIONS REGARDING POTATO MARKETS

Question No. 1,925—**Mr. MacDonald (Egmont):**

What discussions, if any, have taken place between the Minister of Agriculture and representatives of the Canadian Horticultural Council regarding potato markets support in face of increased American tariffs?

Hon. H. A. Olson (Minister of Agriculture): The Minister of Agriculture met with representatives of the Canadian Horticultural Council on September 27, 1971 to discuss the effects of the United States surtax on potatoes and other horticultural crops.

MARITIME COMMAND—CHRISTENING AND COMMISSIONING CEREMONIES FOR THE "IROQUOIS" AND THE "HURON"

Question No. 1,952—**Mr. Forrestall:**

Has the government and the Department of National Defence or the Department of Supply and Services given consideration to having the current tribal leaders perform the christening and commissioning ceremonies for the two remaining DDH-280 destroyers, the *Iroquois* and the *Huron* and, if not, for what reason?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): Traditionally, sponsors who perform the christening and commissioning ceremonies for naval ships, are the wives of principals in government or industry involved in the building and operation of the ships in question. Insofar as *Iroquois* and *Huron* are concerned the same principle will apply; however, consideration is being given to inviting the tribal leaders to be present at the ceremonies.

NATIONAL DEFENCE PUBLICATION "DEFENCE QUARTERLY"

Question No. 1,953—**Mr. Forrestall:**

With respect to the recent publication entitled "Defence Quarterly", a publication designed to provide a forum for the free expression of opinion with respect to defence matters, and edited by Mr. John Gellner, has the Minister of National Defence authorized the Chief of Defence Staff to indicate to serving forces personnel their right to contribute to this form of opinion without prejudice and, if not, for what reason?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): Q.R. & O. Article 19.36 deals with disclosure of Information or Opinion by members of the Canadian Forces. The Chief of the Defence Staff has made it known that he encourages members of the Forces to contribute articles on various aspects of their profession to the Defence Quarterly and other military journals, within the guidelines laid down by the Queen's Regulations.

CANADIAN FORCES RESERVES—AGE FOR ENROLMENT OF OFFICERS

Question No. 1,962—**Mr. Robinson:**

Will the proposed age limit of thirty-five for commissioning in the primary reserve component of the Canadian Forces apply to the arms as well as the services?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): No, the age for enrolment of officers in the Combat Arms for the Primary Reserve is between 18 and 25 years of age; however, in special circumstances, Mobile Command may authorize enrolment of an applicant up to 29 years of age. An ex-officer of the Canadian Forces may be considered regardless of age provided he would have five years remaining prior to reaching compulsory retirement age in the Primary Reserve.

* * *

QUESTIONS PASSED AS ORDERS FOR RETURNS

FEDERAL ASSISTANCE TO INDIAN ORGANIZATIONS

Question No. 1,402—**Mr. Yewchuk:**

1. During the past five years, which Indian organizations (a) received (b) were refused funds from the government for purposes of office and administrative costs?

2. Which Indian organizations closed their offices, within the past year, because of insufficient funds for office and administrative costs?

Return tabled.

Motions for Papers

OPPORTUNITIES FOR YOUTH PROGRAM—CANCELLATION OF PROJECTS

Question No. 1,635—**Mr. Coates:**

1. How many projects of the Opportunities for Youth Program that were initially approved were cancelled by the government?

2. In each instance (a) what was the project (b) what was the financial obligation of the government (c) what proportion of the funds were used (d) how many persons were involved in the project (e) what was the reason for cancellation (f) has any action been taken by the government for recovery of the funds expended?

3. (a) How many projects were abandoned by the initiators (b) what was the project in each instance (c) how many persons were involved (d) how much money was involved (e) how much was used (f) has any action been taken to recover the monies used?

Return tabled.

[*English*]

MOTIONS FOR PAPERS

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, before dealing with notices of motions may I comment on one. The hon. member for Moose Jaw (Mr. Skoberg) asked last week for some information concerning notice of motion No. 75 standing in his name. I understand the hon. member has received a good many of the reports referred to in this motion and I hope we will be able shortly to provide him with the balance.

Notice of motion for the production of papers No. 245 is acceptable to the government subject to the usual reservations concerning confidential documents and the authorization of the government authorities concerned.

[*Translation*]

Mr. Speaker: Subject to the conditions mentioned by the Parliamentary Secretary, is it the pleasure of the House that notice of motion No. 245 be deemed to have been adopted?

Some hon. Members: Agreed.

[*English*]

MATERIAL SENT TO RAPESEED PRODUCERS CONCERNING DESTRUCTION OF MOTHS AND ARMY WORMS

Motion No. 245—**Mr. Skoberg:**

That an Order of the House do issue for copies of all research and educational material sent to rapeseed producers and the Governments of the Prairie Provinces concerning the method and timing to destroy the moth and/or the army worm.

Motion agreed to.

• (2:20 p.m.)

Mr. Jerome: Mr. Speaker, may I ask that the remaining notices of motions be allowed to stand.

Mr. Speaker: Shall the remaining notices of motions stand?

[Mr. Yewchuk.]

Mr. Howard (Skeena): Mr. Speaker, I wonder if I might have your indulgence for a moment to raise a question with regard to notice of motion No. 247, which admittedly is dated September 9 and is not of great vintage but relates to the import of goods into Canada in a certain part of northern British Columbia contrary to the customs regulations. There is urgency because the people of the community concerned are attempting to develop a brief for presentation to the government and this information is most necessary in the preparation of that brief. Would the parliamentary secretary look at the matter from that point of view to see whether or not a response can be given next week?

Mr. Jerome: I would be only too glad to do that, Mr. Speaker.

Mr. Speaker: Shall the remaining motions stand?

Some hon. Members: Agreed.

ORAL QUESTION PERIOD

REGIONAL ECONOMIC EXPANSION

ATLANTIC PROVINCES—INTRODUCTION OF NEW DEVELOPMENT POLICIES AND GOALS IN LIGHT OF CRITICISMS

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to direct a question to the Minister of Regional Economic Expansion. In light of the statement made by the Minister of Transport to the recent meeting of the Nova Scotia Liberal Association to the effect that DREE areas need stronger goals to guide their development, and in light of similar criticisms by the Canadian Chamber of Commerce, the Atlantic Development Council, the Atlantic Provinces Economic Council and the Canadian Council on Rural Development, is the minister now prepared to act on the advice of these agencies and announce more coherent development policies and goals for DREE in the immediate future?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I read a statement by the administrator of the city of Saint John, New Brunswick, praising the department and saying it is the best thing that has happened to the maritimes since confederation.

Mr. McGrath: Mr. Speaker, may I ask the minister if he is now prepared to answer my question, which is very important, because apparently he does not share the views of the Minister of Transport.

Mr. Speaker: Order, please.

* * *

HOUSE OF COMMONS

PRESENCE IN SPEAKER'S GALLERY OF PRESIDENT OF SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

Mr. Speaker: I should like to draw the attention of hon. members to the presence in the Speaker's gallery of a

very distinguished official guest of Canada, the President of the Socialist Federal Republic of Yugoslavia, His Excellency, Josip Broz Tito.

Some hon. Members: Hear, hear!

Mr. Speaker: President Tito, as hon. members know, is making his first official visit to Canada. On behalf of all members of this House may I say, Sir, that we welcome you and the members of your party most cordially to our nation's Parliament. We trust that your visit with us and the discussions that you will have here on topics of mutual interest will further enhance the already friendly relations between our two countries. We sincerely hope, Mr. President, that your stay in Ottawa and in the other cities that you will soon be visiting, will be both enjoyable and fruitful, and that you will take back with you impressions and memories of the respect and good will, and of the most cordial welcome of all Canadians.

[*Translation*]

May I add, Mr. President, that we have a grateful recollection of the hospitality you showed a delegation of Canadian parliamentarians on a visit to Yugoslavia in the spring of 1970. My colleagues are eager to greet in Canada a delegation of Yugoslav parliamentarians.

Again, Mr. President, on behalf of the House of Commons, I cordially welcome you and your wife to Canada.

[*English*]

Some hon. Members: Hear, hear!

* * *

REGIONAL ECONOMIC EXPANSION

ATLANTIC PROVINCES—INTRODUCTION OF NEW DEVELOPMENT POLICIES AND GOALS IN LIGHT OF CRITICISMS

Mr. James A. McGrath (St. John's East): Mr. Speaker, in view of the very proper interruption I wonder whether I might repeat the question since I did not get an answer to it. I should like to ask the Minister of Regional Economic Expansion whether, in light of the statement made by the Minister of Transport to the annual meeting of the Nova Scotia Liberal Association to the effect that—

Mr. Speaker: Order, please. I do not think it is necessary for the hon. member to repeat the whole question. Even if he received no answer, I am sure the minister heard the question. The hon. member might invite the minister to reply, but it should not be necessary for him to repeat the question in all its details.

Mr. McGrath: May I then ask the minister whether he shares the view of the Minister of Transport to the effect that DREE areas need stronger goals to guide their development, similar views having been expressed by all agencies which are charged by Parliament with giving the minister advice?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, like the Minister of Transport, I feel that still more funds should be available for regional development, even if, during the past two years, we have tripled our expenditures, mainly in the Maritimes.

[*English*]

Mr. McGrath: May I try to ask the minister another question. In view of the criticisms coming from all sides to the effect that the minister's department is too heavily involved in infrastructure expenditures, is it his intention to review the expenditures of his department to see if this is so?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, yesterday, the Premier of New Brunswick, the hon. Richard Hatfield, made a proposal to me with regard to the renewal of the agreement, and 40 per cent of the funds provided for infrastructure were included in that proposal.

[*English*]

Mr. Speaker: Order, please. This is obviously debate and I would hope we would not pursue the discussion on this basis. The Chair will recognize the hon. member for Dartmouth-Halifax East on a supplementary question.

DEVELOPMENT OF INFRASTRUCTURE FOR CREATION OF MAJOR MARKETING CENTRE IN HALIFAX-DARTMOUTH AREA

Mr. J. M. Forrestall (Dartmouth-Halifax East): This is not a point of debate, Mr. Speaker, but legitimate questioning. I should like to direct my question to the Minister of Regional Economic Expansion. It also arises out of his colleague's statement during the weekend in Halifax. Can the minister say whether or not, in light of the unusual delay in getting on with the infrastructure development for what the minister described as the necessity of developing a major marketing complex in the Atlantic provinces, he is now prepared to heed the advice of his colleague and overcome the difficulties that seem to be standing in the way of the development of the infrastructure for the creation of a major marketing centre in the Halifax-Dartmouth area?

• (2:30 p.m.)

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I regret, but not one of the governments of the Atlantic provinces has claimed that we were spending too much on infrastructure. On the contrary, they all asked that we spend more.

[*English*]

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Dartmouth-Halifax East for a last supplementary question on this point and return to the subject in a short while after we have had the first round of questions.

Mr. Forrestall: My question to the minister is whether or not his department, he himself and the government recognize the principle enunciated by his colleague that the Atlantic area needs a major marketing centre, and is he prepared to accept that principle and do something about it?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, we are bringing considerable attention to this problem.

* * *

[*English*]

INCOME TAX

POSSIBLE ADDITIONAL BURDEN ON TAXPAYERS BECAUSE OF INCREASE IN CEILING ON FEDERAL REVENUE GUARANTEE TO PROVINCES

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): In the absence of the Minister of Finance may I direct my question to his parliamentary secretary who has shown himself very knowledgeable.

Some hon. Members: Hear, hear!

Mr. Knowles (Winnipeg North Centre): But without any heart.

Mr. Douglas: My question arises out of the announcement by the Minister of Finance yesterday that part of the provincial income tax levied by the provinces is to be raised with the consent of the federal government from 30 per cent to 30.5 per cent. Since this is an incremental tax rather than an abatement, may I ask the parliamentary secretary how many millions of dollars this will add to the total tax burden being paid by personal income taxpayers?

Mr. P. M. Mahoney (Parliamentary Secretary to Minister of Finance): Mr. Speaker—

Mr. Speaker: Order, please. I suggest, with respect to the hon. member, that the question he has asked seeks statistical information and I wonder whether in those terms it is acceptable. If the parliamentary secretary could reply briefly without referring to statistical information the question might be allowed.

Mr. Mahoney: Mr. Speaker, I think the hon. member misunderstands the significance of the 30.5 figure. That is the ceiling of provincial taxes that the federal government would permit if its revenue guarantee is to be effective to the provinces. What levy the provinces themselves establish, what percentage of federal tax they establish as their provincial tax, is a matter that is entirely within the discretion of their own legislatures. This is merely a ceiling after which, if they exceed that figure, the federal government would not offer the revenue guarantee.

Mr. Douglas: Mr. Speaker, I recognize that this increase is within the area which the federal government is allowing and that there are additional amounts over which the federal government has no control. However, in view of the fact this half of one per cent increase will not reduce the amount which the federal government will be collecting and is not a tax abatement, what additional burden will be added to the personal income taxpayers of this country? May I point out that the government surely must have made an estimate of this before it made this offer to the provinces.

[Mr. Forrestall.]

Mr. Mahoney: That figure of course could not be given until we know what the ten provincial legislatures determine what their provincial tax rates will be.

* * *

[*Translation*]

REGIONAL ECONOMIC EXPANSION

NEGOTIATIONS RESPECTING MINING EXPLORATION PROGRAM IN NORTHWESTERN QUEBEC

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I should like to put a question to the Minister of Regional Economic Expansion.

Could he say whether negotiations are going on between the federal and Quebec governments, concerning the establishment of a mining exploration program in northwestern Quebec, under the ARDA program and, in the affirmative, can we expect that an agreement will soon be reached?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I can inquire so as to be able to give the latest news on this subject to the hon. member, and I could perhaps give him an answer tomorrow or Friday.

[*English*]

EVALUATIONS OF PROGRAMS IN ATLANTIC PROVINCES—INTRODUCTION OF NEW PLAN

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, may I ask the Minister of Regional Economic Expansion a supplementary question. The eighth annual review of the Economic Council of Canada made a specific recommendation that his department should undertake program evaluations of all its programs in Quebec and specifically in the Atlantic region. Have these evaluations been carried out and, if so, when will they be made public?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I think that those programs are constantly reviewed. We do not intend to present a general report to the House, but since those programs have been in effect for a few years, it would undoubtedly be interesting to report to the House in order that a general debate may be held on the matter.

[*English*]

Mr. Lundrigan: In view of the fact there has been no appreciable change in the unemployment rate in the Atlantic area compared with the rest of the country—in fact, it has gone up—is the government prepared to accept the recommendation of the Atlantic Development Council that there be instituted a new plan or a new development strategy for regional development in the Atlantic region?

[*Translation*]

Mr. Marchand (Langelier): I cannot answer that question, Mr. Speaker, for the simple reason that the hon. member's premises are wrong and that the unemployment rate in the Maritimes in comparison with the total rate has declined since the establishment of the department.

[*English*]

Mr. Lundrigan: Mr. Speaker—

Mr. Speaker: Order, please. This, of course, is debate. The hon. member for Egmont has been seeking the floor on a supplementary and the Chair will recognize him and then the hon. member for Edmonton West.

Mr. McGrath: The minister should resign. Let somebody else get on with the job.

Mr. MacInnis: On a point of order—

Mr. Speaker: Order, please. The hon. member for Cape Breton-East Richmond rises on a point of order.

Mr. MacInnis: My point of order arises from the fact that the Chair fails to draw to the attention of members of the cabinet, on occasions when they express opinions instead of giving answers to questions, that they are out of order. It is time the government was prevented from expressing opinions that are not in accordance with the facts.

Mr. Speaker: The hon. member has just done this on behalf of the Chair and I am grateful to him. The hon. member for Edmonton West.

Mr. McGrath: Mr. Speaker, I rise on a point of order. We have raised some very serious questions which the minister, in his characteristic way, refused to answer. More specifically I would like to know, and I think the House is entitled to know, which policy prevails within the Department of Regional Economic Expansion. Is it the policy expounded in Halifax last week by the Minister of Transport, which appears to be a departure, or is it the policy persistently followed in this House by the Minister of Regional Economic Expansion?

Mr. Speaker: The hon. member knows that this is a debate. It has nothing to do with a point of order. The Chair has already recognized the hon. member for Edmonton West.

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FINANCE

RENEGOTIATION OF FEDERAL-PROVINCIAL FINANCIAL AGREEMENTS AT FIRST MINISTERS' CONFERENCE OR LATER MEETING

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is directed to the Prime Minister. In light of the very numerous and strong representations made by the provincial Ministers of Finance regarding fundamental points in the dominion-provincial financial accords which end on March 31, 1972 with respect to changes in the stabilization formula, the equalization formula, and the tax credit system, would the Prime Minister tell the House if consideration is being given to extending both the agenda and the time of the first ministers' conference two weeks hence to take in these matters, or will these subjects be carried forward to some future conference on the eve of the renewing of these agreements in March next year?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the plan would be for the Ministers of Finance and provincial treasurers to report to the first ministers' conference, and at that conference we would attempt to reach a solution acceptable to everyone. If we found we did not have enough time in the three days set aside for the first ministers' conference, then it might be necessary to have a further meeting of Ministers of Finance, say in December. We have not planned such a further meeting because we are hopeful progress will be made at the first ministers' conference. But the eventualities may cause one.

Mr. Lambert (Edmonton West): In light of the very fundamental nature of these representations which go to the heart of the federal-provincial financial accords, would the Prime Minister agree that a conference of first ministers would be necessary at the earliest possible moment in order to take up these matters so that we can get a sensible agreement in March, or are we to be faced with a *fait accompli*?

Mr. Trudeau: Yes, Mr. Speaker, I would certainly agree with that. That is why we are going to be discussing those subjects, based on the reports from the finance ministers, when we meet 13 days from now.

* * *

EXTERNAL AFFAIRS

REPRESENTATIONS RESPECTING JAIL SENTENCE IMPOSED ON ANGLICAN DEAN OF JOHANNESBURG

Mr. Andrew Brewin (Greenwood): Mr. Speaker, may I ask a question of the Secretary of State for External Affairs. Yesterday the Prime Minister, in answer to a question from me, said he would pass it on to the Secretary of State for External Affairs. Will the minister express to the government of South Africa the concern of the Canadian people at the sentence of five years' imprisonment imposed on the Anglican Dean of Johannesburg for activities that amounted to political opposition to the system of apartheid, for which the United Nations and this country have frequently expressed their abhorrence?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I share the abhorrence of the hon. member, as I am sure do all members of the House, to apartheid in South Africa. However, I should point out to the hon. member that the very reverend gentleman is now free on bail awaiting the result of an appeal against his sentence, and I do not think it would be quite proper at this time for me to express a view such as that which he has asked me to express. I can assure him, however, that the views expressed by the Canadian government in general are exactly the same as his own. The sooner apartheid ends in South Africa the better the world will be.

[*Translation*]

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, a supplementary question.

Can the Secretary of State for External Affairs tell us why the Dean of the Anglican Church in Johannesburg was condemned and why the reasons my hon. colleague gave are totally contrary to the facts submitted before the court in Johannesburg?

Mr. Speaker: I believe the hon. member for Sainte-Marie wishes to put a supplementary to the previous question.

* * *

FINANCE

POSSIBLE MODIFICATION OF FISCAL ARRANGEMENTS WITH PROVINCES

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, my question is supplementary to the one put by my colleague to the Right Honourable Prime Minister about the tax basis sharing between the provinces.

Does the Right Honourable Prime Minister intend to amend the tax basis sharing arrangement during the present session or are these measures contemplated for the next session only?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the present arrangements will expire next spring. However, it is anticipated that new arrangements will be entered into between the provinces and the federal government before the expiration date. The government will report to the House in due course.

Mr. Valade: Mr. Speaker, I wish to ask a supplementary question.

I would like to ask the Prime Minister for further details. Is his answer to be construed as to mean that the provinces simply cannot hope that the tax basis sharing will be changed before 1972 or 1973?

• (2:40 p.m.)

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, since the present agreements will only come to an end in several months hence, we are certainly not contemplating the unilateral termination of those agreements before they run out.

* * *

[*English*]

HEALTH

RECONSIDERATION OF CANCELLATION OF RESEARCH GRANT TO NATIONAL CANCER INSTITUTE

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Minister of National Health and Welfare. In view of the minister's loudly and frequently announced concern about cancer and its relationship to tobacco, will he reconsider his decision to cut off federal grants for cancer research through the National Cancer Institute?

Some hon. Members: Shame!

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, for many years we have supported the institute of which the hon. member speaks and we are prepared to discuss their budget with them again. I would advise, though, that much federal money goes into cancer research of one kind or another, most of it through the Medical Research Council.

DISCUSSIONS WITH TOBACCO INDUSTRY ON TERMINATION DATE FOR CIGARETTE ADVERTISING

Mr. Barry Mather (Surrey-White Rock): My supplementary question is directed to the Minister of National Health and Welfare. Can the minister indicate the status and, hopefully, the progress of the talks which I understand are going on between representatives of his department and the tobacco industry in regard to the termination date for all cigarette advertising?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, there are technical discussions going on almost continuously between the department and the tobacco interests, but as far as the termination date is concerned we know nothing more than what the tobacco manufacturers themselves have said. They have publicly announced that, in terms of broadcasting, their termination date is the end of this year.

Mr. Mather: Is it not a fact that the meetings that are taking place are seeking to establish a target date for the termination of all cigarette advertising?

Mr. Speaker: Order, please. The hon. member's supplementary is in the form of argument.

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[*Translation*]

FEDERAL-PROVINCIAL CONFERENCE

ANNOUNCEMENT OF AGENDA FOR MEETING OF FIRST MINISTERS

Mr. Roch La Salle (Joliette): Mr. Speaker, I would like to direct a question to the Prime Minister.

Considering that the prime ministers are going to meet in a few days' time, I would like to ask the Prime Minister whether the program of that meeting has been decided upon, and whether it will be made public before the opening of the conference. Also, in view of the concern expressed by some provinces about implementation of the new tax system, will this issue be discussed with the prime ministers?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I followed the usual procedure of submitting to provincial premiers, two or three weeks ago, a draft program based on the issues that the provinces and ourselves feel should be discussed. Again according to established procedure, the first thing that the conference will do will be to agree to that program or amend it—and only then will the program be made public.

However, as I said earlier when I answered a question from a member of the Social Credit party, I think, and another one from the Progressive Conservative member for Sainte-Marie (Mr. Valade), it is the intention of the government to discuss the tax sharing arrangements if the provinces so wish.

[*English*]

HEALTH

SHORTAGE OF CANADIAN-TRAINED MEDICAL DOCTORS AND PERSONNEL—REQUEST FOR STATEMENT ON GOVERNMENT PROPOSALS

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I should like to address a question to the Minister of National Health and Welfare. Recognizing the great fear and anxiety in the hearts of the Canadian people over the acute shortage of doctors and the great uncertainty of any action being taken to prevent further deterioration, would the minister be prepared to make a statement in the House in the very near future outlining proposals to combat the shortage of doctors and Canadian-trained medical personnel?

Hon. John C. Munro (Minister of National Health and Welfare): I have made many statements on the very meritorious actions, I think, taken by the government in this area. I am sure the hon. member has copies of those statements.

Mr. Rynard: The other day the minister stated certain facts regarding what he was doing. Many members of the House have asked me what is really going on behind the scenes. I am only asking him to make a statement to the House on what the proposals are.

An hon. Member: What do you have to hide?

Mr. Munro: Mr. Speaker, to answer the hon. member, in reply to his question last week, I indicated our view of the matter and what is being done about it.

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EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—CANADIAN GOVERNMENT ACTION TO MONITOR RADIOACTIVE FALLOUT

Mr. Robert Borrie (Prince George-Peace River): My question is directed to the Minister of the Environment. In view of the great public concern about the dangers of radioactivity along with other effects from the United States atom bomb test at Amchitka, would the minister advise what steps are being taken by the government to monitor radioactive fallout?

Mr. Speaker: Order, please. It seems to me that this question was asked and answered yesterday. If there was some aspect of the matter that was overlooked, the minister might be allowed to reply briefly.

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, we have sent a research aircraft up to Alaska where I understand it will be accorded the same privileges as United States research aircraft in monitoring the blast later this week.

AMCHITKA NUCLEAR TEST—DECLARATION BY UNITED STATES OF 50-MILE CONTROL ZONE

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, I have a supplementary question for the Secretary of State for External Affairs. I gave his parliamentary secretary notice of the question, although it was short notice. Has the United States unilaterally declared a control zone in the vicinity of the Amchitka nuclear test which would alter the established three-mile limit and, if so, what is its radius and does such control zone have the effect of inhibiting the usual right of innocent passage on the high seas?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, my understanding is that the United States has proclaimed a control zone in which there may be danger some 50 miles around the island of Amchitka. It has also restricted the right of innocent passage even within the three-mile territorial seas of the United States. This, I understand, is the factual situation, Mr. Speaker. Whether it does contravene the established law of the seas I do not know but my offhand opinion is that it does.

AMCHITKA NUCLEAR TEST—SIGNING BY PRIME MINISTER OF MEMBERS' PROTEST TELEGRAM

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I have a supplementary question for the Prime Minister. Since the Prime Minister has frequently suggested to the House that the best way for us as members to express our opposition to the test at Amchitka is through some form of united action, can he inform the House whether his signature will be among those of the other members of the House on the telegram going to the United States protesting this test?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I should point out that the best form of collective action by this House is the resolution adopted by the House. I remind the hon. member that the resolution was introduced by the government and therefore it had our support and my personal support. I was present at the time of the vote, which I regret to say is not true of the leaders of the other parties.

PROPOSED ATMOSPHERE NUCLEAR TESTS BY FRANCE—CANADIAN GOVERNMENT PROTEST

Mr. G. W. Baldwin (Peace River): I have a supplementary question for the Secretary of State for External Affairs. In light of the announcement that atmosphere nuclear tests will be conducted by France, is the government going to protest formally and immediately against these tests?

Some hon. Members: Oh, oh!

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I should inform the hon. gentleman that the resolution to which the Prime Minister has referred was presented to the French foreign ministry as soon as it was approved by this House. It expressed our general view about nuclear tests and if the French government does intend to proceed with a test we shall make our views known at that time.

Mr. Baldwin: Before or after?

Inquiries of the Ministry

SUGGESTED ESTABLISHMENT OF 50-MILE CONTROL ZONE OFF EAST COAST OF CANADA TO CONSERVE FISHERY RESOURCES

Mr. James A. McGrath (St. John's East): I have a supplementary question for the Secretary of State for External Affairs. In view of the action of the United States in establishing a 50-mile so-called control zone, is the minister prepared to take similar action and establish a 50-mile control zone off the east coast of Canada to protect our continental shelf and conserve our fisheries?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I think we have taken greater and more effective action than any other country in the world in extending—

Some hon. Members: Where?

• (2:50 p.m.)

Mr. Speaker: Order, please. There are a number of hon. members seeking an opportunity to ask questions. Perhaps we might allow the hon. member for Skeena one last supplementary on this important matter and then continue with the next subject.

AMCHITKA NUCLEAR TEST—GOVERNMENT ACTION AT UNITED NATIONS

Mr. Frank Howard (Skeena): I have a supplementary for the Secretary of State for External Affairs. Inasmuch as the minister agrees it is more important to stop the bomb than it is to monitor the potential danger after the blast, what action has he or the government taken with regard to keeping this matter alive at the United Nations, either in the General Assembly or the Security Council, and what support have we from other member nations of that body?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I think it is fair to say that Canada has taken the lead of all countries in protesting the Amchitka test.

Some hon. Members: Hear, hear!

Mr. Sharp: We have made our views known in the United Nations and to the United States government. I am very happy to see that Canadians generally are supporting the Canadian government in the views it has expressed. I only hope the advice will be taken that support is not expressed in ways that are counter-productive.

Mr. Howard (Skeena): A supplementary question.

Mr. Speaker: Order, please. The hon. member will appreciate we should go on to another subject. If there is time at the end of the question period we will return to the hon. member who might have a supplementary.

[Mr. Baldwin.]

[*Translation*]

ATOMIC ENERGY

POSSIBLE ESTABLISHMENT OF HEAVY WATER PLANT AT MONTMAGNY—DISCUSSION WITH QUEBEC PREMIER

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I would like to direct a question to the Minister of Regional Economic Expansion.

Could he tell the House whether he had talks or an exchange of letters with the Premier of Quebec about the building of a heavy water plant at Montmagny?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mo, Mr. Speaker.

Mr. Lambert (Bellechasse): I have a supplementary, Mr. Speaker.

Can the minister tell us whether he has had discussions or any contacts with a company or corporation planning to build a heavy water plant in Montmagny and to this end soliciting a grant from the Department of Regional Economic Expansion?

Mr. Marchand (Langelier): No, Mr. Speaker.

* * *

[*English*]

NATIONAL PARKS

ESTABLISHMENT OF THIRD PARK IN NOVA SCOTIA

Mr. Elmer M. MacKay (Central Nova): I have a question for the Minister of Indian Affairs and Northern Development. Can the minister inform the House when we may expect the long anticipated announcement about the exact location of a third national park in Nova Scotia and, specifically, whether this announcement may be timed to coincide with the upcoming Nova Scotia by-elections?

Mr. Speaker: Order, please. I have two objections to the question asked. I have an objection to the question and to the supplementary. In a general way I suggest to hon. members that I doubt whether it is in order to ask questions about national parks. I know these are very important and questions are asked every day. I think that often these questions ought normally to be asked in writing rather than during the question period. If there is urgency, they can be considered at the time of adjournment. In the case of the hon. member, if it is a matter of urgency the question can be considered when we hear the questions which have been delayed for the adjournment period.

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WELFARE

PROPOSED GUARANTEED ANNUAL INCOME PILOT PROJECTS—PROVINCES EXPRESSING INTEREST

Mr. Jack Marshall (Humber-St. George's-St. Barbe): My question is for the Minister of National Health and Welfare. Will the minister advise the House what progress is being made in consultation with the provinces with regard

to pilot projects for a guaranteed annual income and what provinces have expressed interest in participating?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, to date the provinces that have expressed interest and I believe are taking action in mounting projects are Ontario and Manitoba.

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POST OFFICE

REQUEST FOR STATEMENT ON DESIRABILITY OF INSURING PARCELS

Mr. Steven E. Paproski (Edmonton Centre): I have a question for the Postmaster General. I wish to welcome him back to the House.

Some hon. Members: Oh, oh!

An hon. Member: Where were you?

Mr. Paproski: Mr. Speaker, I have been trying to ask this question for the past three weeks and I have not been able to catch the Postmaster General in the House. In view of the large number of parcels lost by theft from post offices and post office boxes across Canada during the last Christmas season, especially parcels addressed to senior citizens, old age pensioners and others,—

Some hon. Members: Oh, oh!

Mr. Paproski: —for which no compensation was paid because the parcels were not insured, will the minister consider at this time—

Mr. Speaker: Order, please. The hon. member should ask the question because he will again miss the Postmaster General.

Mr. Paproski: Thank you, Mr. Speaker. I am glad you support me. Will the minister consider at this time making a statement to the Canadian public impressing upon them the desirability of insuring all valuable parcels so that this will not occur again? Do it! Advertise it!

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, first of all, the hon. member's lecture on attendance is unwarranted as I believe myself to be one of those with the best attendance record here.

I was in the House yesterday and I could also have wondered about his attendance. Last week I attended the Postmasters Conference in Regina and that is perhaps one of the only days I was not in the House.

Regarding the hon. member's question, I did not quite understand it and he might perhaps repeat it.

[*English*]

Mr. Paproski: I rise on a point of order, Mr. Speaker. I consider this to be a very important matter. About six or seven months ago I asked the Postmaster General to look into some serious thefts in the Ottawa area in the constituency of the Minister of Justice which he could not look into—

Some hon. Members: Oh, oh!

Mr. Paproski: I asked him to look into the matter, Sir. On a point of order—

Mr. Speaker: Order, please. I appreciate that the hon. member may want to reiterate the question he has asked. I am sure that all hon. members, including the minister, appreciate that the matter is serious. Perhaps the minister might be allowed to reply or indicate whether a reply will be given later. There is not much point in raising the matter again on a point of order because we will be running short of time very soon.

[*Translation*]

Mr. Côté (Longueuil): Mr. Speaker, I do not know yet whether I am being asked a question or if a suggestion is being made to me. If the hon. member suggests that I use every means available so that there will not be so many thefts at Christmas, I will answer that, every day, we try to take all necessary measures to ensure delivery of all parcels.

As for next Christmas, we have advised all postmasters to make doubly sure, when they hire additional staff for delivery of parcels, that these people are honest.

[*English*]

Mr. Turner (Ottawa-Carleton): On a question of privilege—

Mr. Speaker: Order, please. The Minister of Justice is rising on a question of privilege.

Mr. Turner (Ottawa-Carleton): I just want to assure the House that I was doing very well with the Postmaster General until the hon. member got into it.

Mr. MacInnis: Mr. Speaker, I rise on a question of privilege which has been aired in the House on several occasions. I draw Your Honour's attention to the fact there is a qualification attached to all questions asked in the House, namely, that they must be urgent and national in nature. I say that the urgency of questions has been completely destroyed by the roster system imposed on the House by the Prime Minister. It rules out the element of urgency. We must either change the rules applied to questions or the cabinet of this country must be responsible to every member of this House and be present to answer questions.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The right hon. member for Prince Albert.

• (3:00 p.m.)

Some hon. Members: Where is your leader?

Mr. Bell: Assiniboia. You will find out on Monday.

Mr. Speaker: Order, please. I apologize to the right hon. member for Prince Albert. He will be recognized in a moment.

An hon. Member: Here is your real leader.

Mr. Speaker: The hon. member for Cape Breton-East Richmond seeks the floor on a further point of order or question of privilege.

Mr. MacInnis: The Prime Minister is asking where my leader is. He is in the west, serving the nation by eliminating the possibility of this government strengthening itself by electing another member.

Some hon. Members: Oh, oh!

Mr. Speaker: That is hardly a question of privilege. I think that at this point we should give the right hon. member for Prince Albert a chance to ask his question because we have come to the end of the question period.

Some hon. Members: Hear, hear!

Mr. Diefenbaker: Mr. Speaker—

Some hon. Members: Hear, hear!

Mr. Diefenbaker: Well, I would not want to bring up anything that would be provocative.

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GRAIN

POSSIBLE RE-INTRODUCTION OF STABILIZATION BILL—RELATIONSHIP TO BY-ELECTION IN ASSINIBOIA

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I should like to ask the Prime Minister whether or not, following November 8, there will be introduced in the House a stabilization bill to take the place of the one which was withdrawn, and containing amendments such as were asked for by various farm organizations in western Canada?

Right Hon. P. E. Trudeau (Prime Minister): That is certainly an interesting question coming from an important member of the official opposition party. We are glad to see that some hon. members opposite are at last converted to the stabilization formula. We hope they will convey the message to other members of the party and to their leader. Perhaps we can then discuss this matter and bring it up again in a future session.

Mr. Diefenbaker: That has become the stock answer, Mr. Speaker; I knew that would be the answer. It leads me to ask the Prime Minister whether or not the Minister of Manpower, speaking in Avonlea, Saskatchewan—a copy of his speech was made available to all of us—undertook that if Jim Hooker is elected—

Some hon. Members: Hear, hear!

Mr. Diefenbaker: The hook comes a little later.

Some hon. Members: Oh, oh!

Mr. Diefenbaker: —if Jim Hooker is elected he will get that stabilization bill into and through the House of Commons. Does this mean, if he was speaking as a member of the government, that the Prime Minister has given up all hope of that result in Assiniboia?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. We have reached the end of the question period but I think we might allow the hon. member for Winnipeg North Centre to ask a last question before we turn to the orders of the day.

[Mr. Speaker.]

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PENSIONS

RESPONSE TO REPRESENTATIONS CONCERNING POSITION OF RETIRED CANADIAN NATIONAL AND CANADIAN PACIFIC EMPLOYEES

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of Transport? On September 8 and October 8 I asked the minister questions regarding the position of retired employees of the Canadian Pacific Railway and Canadian National Railways and he promised to make further representations to those two companies. Has he anything further to report at this time?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I made representations as I had undertaken to do. I regret to advise the hon. member that within the last few days I have received a letter from Canadian Pacific indicating that they are not prepared at this time to make any further changes in their pension program. Having received this reply, I know of no other course of action left open to me.

Mr. Knowles (Winnipeg North Centre): Has the minister received any reply from the Canadian National with respect to the matter I drew to his attention on October 8?

Mr. Jamieson: No, Mr. Speaker. To the best of my knowledge I have not received a reply from Canadian National on that matter.

I wonder if I might answer a question posed to me yesterday by the right hon. member for Prince Albert.

Mr. Speaker: Order, please. I have pointed out to hon. members that the question period expired three or four minutes ago. The minister could, of course, reply with the consent of the House. Is this agreed?

Mr. McCleave: On a point of order, Mr. Speaker, one of my hon. friends had a supplementary to ask in connection with the last question. I think that should be allowed before the minister is permitted to answer a question asked yesterday.

Mr. Speaker: In that case the Chair will call orders of the day.

Mr. Carter: On a point of order, Mr. Speaker. For two days I have been trying to put a question to the Minister of Transport on a matter which affects the livelihood of a large number of people.

Mr. Speaker: Order, please. I have made a note of this and I undertake to the hon. member to give him priority tomorrow. I hope the minister will be here to answer his question. Of course, with the consent of the House the hon. member could ask his question now.

An hon. Member: No.

Mr. Speaker: Again, there is not unanimous consent. I apologize to the hon. member and I undertake to give him priority tomorrow. Orders of the day.

Mr. Nesbitt: I rise on a point of order, Mr. Speaker. I decided not to raise this point of order until the end of the question period because I did not wish to take up the time of the House during that period.

On October 7 I placed the following question on the order paper:

1. Was an application for summer employment by Mr. Ian Hayes of Vancouver made to the Public Service of Canada on or about March 15, 1971?

2. In response to this application was any reply ever sent to Mr. Hayes by the Public Service Commission of Canada?

3. If so, on what date was the reply sent?

4. What was the purpose of the reply?

Last Monday, the day before yesterday, I received the following reply. I will read the reply. The question appeared somewhat changed and altered compared with the question I placed on the order paper.

1. Was an application for summer employment by Mr. Ian Hayes of Vancouver made to the Public Service Commission on or about March 15, 1971?

Here is one of the changes:

2. In response to this application, was any reply ever sent to Mr. Hayes by the Public Service Commission and, if so, on what date was the reply sent?

3. What was the purport of the reply?

My first point of order, Mr. Speaker, is that the whole tenor, the whole meaning, of the question I placed on the order paper was changed when it appeared on the return. Now I come to the reply, which is as follows:

Answered by the Hon. Gerard Pelletier, Secretary of State of Canada.

I am informed by the Public Service Commission as follows:

1. Yes.

2. Yes. June 1971.

3. He was advised that it appeared unlikely that he would be offered employment.

Mr. Speaker, I have in my hand a letter sent to Mr. Ian Hayes and dated August 31, 1971. The letter reads as follows:

Dear Mr. Hayes,

Your application submitted to the Public Service Commission of Canada for summer employment has been reviewed.

Your interest in our program has been appreciated, but it now appears unlikely that you will be offered employment.

My second point of order is this: I very properly object to receiving completely wrong information in reply to written questions, and I hope the Secretary of State will carefully check into this matter with the Public Service Commission in an attempt to prevent unfortunate incidents such as this taking place in the future whereby the House is misled and minsinformed.

Some hon. Members: Hear, hear!

Mr. Speaker: Orders of the day.

Mr. Baldwin: On a point of order, Mr. Speaker.

Mr. Speaker: Order. There is a slight procedural difficulty. Orders of the day have been called. However, perhaps with the consent of the House the hon. member for Peace River might speak. I appreciate that he is rising on a point of order concerning the business for this afternoon.

Mr. Baldwin: The point of order is that there has been a discussion with regard to the length of the speeches and, while no firm agreement has been reached, the general understanding is that the first speaker from each party might speak for 30 minutes and that thereafter speeches should be limited to 15 minutes. On our side these limits will be strictly adhered to. This is the suggestion I make to the House with the hope that hon. members will accept it.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, we agree to the times suggested, and we wholeheartedly support the proposition that no one ask for overtime.

Mr. Speaker: Is it agreed and so ordered?

Some hon. Members: Agreed.

• (3:10 p.m.)

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY, S.O. 58—NON-CONFIDENCE MOTION—ALLEGED FAILURE OF GOVERNMENT TO DEVELOP POLICIES TO ENSURE ECONOMIC INDEPENDENCE AND FULL EMPLOYMENT—DETERIORATION OF RELATIONS WITH UNITED STATES

Mr. Heath Macquarrie (Hillsborough) moved:

That this House, noting the continuing deterioration of communication on the basis of common interest and mutual respect between the government of Canada and the government of the United States, condemns the government for failing to employ and improve firm and constructive economic and political relations with the United States, and, at the same time, for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

He said: Mr. Speaker, the last time I led off an opposition day to debate matters dealing with the external relations of Canada was May 28, less than half a year ago. That debate was brought on by feelings of discomfort and anxiety on account of the government's actions, and more particularly and painfully by the injudicious utterances of the Prime Minister (Mr. Trudeau) in the Soviet Union. Some of the same elements of concern are among the motivations for this motion and debate.

During the five months since, there have been some vast and at times perilous changes. Today the conduct of our foreign policy, especially our relationships with the United States, is far from being an intellectual exercise or a philosophic exchange. There are problems in the economic field that are of enormous gravity and very serious portent. Canada is not a great power, nor a super power. We are not, however, among the least nations in the world; not large enough to be feared, we are not so small as to be despised. We are not neophytes in diplomacy. We are a charter member of the United Nations, as we were a

charter member of the League, and in large measure this country was the creator of the modern Commonwealth of Nations.

We have been activists in multitudinous international bodies and we do have a concern for the wider world. But for a host of reasons, some voluntary and some involuntary, our relations with the United States are the most vital, the most absorbing and of greatest concern and interest to all Canadian citizens. Indeed, it might be said that 90 per cent of our foreign policy concerns our relations with the United States and the conduct of those relations. If we have today reached the stage where Canada-United States relations are in confusion, disarray or in jeopardy, we are, Sir, at a very grave situation.

It is, I fear, painfully apparent that we are at such an unwelcome and potentially hurtful phase. Any government that presides over the deterioration of Canada-United States relations bears a fearful and awful responsibility before the Canadian people, because the fallout of such deterioration could penetrate and injure every nook and cranny of our economic structure. Let us, therefore, not minimize the seriousness and the gravity of the matter placed before us by this motion today.

I would be less than candid if I suggested that the government of Canada was solely responsible for the unhappy situation now prevailing. But I would be myopic and irresponsible in my role as a parliamentarian if I did not try to analyse the contributions that have been made, willingly or unwillingly, wittingly or perhaps unwittingly, by the government of this country to the decline in our once close relationship with our southern neighbour.

Nor should any of us, regardless of party, pretend that there has not been a decline, that communications are as they used to be or as they should be. It would be naïve, regrettably naïve, perhaps dangerously naïve, to suggest that all is well. So it is the purpose of this debate to examine the conduct of Canadian foreign policy in relationship to the United States to see wherein errors and miscalculations have been made, and hopefully to find avenues for more useful, practical exploration and operation.

In the last few months there have been developments in the broader world in which Canada has played a part and some to which we have been merely a witness. There have been momentous and interesting developments. There have been alterations, at least, in the postures of the great powers, and there has been a great change in the complexion and composition of the United Nations. Sometimes, perhaps in response to some of these larger moves and developments, the government of Canada has adopted postures, has taken positions, or has followed courses of action which have been unhelpful to its essential association with the United States.

I think, Sir, at a time of such great sensitivity as this, and on a matter of such fundamental importance, that we must all be especially alert, particularly careful in our utterances, in our evaluations, in our judgments and in our appreciations. Diplomacy, like domestic politics, is anything but a static thing. It is not bound and shackled by the narrow confines or the brittle rigidities of the past. Changes, new developments, new emphases and new priorities emerge and must be tested and evaluated. I am

unsympathetic—and here I speak euphemistically—with those who would seek to bind us forever in the pessimistic and rigid postures of the cold war. The tough doctrines of the Dulles era doubtless played their part and served their purposes, and we may indeed owe much of our present existence to their efficacy. But they may not serve us well in today's realities. President Truman in his time was one of the world's greatest statesmen, but these times are not his times.

I welcome the opening out of relations and the broadening of contacts between the United States and the People's Republic of China, and between the United States and the Union of Soviet Socialist Republics. I believe that President Nixon has shown statesmanship and realism in his decisions to move into a new era of closer contact and, perhaps—who knows?—closer understandings between his country and the vast nation ruled by the men at Peking. I hope that his visit to that country will be useful and valuable. I think that efforts to scale the great walls of separation and misunderstanding are all to the good.

I was particularly happy that the leader of my party was one of the first western statesmen to visit China in the new era of acceptance by that country of people and leaders from our part of the world. While at the time I expressed criticism of the utterances of the Prime Minister of Canada in the Soviet Union—and I still regard those utterances as unwise, unhelpful and improper—I nevertheless believe that contacts between our two countries and visits by the people of our two countries should be encouraged, and hopefully will be productive of a degree of common good. We would all welcome that.

The recent weeks have been interesting. We have seen a renaissance of summitry. This is not to be scorned, it is to be welcomed. Indeed, we almost see before us in the world a sort of mobile or perambulatory Congress of Vienna as statesmen from all over the world make visits, though none of us believe, as we would not believe about earlier activities, that all is altruism and that the old norms of realpolitick have been discarded as the leaders of the great powers move about on the world's stage and engage in competition for acceptance. The only danger, as I see it, in summitry is when summitry is accompanied by naïveté, and some of us are old enough to remember the tragic and inane example of this when that pathetic figure, Neville Chamberlain, was for an unhappy and tragic space of time one of the leaders of the western world. In his complete acceptance of what he was told, he apparently lost the capacity to evaluate what he should have seen.

• (3:20 p.m.)

In the current summitry among the great power leaders, I believe we can count upon a general and useful realism. While advances may be made in understanding, while gains may be achieved in accommodation, there will be no forgetfulness of such hard realities as Hungary, Czechoslovakia, the Berlin wall, naval penetration in the Mediterranean, Tibet, Korea, or the Bay of Pigs and many other crude emanations of power politics on the international scene. Indeed, it is well that among great powers today there is a degree of realism. In that realism there may be for some of us much less powerful, much less important, a not inconsiderable hope, if not an option of security.

I will not soon forget the opportunity of being at the United Nations in 1963 when two world powers brought us to the very razor edge of a lethal confrontation, but finally they looked at matters and at one another squarely and found a course of action that just in time moved us all away from the abyss. But it is not to these factors and areas over which we do not have control that I want to direct our attention today. We must look at our own conduct of Canadian foreign policies and ask if any new ingredients have been added recently which have brought new concern to our own people, or surprise, mystification and anxiety to many of our friends abroad.

In the Ottawa *Citizen* of October 28 I read a Canadian Press report which stated:

One senior Liberal MP said "there is nothing wrong with developing closer ties with Russia. In advancing the process of this friendship Mr. Trudeau went to Russia and made a gratuitous insult about an American military threat to Canada, and then Premier Kosygin comes here and criticizes American economic policy. Is that any way to make new friendships."

Another member of Parliament, the very distinguished member for Grenville-Carleton (Mr. Blair), who has had extensive experience at the United Nations and other international bodies, wrote in his weekly column:

—we must not permit ourselves to be used by the Soviet or any other government for the purpose of breaking up ancient friendships and important alliances. We should not become a backboard channel for attacks on the United States. We should be careful in making new friends, that we do not offend our old friends.

When these matters to which members of the opposing party refer are brought up, we should be concerned, they should be concerned, and I commend them for being concerned, because it is our right and duty to do some serious thinking and make a careful analysis of such matters.

The leader of my party is not one who is given to extreme or inflammatory statements, but I believe he spoke for the great majority of Canadians when he said a couple of days ago:

—it is perfectly legitimate . . . for Canada to improve its relations with the Soviet Union. It is inappropriate, it is stupid for Canadian spokesmen to use a Soviet platform, or to encourage Soviet leaders to use a Canadian platform to attack the United States.

The leader of my party was in China a matter of months ago, and he was in the Soviet Union prior to that. I am sure he spoke there with his usual candour and forthrightness, as well as his moderation. I am sure he displayed the friendliness which has always characterized him, but it is notable that in these discussions he did not find it necessary in establishing entreé with the leaders of the Soviet Union and the People's Republic of China to denigrate, denounce or even to snipe at the United States. I am indeed confident that he made a worthy contribution toward better understanding between that country and the countries he was visiting. We are all supposed to be in favour of that.

If the Leader of the Opposition (Mr. Stanfield) can do it, I would suggest that others less restrained and less moderate might, in the words of Patrick Henry, profit by his example. No one suggests that this country need or should react with supine acceptance to every diplomatic lead of the United States. This has never been necessary before. I had the honour of supporting a government a few years ago which found itself capable and competent of disagreeing vigorously and forcefully with the United States when Canadian interests were endangered.

An hon. Member: It was fighting with them all the time.

Mr. Macquarrie: It is too bad I cannot reciprocate. I do not believe in making my speeches from the posture that the hon. gentleman is displaying, so I cannot do so. If he is enjoying himself, he can go right ahead.

Mr. Baldwin: We would have more intelligent heckling if you did so.

Mr. Macquarrie: I do not believe the Canadian delegation at the United Nations should have voted for the United States resolution regarding China because the United States proposed it. I think it should have voted for it because the expulsion of Formosa or Taiwan was a cruel act, and one for which the government of Canada had no mandate from the people. If I were not limited to 30 minutes I could produce chapter and verse right up to the eve of polling on that matter in 1968.

I will not take the time to refer to many of these statements made at the United Nations, in this chamber and in other chambers as well as to the Canadian people to indicate, when the appropriate time came, the callous and cruel abandonment by this government of its own position in reference to the universality of U.N. membership. In the process, we indulged in cold compression upon any possible effort in the foreseeable future by the Formosan people to work out for themselves a new degree of self-determination and eventual recognition by and admission to that world body. If the people across the way are proud of that, let them say so, but I do not think it is anything of which Canada should be proud.

Nor do I find that my high regard for the United States as a great neighbour and as a great nation prevents me or should prevent any other Canadian from deploring and decrying its president's decision to go ahead, against so much social and scientific opinion in his own country and others, with the Amchitka test. This has been discussed before. I am no more enthusiastic about his doing it than I am about the French doing it or the other two powers who tell us after they have done it, that is the Chinese and the Soviet Union.

A good neighbour policy does not require acquiescence from a smaller neighbour. Solidarity does not require eternal and constant uniformity of opinion on every given issue, but realism dictates that no government in Canada should recklessly engage upon a rampage of anti-Americanism without being prepared to face some painful consequences. Not that the United States will or should indulge in retaliation for our seeming recalcitrance, but because our relations are so close, our ties so intimate, our interdependence so great we require a special relationship. We require a continuing capacity to speak in a special way to retain that special relationship. It is the loss of this good understanding that worries me today and which worries the people of this country.

• (3:30 p.m.)

Some hon. Members: Hear, hear!

Mr. Macquarrie: I care not how often the Prime Minister (Mr. Trudeau) goes to Moscow, to Peking, to Belgrade, to

Samarkand or to the Coral Reefs, but I wonder why he does not go to Washington. I wonder why, in this crucial time, the Ottawa-Washington hotline has gone dead, has grown cold. I wonder why when I ask the Secretary of State for External Affairs (Mr. Sharp) about a measure or about an opinion which is important, and which should be conveyed to the United States, I receive a reply through indirect discourse that the United States knows our position, that they hear our speeches at the United Nations and know our opinions. However, when we ask if that opinion was conveyed to Washington we do not get the answer "yes"; that is the problem.

With all due deference to Mackenzie King, indirect discourse is not the way to do it. On this matter of Amchitka which troubles us today we have reached the stage where there is one man and one man alone in this country who can make contact with the one man in the United States who has the decision. The Congress of the United States has very clearly and definitely laid the matter at the doorstep of the President. The chief executive of this country is the Prime Minister. He is the man to contact the President even at the eleventh hour. How far are we removed from the days of the good neighbour, the era of Franklin Roosevelt and Mackenzie King, when our leaders spoke freely and regularly on matters concerning our countries. How far are we removed from the spirit of Hyannis Port of which we heard a few years ago. When a phone call cannot and will not be placed, the Canadian people have a right to know why. What has happened? Do we have nothing but indirect discourse for the transmission of opinions? Is that all we have left?

Some hon. Members: No.

Mr. Sharp: Resolutions of Parliament.

Mr. Speaker: Order, please. Hon. members will remember there is an order of the House that there cannot be an extension of time, so the hon. member really should be given a chance to complete his remarks without interruption.

Mr. Macquarrie: I assume I have eight minutes, Mr. Speaker, and will use seven of them. I say to the Secretary of State for External Affairs, if he can hear me through the patter of the seated orators around him, why cannot the once good neighbours converse as they used to converse. I ask why, in a day of very, very serious economic problems and difficulties in the economic relations between the two countries, there is not some form of summitry at the Ottawa-Washington level. That is the question which should be asked and must be answered. We cannot be a Yugoslavia. I read that a great British newspaper believes Mr. Trudeau wants to be a western Tito. He cannot be a General de Gaulle. That may be appealing but that is not for Canada. We cannot for many reasons, hard reasons, such as geography, history, economics and all the rest, forsake our role as an important integrated ally of the United States. All the talk about countervailing forces, and all the talk about enjoyable anti-Americanism, will never remove the hard facts of life which make it necessary for us to deal with the United States from strength, in our own interests, and not leave it all to indirect discourse.

[Mr. Macquarrie.]

I say to the Prime Minister, let not brittleness, pique, pride or petulance prevent him from contacting the President of the United States on these grave economic issues which are hurting our people. We have had enough economic suffering from the atrocious bungling of the government.

Some hon. Members: Hear, hear!

Mr. Macquarrie: This country does not need a further economic burden placed upon its people because of the bungling in respect of the relations between the two countries, the United States and Canada. That is the great problem. I say to the Prime Minister, let him not miss an opportunity to speak in friendliness, to speak in frankness and candor, but for heavens sake to speak to the government of the United States. We have had our troubles with the United States. It does not require a genius to point out its errors or to dilate upon its inequities and inequalities, but there is still no substitute for a good working relationship between our two countries.

It is not so long ago that we had the President of the united States in this very Chamber. I refer to President Kennedy who was here a decade ago. How long ago it seems since he was introduced by the present member for Prince Albert, who was then the Prime Minister. The then Prime Minister referred to another New Englander, Robert Frost, and referred to that poet's inscription on the guest book of Hebrew University in Jerusalem in these words, "Something there is that does not love a wall—it is friendship".

In these difficult and trying days there is too much sniping and too little understanding, too much sniping and too little dialoguing, too much grandstanding and too little understanding.

But we all remember, those of us who were here, what the young President said. He spoke about the realities that bound our two countries to a destiny which cannot be dealt with callously or casually. He said:

Geography has made us neighbours. History has made us friends. Economics has made us partners. And necessity has made us allies. Those whom nature hath so joined together let no man put asunder—

Some hon. Members: Hear, hear!

Mr. Macquarrie: I actually hear groans from members in this House.

Mr. Nesbitt: From the Moscuvites.

Mr. Macquarrie: I must say I am not at all ashamed to honour the memory and words of the former President of the United States. I would say that if any constituent or fellow Canadian of mine thought I was jeering at or mocking his words I would be very quick to deny that I had anything to do with such intellectual indecency. I am not reluctant to say that these great words, the aspirations uttered at that time and the admonitions set forth, are eminently worthy of consideration and adoption today. It does not upset me that the House has displayed unusually bad manners on a matter which should commend itself to top priority considerations. If the economic well-being of Canadians, if relations between this country and its most important neighbour, are not important, I wonder how far down the road of irresponsibility we have in fact gone.

• (3:40 p.m.)

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, the motion which has been placed before us by the hon. member for Hillsborough (Mr. Macquarrie) provides the House with an excellent opportunity to debate Canada's role in a changing world and to discuss our relations with other countries, particularly with neighbouring countries. The motion has two substantive items of condemnation. The first condemns the government for failing to employ and improve firm and constructive economic and political relations with the United States, and the second condemns the government:

> ... for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly skilled human resources.

Since I agree with the second criticism and want to disagree with the first, let me deal with the second criticism first.

Mr. Francis: At least you are being logical.

Mr. Douglas: Let me say first of all that this party supports the statement in the motion which condemns the government for its failure to develop policies which would strengthen our economic independence. In Canada that has become now rather like being in favour of motherhood and apple pie. I thought there was a good deal of contradiction in the speech made by the hon. member for Hillsborough, since in one breath he wants the government to establish better relations and be more quiescent to the United States and in the next talks about strengthening our economic and political independence. I do not know how you do that except by talking frankly and dwelling in a world of reality, not in a world of sentiment.

Some hon. Members: Hear, hear!

Mr. Douglas: There is no doubt that in this country today, in the business world, among working people, farmers and the public generally, there is a growing demand that Canada strengthen its economic independence. That does not mean that we Canadians want to live in a state of economic isolation or self-sufficiency. Canada is a trading nation which must trade in order to live, and we know that we cannot live unto ourselves. But trading relationships with other countries do not imply that we have to turn over to the control of foreign corporations and multinational corporations the control and ownerships of the resources and the economic activities of this country.

Some hon. Members: Hear, hear!

Mr. Douglas: Pleading for economic independence does not mean that those who do so are anti-American. This accusation has been thrown many times at those of us who have spoken along this line. As a matter of fact, the other day I raised on two occasions the question of Supertest being taken over by British Petroleum Limited. That is not an American company, but is a company 51 per cent of the shares of which are owned by the government of the United Kingdom. It is really almost a Crown corporation. I am not concerned about whether they are American companies, Japanese, Russian, British, French or German companies. I am opposed to any foreign corporations having the decision making power that affects the economic destiny or the welfare of the people of this country.

Some hon. Members: Hear, hear!

Mr. Douglas: This does not mean either isolationism or a spirit of animosity to other countries. Sweden, Norway, Switzerland and Japan have all passed legislation limiting the amount of foreign ownership in their respective countries. As a matter of fact, Japan, which has probably received more massive inputs of American capital than any other country in the world, two years ago passed some of the most restrictive legislation that can be found on the statute books of any country limiting the amount of foreign ownership which there can be in that land.

There is no doubt that Canada will always have a special relationship with the United States; 70 per cent of our export trade goes to the United States, and we buy from and sell to the United States more than any other country. Because of our proximity, because of the fact that our economies are to a very large extent complementary, this type of trading relationship is bound to continue, but it must continue on the basis of our being masters in our own house and not on the basis of being renters in our own country with the decisions affecting this country being made elsewhere.

I want to say that I do not think any motion of condemnation can be too strong with respect to the failure of the Liberal government to take effective action to stop this steady erosion of Canadian control of our economy. We have now reached the place where in the last three years 200 take-overs annually by foreign companies have further eroded Canadian control of our economy. The Liberal party has been strong on rhetoric but it has been poor on performance. I need not go back over the speeches of Mr. Walter Gordon when he spoke about buying back the Canadian economy, or the Watkins Commission set up by the former prime minister which reported in 1967 but following whose report virtually nothing has been done, or the task given to the Minister of National Revenue (Mr. Gray) to look into the question of foreign ownership. I understand that he has made a report to the cabinet which I am convinced we will never be allowed to see. Today that report is virtually dead. This government is giving no indication at all that it intends to take any effective action with respect to the continuing acquisition of Canadian corporations by foreign companies.

Let me turn now to the second ground on which the government is being condemned, that is for failing to employ and improve firm and constructive economic and political relations with the United States. I must say that I am surprised at the way in which this criticism is worded. In recent months there has been a not too subtle campaign carried on in this country, through the press, by some public spokesmen and by the representatives of certain right wing groups, accusing the government of cosying up to the communists and turning their back on our good friends in the United States. The government does not need any defence from me, and I have never proposed to set myself up as one of their defenders. But the fact remains that the statement contained in the motion which we have before us, and the speech made by

the hon. member for Hillsborough (Mr. Macquarrie), seem to be giving effect to exactly that type of campaign.

• (3:50 p.m.)

It is being pointed out, for instance, that the Canadian government voted against the U.S. resolution in the United Nations with respect to the Two-China policy. Well, Mr. Speaker, we in this party have been advocating for years that the government ought to recognize the People's Republic of China and, if we recognized the People's Republic of China we could not also recognize the nationalist government as the government of China. There could not be two governments for China. When the hon. member for Hillsborough criticizes that position, may I remind the House that for 20 years the governments of Great Britain and France have recognized the People's Republic of China as being the government of that country, and not the nationalist government of Taiwan.

There has been criticism of those statements which the Prime Minister (Mr. Trudeau) made in the Soviet Union. They are described as being unuseful and unhelpful. Yet, Mr. Speaker, it seemed to me that the Prime Minister was dealing in the field of reality, in recognizing the difficulties that faced this country both with respect to our relations with the United States and our relations with the Soviet Union.

I am rather intrigued with the new role which the Conservative party is now presuming to play as the champions of the Americans, and holding themselves forth as the party which is best able to establish amicable relations with our friends across the border because Mr. Speaker, many members of this House will recall the elections of 1962 and 1963 when a program of vilification against the right hon. member for Prince Albert (Mr. Diefenbaker) and his government was carried on by the United States, by U.S. companies in Canada. The right hon. member for Prince Albert even claimed that officials of the American government were exerting some influence in that election.

Mr. Paproski: He knows how to forgive.

Some hon. Members: Oh, oh!

Mr. Douglas: I am not criticizing the Conservative party's capacity to forgive. I am questioning their capacity to be any more successful in making friends with the United States now than they were when they were in office. That is what I am questioning.

Some hon. Members: Hear, hear!

Mr. Douglas: Mr. Speaker, I want to say that we in this party believe that anything which can be done to open the windows toward the east, anything which can be done to remove the obstacles to better understanding between our country and any other country, irrespective of its ideology, its race, its colour, or its creed, is all to the good.

Some hon. Members: Hear, hear!

Mr. Douglas: And I do not think that friendship with one country necessarily means that we have to be at enmity with another country. The President of the United States has also recognized this. In spite of whatever differences he may have had over the question of Taiwan in the United Nations, he is proposing to visit Peking. He is proposing to visit Moscow. That is a sensible decision because if we accept the McLuhan concept that the world has now become a global village, then we must make headway in improving the communication of attitudes and ideas between nations in order that there may be better understanding and mutual respect.

The NDP, we have always made clear, is nationalist in its desire to have Canadians control their own political and economic affairs, but it is internationalist in its desire to live in harmony with other nations which have a similar aim. My quarrel with this first criticism in the motion is that in my opinion the Canadian government were not responsible for the deterioration of the economic and political relations with the United States. As a matter of fact, the government have gone a long way to make friendship between the two countries possible.

I need hardly remind the House that as early as May, 1970, Canada unpegged its dollar at considerable cost to our exporters. The dollar went up from 92½ cents to over 99 cents, and in the province of British Columbia every one cent increase in the value of the dollar cost the B.C. forest industry $14 million a year. We in this party supported the government when they did that because we thought it was a courageous and necessary action.

An hon. Member: What did it do to the wheat growers?

Mr. Douglas: It cost them money, too. The Canadian government, both on GATT and on the Kennedy Round, have not only lived up to the agreements but have acted in advance of the agreements with the result that Canada today has the lowest tariffs in its history.

When we talk about the deterioration of relations between Canada and the United States, let us keep in mind some of the things that have happened. It was not Canada's fault that the President of the United States unilaterally, without consultation with anyone, decided to impose a 10 per cent surcharge on imports into the United States, an action which the Minister of Industry, Trade and Commerce (Mr. Pepin) says, if it persists for one year, will mean 90,000 less jobs in Canada. We cannot blame the Canadian government for the fact that the Americans have introduced a buy-American policy, and a 7 per cent tax credit on capital goods which it is estimated will cost Canada at least $100 million a year. We cannot blame the Canadian government for the U.S. Domestic International Sales Corporation, or DISC program. I was glad to see that yesterday it was defeated in a tie vote in a committee of the U.S. Senate, but the Senate is now seeking to revise it and bring it forward again. I hope it does not pass, but it does represent the protectionist forces that are at work in the United States. Those forces are the natural reaction of any Republican administration which, whenever it gets into economic difficulties, retreats into protectionism.

Relations with the United States have been injured not only by those protectionist measures, unilaterally invoked, but there is not any doubt that relations between the United States and many countries have been hurt further by the statements by the President of the United States and some of the leaders in Congress when they threaten to retaliate against the countries which voted against the U.S. resolution on Taiwan. That threat could mean only one thing, namely, that much of the foreign aid was being paid out, not on the basis of human need, but

on the basis of having captive votes at the United Nations, which could be counted upon when they were required.

• (4:00 p.m.)

The decision of the President of the United States to go ahead with the Amchitka test despite the protests of the Canadian Parliament, the government of Japan and even the Governor of Alaska, to say nothing of the thousands of conservationists in the United States, has done nothing to improve American relations with the other countries of the world.

Mr. Speaker, I am not saying that there is an end to friendship because certain actions have been taken by the Americans which annoy us and which annoy other countries. One of the tests of friendship is that you can annoy one another, disagree with one another, patch it up and again be friends. This is what we have to do. What I do object to is that the government of Canada is blamed for the deteriorating relations between Canada and the United States, when I think the United States government must accept a major part of the blame.

Some hon. Members: Hear, hear!

Mr. Douglas: Heaven knows this government has enough sins on its conscience and has made enough blunders on its own without blaming them for the mistakes which the government of the United States has made.

Some hon. Members: Hear, hear!

Mr. Douglas: Mr. Speaker, where I do criticize this government is for its failure to respond adequately to the protectionist measures introduced by the President of the United States. Those measures were announced on August 15. On November 3, two and a half months later, we still do not know what provisions the United States government is laying down as a condition for removing the 10 per cent surcharge or any of the other protectionist measures that were invoked. The government keeps telling us that they do not know what the Americans want as a *quid pro quo*. The Minister of Industry, Trade and Commerce says they are waiting for a list of irritants. But everybody else seems to know, Mr. Speaker. The Secretary of the Treasury, John Connally, makes speeches in the United States and in London, wherever he goes, saying that the only way the surcharge will be removed is to get certain bilateral talks going with the various trading partners of the United States with a view to reversing the American unfavourable balance of payments. Mr. John Petty, Assistant Secretary of the Treasury, has been laying down what he considers to be the conditions for a removal of the surcharge.

One can probably disregard the conjectures that come from correspondents in Washington, but one cannot disregard the fact that Mr. Petty called a press conference to state on behalf of his Secretary, Mr. Connally, and the American government, that two of the conditions which must be met by Canada were, first, removal of the transitional safeguards in the Canada-U.S. auto pact and, second, an increase in the value of the Canadian dollar. Mr. Connally has gone further and said there are other matters which the Canadian government would have to deal with in order to help the United States balance its international payments.

The fact is that in recent months the world has entered a new phase in international trade. We are now playing in a different ball game. For the moment at least, the United States has retreated into a citadel of protectionism. Great Britain has just had a vote in the House of Commons approving entry into the European Economic Community. As one prominent business executive said the other day, Canada is in grave danger of being the "odd man out" in the international trade picture.

My quarrel with the government is not that they are responsible for deteriorating relationships between Canada and the United States; my quarrel with the government is that they have said nothing and done nothing to indicate what they propose to do in this very confused and difficult situation. Members of this party, through the leader of our party and through the hon. member for Waterloo (Mr. Saltsman) in the debate on the Employment Support Act which was before the House, outlined some of the economic measures that we thought the Canadian government should adopt. They referred to such things as monetary policy and lowering our interest rates which would have an effect on inflow of capital—thereby keeping our dollar from going beyond parity, the need for fiscal measures that would increase effective demand by lowering taxes on low income groups, the proposal that we should use our raw materials, and particularly our energy resources, as bargaining tools for getting access to American and other markets for our processed and manufactured goods.

We are not without weapons in this matter. We do not want to enter into a trade war and retaliation would be sheer nonsense for Canada. But we are not completely defenseless. The OECD has pointed out that Canadians consume more imported goods per capita than any country in the world—$700 per Canadian as compared with $185 in the United States and $150 in Japan. We are a very good market. Despite the fact that we are only one-tenth the size of the United States, we are their best customer and a great market for their goods. We have established the lowest tariffs in Canadian history. We have co-operated in the matter of GATT and the Kennedy Round. Surely, we ought to know what the government is doing in respect of its negotiations with the United States. We are not told by officials or ministers whether any discussions are going on; all we are told is that we are waiting for this list of irritants.

Canada has entered a very difficult phase in her international trading relationships. We are either going to be integrated with the United States in some form of continentalism or we are going to try to establish some type of viable economic relationship with the European Economic Community or we are going to continue to build, if we can, multilateral trading relationships with as many countries as we can, looking particularly to those nations of the Pacific rim. But what is the government's policy? What is it seeking to do? How does it propose to offset the economic dangers and disadvantage that will derive from the protectionist measures taken by the United States? I want to plead with the government to come clean with the Canadian people and to stop taking this attitude, like Mr. Micawber, that if you sit still and do nothing something will turn up.

Therefore, I move, second by the hon. member for Winnipeg North Centre (Mr. Knowles):

That the motion be amended by deleting therefrom all the words from "noting the continuing" to and including the words "at the same time", and by substituting therefor the following words:

"condemns the government for failing to respond adequately and effectively to the protectionist measures introduced unilaterally by the United States, and".

• (4:10 p.m.)

If the amendment were accepted by the House, the motion would then read:

That this House condemns the Government for failing to respond adequately and effectively to the protectionist measures introduced unilaterally by the United States, and for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

Some hon. Members: Hear, hear!

The Acting Speaker (Mr. Laniel): Order, please. Hon. members have heard the motion put by the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas). Although the Chair might be ready at first glance to accept this amendment, in all fairness it feels it should at this time invite the comments of hon. members. I think the House is placing itself in a difficult situation because the acceptance of this amendment might open the way to abuses of these motions on future occasions.

This being a debate on an opposition day, identified with one party of this House, in my opinion it would be unjust to that party, for the Chair and the House to allow an amendment that more or less brings in a completely new question or substitutes one question for another. The reason I said at the outset that I might be able to accept this amendment is that it seems to bring a closely related question into the amendment. Although it substitutes another approach to the problem mentioned in the motion which is before the House, it still concerns the relations between the two governments. If hon. members have opinions, I invite them to bring them to the attention of the Chair. I will reserve my decision.

Mr. G. W. Baldwin (Peace River): Mr. Speaker, one finds it difficult to resist Your Honour's suggestion. Hon. members have opinions about almost everything. Certainly, I have an opinion on this particular aspect. I take the same approach as the Chair. I am not only concerned about this particular situation, but about possibilities which may exist in the future. While interpretations in the past have not been quite as rigid with regard to opposition motions as they have been with regard to other motions in the House, this is a new departure in this House in dealing with motions on opposition days.

Let us look at it in this sense. If the motion which Your Honour has to consider stopped at the words "the United States" on line seven of the motion which appears on the order paper, the effect of the amendment would be to get the original motion. It would supplant it with a matter involving a completely new idea, principle and approach. All that would be parallel up to that point would be that both condemn the government. The reasons for condemning the government are totally different. An opposition party moving an amendment might well be deprived of

putting the government in an equivocal position in light of what another party endeavours to supplant for that part of the motion. I am not going to get into the merits. My colleagues will do that later.

Concerning the view which the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) took with regard to the issue, he said quite specifically "I disagree with the first part of the motion and I agree with the second." Under those conditions, Your Honour must have some regard for the rules relating to the right of an hon. member of this House to express an opinion on a motion. You can vote for it, vote against it or endeavour to amend it in a way that is acceptable. However, you cannot, through a motion in the form of an expanded negative, put something entirely different in its place.

Listening to Your Honour carefully, I have the idea that this is a matter of some concern to the Chair as it is to me. It will certainly alter the procedure we will adopt in this House with regard to opposition motions from here on if another party seeking to deal with such a motion can effectively remove the opportunity to consider the basic and fundamental principle expressed in the motion by putting something else in its place. I am not going to argue rigidly on this because we are making up our jurisprudence as we go along without departing too far from some of the rules of the past. I simply ask Your Honour to consider what our position will be if the amendment is accepted. I think this is important in light of our intent. What did we intend to do? What does this amendment seek to put in place of the motion? The amendment is far removed from the motion that there is not that relationship which should exist with regard to an amendment. I leave it at that.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I certainly do not quarrel with the position taken by Your Honour and underlined by the hon. member for Peace River (Mr. Baldwin) concerning the abuses which there could be if an amendment to a motion were such that it completely destroyed the original motion or put something in its place that is entirely different from that which had been placed before the House in the first instance. I think it becomes a matter of judgment as to whether or not the amendment we have put forward is guilty of that abuse. I do not think it is, otherwise I would not be associated with it. It is, after all, a matter of judgment.

Although the hon. member for Peace River seemed to come down on the side of thinking that the amendment ought not to be allowed, he certainly did not press the point with the vigour of which I know him to be capable. In other words, it does not bother him as much as it might. He realizes that his party is in a position that if it does not like the alterations we have made it can vote against our amendment and thus get a final vote on his party's motion in the words in which it was placed on the order paper. Recognizing that there is a line beyond which we must not go in presenting amendments, I do press the proposition that when a motion is placed before us which contains two separate ideas we surely have the right not to be forced to vote on those two ideas at one and the same time. Basically, this is what we have sought to avoid, by cutting out of the motion a portion of it with which we

find it difficult to agree. I do not mind saying that in the consideration of what we might do at this point we did discuss the possibility of simply moving to cut out the offensive part of the motion before us, leaving in the part with which we agree.

• (4:20 p.m.)

I submit that as long as we are in the same area, it is appropriate for us to suggest something a little different in connection with the subject on which the original motion pronounces. We could not go along with the part in the middle of the motion which talks about the government "failing to employ and improve firm and constructive economic and political relations with the United States". We think there is a problem there about which the House should be concerned, but we believe the issue is stated more effectively in the wording we have put forward asking that the House condemn the government for failing to respond adequately and effectively to the protectionist measures introduced unilaterally by the United States. In other words, it seems to me that the first part of the motion is really by way of preamble, and not particularly important. We thought it would be better if those words were left out. Then, when we come to the first idea proposed, we felt it would be better stated in more forceful terms. As to the final proposition, we agreed with it, so we left it.

All told, I think our amendment avoids the kind of abuse against which Your Honour has warned us. Since the hon. member for Peace River did not rise to the heights he sometimes reaches in this House I suggest Your Honour would be quite justified in putting the amendment.

[*Translation*]

Mr. René Matte (Champlain): Mr. Speaker, as regard the procedure to be adopted to decide on the acceptability of this motion, I would like to underline a few points. I think that Your Honour was justified in advising the House to avoid moving too many amendments to motions submitted by opposition parties.

I believe that the privilege of making use of opposition days enables each party to move motions, and I wonder why someone would attempt to amend a substantive motion submitted on behalf of a party. I think that your advice to the House deserves our earnest consideration. However, I would like to state the reason which may lead to suggesting amendments to certain motions of the opposition. Actually, when the question on the motion before us is put, we will have the opportunity, if the amendment is accepted, to vote on a new amendment.

There is perhaps a way out of this difficulty which would consist in accepting all the motions of the opposition parties on opposition days.

[*English*]

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I want to add one thought to our discussion of this matter. The normal manner of amending a motion such as this is to add words by way of supplying more particulars or more precise direction. Virtually all the amendments that are made to motions of this kind are in this form. If this had been done in the case before us, the hon. member would have brought his amendment into the area of relevancy. However, he has found it necessary to move to delete a major portion of the original motion and substitute something else. This, by admission, results in a completely new approach from the original motion. I think the amendment takes us in a completely different direction from the one suggested in the original motion and that it cannot be said to be directly relevant to the original motion.

Mr. Andrew Brewin (Greenwood): Mr. Speaker, I do not propose to add any lengthy argument to what you have already heard. But, surely, the hon. member for Parry Sound-Muskoka is wrong in suggesting that this is not a legitimate amendment because it does not confine itself to adding certain words. All of us who are experienced in parliamentary matters are familiar with amendments which propose to take out certain words and substitute other words therefor. This is a familiar practice and the limitation which the hon. member suggests is totally out of conformity with this practice.

The other point I have in mind has been made already, but I believe it might be emphasized. I can understand that an amendment in these circumstances would be out of order if it introduced a totally new subject matter into the resolution. However, if it proposes a new method of dealing with the subject matter of the resolution it is, surely, a legitimate amendment. This is precisely the situation here. We are not introducing any new subject matter. We are proposing an alternative way of dealing with the subject matter which has been introduced.

Mr. Edward Broadbent (Oshawa-Whitby): I should like to add a few brief words to what has been said on this matter, Mr. Speaker. It has already been stated that there are two substantial aspects of the motion introduced by the Conservative party. The first deals with economic or governmental relationships between Canada and the United States. The second deals with our own economic policies. It has been agreed that our amendment coincides with the second half and, indeed, we have changed the wording of the original motion.

The question has been raised whether the first part of the motion has been altered to such a degree as to depart entirely from the substance of the matter. I suggest that this is not the case. The original motion comments upon existing Canada-United States relations. The amendment presented by this party comments upon exactly the same relations between Canada and the United States but offers an alternative interpretation of those relationships and of what should be done about them. Therefore, I am arguing that in terms of the substance of both parts of the original motion, the proposed amendment of the New Democratic Party should be accepted as being procedurally correct.

• (4:30 p.m.)

The Acting Speaker (Mr. Laniel): Order, please. I thank hon. members for their comments, at the invitation of the Chair, on this difficult point.

[*Translation*]

First of all I would like to thank the hon. member for Champlain (M. Matte) who to a certain extent repeated what I said regarding the danger for this House to accept

such an amendment. It is the point I had raised at the outset when I reserved my decision. In my opinion it was important for an hon. member to insist on that point and show the danger of making the rules of this House flexible to the point where they lose their importance.

[*English*]

The hon. member for Winnipeg North Centre (Mr. Knowles) said in his argument that although he saw some difficulty, since he blamed the motion itself for touching two subject matters, he seemed to expect from the hon. member for Peace River a silent acceptance of the amendment. I must tell the hon. member that the Chair cannot make a judgment on the mere fact that one party would find it possible at some time or another to vote for or against the amendment or to approve completely or more strongly disapprove of the amendment. I think the question in front of us is more important than that. The reason the Chair has made this point is that it felt this might be a good opportunity for us to establish some kind of guidelines to help opposition parties in further debates and in the preparation of their motions on opposition days as well as in the preparation of amendments.

I still feel that the rule of relevancy, whether in a debate on an opposition day or any other kind of debate, is the basic rule of debate in the democratic process of this House, although it is more difficult to apply that rule when a motion before the House covers two different matters, or matters which though related could be treated separately or debated separately. However, I think the point made by the hon. member for Winnipeg North Centre is very well taken. At the same time, he said that the acceptance of this amendment is a matter of judgment. Again I say that that judgment cannot be based on the kind of point made by the hon. member for Peace River.

The Chair has listened to the views that were expressed and has again read the motion put by the hon. member for Hillsborough, but I must say that the position of the Chair has been one of hesitation. At first when the motion was put to me, it was my intention to warn the House of the kind of difficulty in which it was putting itself by presenting such an amendment, and there were some guidelines that I wanted to offer hon. members either for the preparation of amendments or for motions put on such occasions.

While the procedural debate went on I made a further study of what was basically in the motion and in the amendment and became more and more convinced that it would be very difficult for me at this time to accept the amendment in its present form. Taking into account the fact that this debate will go on for two days, I feel that I should invite the hon. member for Winnipeg North Centre or any other member from his party, in order to protect the House and its procedure, to take a later opportunity of presenting a modified amendment. Alternatively, he may want to accept the proposition that has been put by the hon. member for Peace River to eliminate the words after "United States" and have the amendment begin after those words. In that case, it would be my feeling that he would leave in the motion of the official opposition the first proposition, which I think is the crux of what the representative of that party wanted to bring to the attention of this House.

[The Acting Speaker (Mr. Laniel).]

If the hon. member for Peace River does not accept the suggestion made by the Chair at this time I have no alternative but to refuse the amendment.

Mr. Baldwin: No, Mr. Speaker, I do not accept it.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, you seem to have made two suggestions and we are prepared to follow either one of them. The simplest suggestion, of course, is that the amendment be not accepted and that our next speaker try again, bearing in mind the points made by the Chair. On the other hand, considering your other suggestion, if it were acceptable to the Chair that the amendment delete only those words in the middle of the motion, namely "for failing to employ and improve firm and constructive economic and political relations with the United States" and substitute the words "for failing to respond adequately and effectively to the protectionist measures introduced unilaterally by the United States", my colleague for Nanaimo-Cowichan-The Islands would be prepared to alter the amendment accordingly.

The Acting Speaker (Mr. Laniel): This is not the suggestion that the Chair had in mind, nor the suggestion which was made by the hon. member for Peace River. I think the best solution would be for the hon. member and his party to look at the question again and that their next speaker bring in a motion that would meet the rules and requirements of the procedures of the House.

Mr. Knowles (Winnipeg North Centre): Thank you, Sir, that is what we will do.

• (4:40 p.m.)

[*Translation*]

Mr. René Matte (Champlain): Mr. Speaker, we now have the opportunity of considering a motion allowing us to determine where we stand in the relationships that exist between the government of Canada and that of the United States. It is important that we may immediately bring to light certain facts regarding those relationships because it would be a sad day if we were to wake up one morning and realize that they have aggravated to the point of creating a disruptive or disastrous situation.

Mr. Speaker, the whole Canadian nation is aware of the fact that the relationships between the Canadian government and the United States are not so good. They have been better in the past. This is due to several factors, and may I be permitted to single out a few of them. First, despite its relatively small population compared with the United States, Canada is of course always at a disadvantage if one looks at this population differential, and of course it is very difficult to set up a policy in the present system. May I say in passing that if we had a system different from the one we now have those problems could not exist or would be much smaller in any case.

Because of this situation, we find it difficult to gain a degree of economic independence. We must, despite our efforts to reach economic independence, continue to abide by most of the decisions taken by American high finance. It is therefore not easy, in the light of such a factor, to improve our relations if we aim at reducing more and more the American share in our economy.

Some others factors should be taken into account. For years, even if no action was taken in this direction, our leaders and particularly the Canadian people, have been most anxious to be more and more independent from the United States from an economic standpoint. Certainly all our governments have more or less wanted this.

The head of our present government is well known, particularly in the United States, for his anti-Americanism.

That does not contribute to create a favourable climate, all the more so since the head of this government seems to be trying to implement certain theories he has always had. He seems to be trying at all costs to eliminate American domination—and on this I agree with him—but nevertheless some specific facts should be considered.

From the orientation which is given at the top, the government seems to be trying to reduce the American hold on Canada by shifting this hold to other countries.

Let's get our facts straight here. Of course we should diversify our foreign trade. With our present system the more we have clients, the more we have trade relations with as many nations as possible, the more it is beneficial to our economy.

Still, if we should give some other orientation to our economy, simply in order to shield it from American influence, without giving enough thought to establishing new relations with other countries, the relations between our two countries would deteriorate even more.

No wonder, having in mind such factors, that the President of the United States, when deciding to impose the famous surcharge on imports, would not at all consider the consequences of his move on the economic and political climate in Canada.

No wonder, since the people in the United States know very well that the stand taken by Canada's Prime Minister (Mr. Trudeau) is definitely pro-Canadian.

Mr. Speaker, no doubt anti-Americanism antagonizes our neighbour to the South; this is a fact. However, our geographical, political and economic situation being what it is, we must, as the motion says, consider other essential factors such as our mutual interests.

Mr. Speaker, we can say all we want about economic domination, financial take-over and even undue political influence on the part of the American people, but there is a fact that we cannot ignore: they are our neighbours and, consequently, the mutual interests of both countries have to be preserved.

Moreover, we must not for any consideration whatever aggravate good relations but rather always respect neighbours who are ready to help us, to stretch out a hand and who are always courteous.

Mr. Speaker, that does not mean—and I strongly insist on this—that we should not do anything to secure our economic independence. I do not mean that at all when I talk about the need to preserve our common interests and ensure mutual respect between our two nations.

The fact remains that, as indicated in the motion, and while showing a firm and constructive attitude, there are surely means of improving our relations with our neighbours without bullying or insulting them. There is not only the possibility of considering that there are means; we have no choice, we must take them since it has to do with our neighbours.

Under the economic system we tolerate or have to put up with—no matter what term we use—we can be sure that we need the United States and who ever would claim to make the economy totally independent in the present system would make a great mistake, Mr. Speaker.

Therefore, I believe the government is illogical. Without changing the basic part of the system, which is causing those difficulties, it is still striving to widen the financial and economic gap between Americans and Canadians. It is impossible, since we have a system which accepts and tolerates the absurd.

No one worries about the physical capabilities for production of the country. This is not the question asked. Rather, one asks: can we produce more profitably? That is a stupid principle and, as long as that question is being asked, we shall unfortunately have to purchase American or other foreign goods. Why? Because a country of 23 million inhabitants, a country with fewer workers, with less human potential, cannot compete with American or other foreign industries. It is impossible! And yet, that is what the present system favours.

We have always held, and we still do, that we could effect a change. A sound economy must rest on other principles than those that will inevitably lead us to economic and financial failure.

• (4:50 p.m.)

If we were to apply this principle in Canada, even to a limited extent, we should first ask ourselves what our requirements are. Second, we should wonder what are our possibilities of producing what we require.

Once these two questions have been asked, we would realize that when nothing more than capital is involved and there is no permission to be obtained from financial interests, this is neither a problem nor a mystery but a very simple thing. If we are physically capable of achieving production, let us make it financially feasible.

If we had such a system, we would never maintain bad relations with other countries since we would not be interested in producing for nothing or purchasing from other sources what we could produce in this country.

To do so, we only have to apply a basic mathematic rule, that is to give to the people the necessary purchasing power to consume national production.

Mr. Speaker, the more abundant and satisfactory our goods, the more we will increase the standard of living of each Canadian. Thus, whatever may happen in the United States or in Europe, we will be wearing clothes and shoes made by us. It matters little if President Nixon decides to let go of one if all the foodstuff we need is available.

Moreover, when we will only have to trade our surplus products for a few lemons, oranges or bananas, there will be no more problem. I still wonder by virtue of what idiotic principles we will buy carrots in the United States, under the pretext that they are less expensive. It must be pointed out that this is not true, and in any event, the principle is not sound. If we can grow them here, let us do so. Would there be then a problem of labour? The motion concludes by saying, and I quote:

—a new economic policy which would strengthen our economic

independence and fully employ our growing and highly-skilled human resources.

I agree. The intention of the mover of the motion may not be the same as my own, but I know that to apply that motion, one only has to tell Canadians to produce what they need. Then, the labour problem would automatically be solved. Then our problems with the U.S. are settled for, if China and Russia buy millions of bushels of wheat from us, it is probably not to help us get rid of our surplus production but because they need it.

It is very difficult to create artificial needs in foreign countries to get rid of our production. This is what allows us to see, how disastrous and stupid it is to base an economy on trade relations with countries other than those with which we normally trade. That is the problem. Last summer the U.S. simply decided to protect their producers by imposing an import surtax. In an economic system such as the one advocated by the Social Credit, this would not have damaged our economy at all. In addition to the evidence of certain facts like the strained relations now existing under the present system between the United States and Canada—no matter what the prime minister may say—we have to admit that we are closely related to the American policy. We are bound by their rulings and the only way we can free ourselves from their economic influence—since all other pressures from that country are due to their economic stronghold over Canada is to apply the formula under which we produce ourselves all we need and to ask ourselves but one question: Is it physically possible? If so, we only have to make it financially workable.

[*English*]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I welcome this debate for two reasons. First, it brings to light an effort being mounted by the Official Opposition to convince the Canadian people that the Canadian government is anti-American. Second, it gives the Official Opposition an opportunity to state what it would do in response to the economic measures of the Nixon administration. After listening to the hon. member for Hillsborough (Mr. Macquarrie) I suggest to him that he did not make a very strong case of anti-Americanism against this government nor did he make a very strong case on even the narrow issue of communications. I like listening to the hon. member for Hillsborough. I find his speeches charming, and I admire his wit. There is not always as much substance as wit, but I suppose that is true of most speeches. But there were many occasions when I listened to him today when I applauded.

• (5:00 p.m.)

An hon. Member: Let us have a little substance.

Mr. Sharp: The sentiments that he expressed were sentiments with which we could all agree, namely the importance of good relations with the United States and that no government should embark upon anti-Americanism, and so on. These were sentiments that we could applaud heartily. Indeed, I think the applause from this side of the House sometimes exceeded the applause from those behind him.

However that may be, in my opinion the trouble is that the hon. gentleman is not quite convinced about his own case. Indeed, he is not quite sure what this motion means, and of course we are very puzzled, too. Perhaps I may attempt to paraphrase the motion which I tried to read a number of times. Perhaps with the amendment it will not be necessary to read all of it, but in any event, taking the motion as presented, it condemns the government for failing to be closer to the United States, and at the same time it condemns it for not being more independent. Perhaps that is possible for the opposition but for the government it just does not make any sense, and I think the hon. gentleman should have clarified his intention which is not at all clear in the motion.

Indeed, I thought the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) dealt very effectively with the hypocrisy of the motion of the Official Opposition.

Some hon. Members: Hear, hear!

Mr. Sharp: The real problem I suspect is that the Official Opposition has not resolved its own internal problems. I think of its attitude toward China, and I listened to the spokesmen on the other side and, if I may say so, I do not really know who speaks for the Official Opposition on this question. I listened to the hon. member for Hillsborough, and I have listened to the hon. member for Fundy-Royal (Mr. Fairweather). I am not quite sure whom I should believe. Sometimes I would like to know who does speak for the Progressive Conservative party with regard to its policy toward China.

Mr. Chrétien: They have no policy on anything.

Mr. Donald MacInnis (Cape Breton-East Richmond): I rise on a point of order, Mr. Speaker. I wish to draw your attention to the fact that the minister does not know the rules of the House when referring to the Official Opposition, and he should learn how to do it.

Mr. Perrault: That is not an official point of order, either.

Mr. MacInnis: I would very much appreciate a ruling as to whether the minister may continue to refer to the Official Opposition in the manner in which he did.

Mr. Sharp: Mr. Speaker—

Mr. MacInnis: Mr. Speaker, I asked for a ruling from the Chair.

The Acting Speaker (Mr. Laniel): It would be difficult for the Chair to make a ruling on something that he did not hear. The Chair was speaking to the Deputy Speaker. If the hon. member wishes to make a specific charge and tell the House what cannot be accepted under the rules, I will try to make a ruling.

Mr. MacInnis: The minister should know that under the rules he must not refer to any political party in this House. He referred to members on this side of the House in their capacity as members of the Official Opposition or of the opposition parties, but he may not put name tags on members on this side and he may not express opinions in this House; that has been ruled upon several times. I think it is time that the minister was told some of the rules which he should observe. If the Chair has not been listening, it might be better to send for Mr. Speaker.

Mr. Sharp: If I may continue, if it would satisfy the hon. member, may I make two statements.

The Acting Speaker (Mr. Laniel): Order, please. The Chair has been asked to make a ruling. Although I feel that the hon. member is a little aggressive toward the Chair, I will try to make a ruling. I think that it has been the practice—perhaps not the best practice but an accepted practice in the House—to refer to opposition members in other ways than as members of the Official Opposition.

I have heard many times from both sides of the House identification of members as members of their parties. This is not the proper procedure which is to identify members by the name of their riding. I think that the point of order was taken too far. At this time, I can only take the opportunity to invite hon. members who take the floor to follow the basic rule of the House to identify hon. members by their constituency and not by name or by any other means.

Mr. MacInnis: I have one further point of order, Mr. Speaker, and I will make it simple for the Chair. The minister, in his last few remarks, referred to the China situation and to members of the Official Opposition who spoke on this matter. I draw your attention to the motion before us and I ask you, Mr. Speaker, to bring the minister back to the motion before the House. We are not discussing the China policy at this time.

The Acting Speaker (Mr. Laniel): Order, please. The hon. member is asking me to rule on the procedural acceptability of some of the remarks of the minister. I do not feel that the point of order is valid. If he so desires, he may raise another point of order regarding relevancy, but the point of order which he put forward in my view relates mainly to the language used by the minister and the Chair cannot comment further on the remarks of the minister. This is a question of debate and, although the minister's remarks might not have been relevant to the motion before the House, the Chair will follow what the minister has to say from now on.

Mr. Sharp: Mr. Speaker, the reason I was referring to China was that I had been invited to do so by the hon. member for Hillsborough who, I was assuming, spoke both for the Official Opposition and as a member of the Progressive Conservative party.

Mr. MacInnis: Would the minister permit a question?

An hon. Member: Sit down.

Mr. MacInnis: The minister surrendered the floor to me to permit a question. Now that he is dealing with China, would he also deal with the remarks of the Prime Minister (Mr. Trudeau) when he spoke in Russia about the American military threat?

The Acting Speaker (Mr. Laniel): Order, please. Perhaps the Chair should take the opportunity to intervene and to bring the attention of hon. members to the motion before the House. Questions as well as speeches should be relevant to the motion.

Mr. Sharp: The hon. member for Hillsborough had been outlining in his speech the attitude that he took toward the question of the membership of China in the United Nations as a point at issue between Canada and the United States. I do not agree with his point of view, and I suggest that some members of the official opposition and of his party do not agree with him, either. So, I suggest that this is a question upon which the official opposition should make up its mind before it brings a motion such as this before the House of Commons.

Some hon. Members: Hear, hear.

Mr. Sharp: The attitude of the Official Opposition even toward Amchitka seems to me to be ambivalent. It is remarkable that there was only one member of this House present at that time who voted against the resolution of the House of Commons upon the Amchitka test, and it was a member of the Official Opposition who spoke about it and indicated that that was the position he would take. I suggest that this kind of issue should be resolved within the opposition before they accuse the government of not having a firm policy toward the United States.

I will bring forward another of these issues at stake between Canada and the United States, namely, the auto pact. What has been the position of the Official Opposition on the auto pact? They condemned it. That was their initial position. But now, after the benefits of the automobile agreement have become manifest, they are very anxious that the government should protect the interests of Canada. I suggest once again that the Official Opposition should make up their minds how they want to deal with the United States, and with the issues which are under discussion between our two countries. Indeed, I suggest in general that the attitude of the Official Opposition towards the United States is ambivalent. The attitude of this government towards the United States is not ambivalent. We have taken clear positions and we intend to continue to do so. We think that is the way to maintain good relationships with our friend to the south.

• (5:10 p.m.)

When I think back to the rapid deterioration that took place in relationships between Canada and the United States between the years 1957 and 1963, when a government led by the official opposition was in office, my view and I think it is one that history will confirm, is that the problem arose out of the lack of a firm policy on the part of the government of that day. It was the confusion in the minds of the Americans about Canadian government policy that led to that very serious deterioration in relationships that the hon. member for Hillsborough, in his selective reading of history, omitted to mention. It seems to me, Mr. Speaker, that the main problem we have here, to quote the words of the resolution put forward by the hon. member for Hillsborough, is that the official opposition fails to see that there is no reason why a distinct Canadian policy should be detrimental to the "common interest" we share with the United States, or detract from the "mutual respect" that the two countries share.

We have our own interests, but we are aware of and are taking into account the interests of others. Our interests compete. Competition produces some friction and it generates heat. But the degree of friction is a function of the complexity of our contacts. We do not have many problems in our relationships with Mongolia. That is because we have very few contacts with Mongolia. The problems

that concern us here in our relationships with the United States stem from the many points of contact. That conflict is healthy and it is positive, as long as it is contained and managed.

This resolution speaks about a "continuing deterioration of communication." When he put those words down the hon. member must have had his tongue in his cheek. When I look at the whole complex of mechanisms that have been established between Canada and the United States over the years, and that have been increased since this administration took office, I wonder how the hon. gentleman could have felt justified in putting those words on paper.

You know, Mr. Speaker, I can understand the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) who thinks that the introduction of those words is only going to interfere with a sensible debate on these matters, so he moved that those words should be omitted. I suggest to the hon. gentleman that we would have had a better debate if those words had been omitted because they fail to take into account the tremendous development of relationships between our two countries. I will just mention a few of them. I will first take some of the older, established ones.

There is the Permanent Joint Board on Defence.

Mr. Forrestall: How often has it met in the last five years?

Mr. Sharp: It has met frequently, and it is meeting very soon. They share information and resolve problems about the joint defence of North America. Two countries whose relationships are bad are not going to be talking about their joint defence. Countries that have a continuing deterioration in communications and whose relationships are bad are certainly not going to be talking about common defence problems.

The International Joint Commission which was established to regulate disputes over boundary waters is to be the chosen instrument to carry out an agreement between Canada and the United States to achieve, maintain and monitor water quality standards in the Great Lakes, the first agreement of this magnitude between any two countries in the world, and under negotiation right now despite the Official Opposition's doubts of the effectiveness of our communications.

So important indeed and so far reaching are our relationships that our two countries established a joint ministerial committee many years ago, when Mr. Pearson occupied my present portfolio under Prime Minister St. Laurent. This committee has met frequently during this administration. It last met in November, 1970. Preparations are under way for another meeting of the committee soon. U.S.-Canadian relationships are not static. They have been changing to meet the changing circumstances that are now emerging, and profound changes are taking place in power relationships.

There is the emergence of China as a member of the Security Council, and probably as the leader of the Third World. Just this morning I had the opportunity of having private conversations with the Foreign Minister of Yugoslavia, and we were speculating about the result of the entry of the People's Republic of China into the United Nations. What a profound change this is going to make in the debates in that assembly, and in the configuration of the power complex.

Then, we must look at the signs of detente, the tumbling down of the old barriers. There is the Berlin Agreement, a four power agreement that is now being negotiated between the two Germanies. There are the first tentative approaches towards a mutually balanced forces reduction in Central Europe, with Manlio Brosio going as an explorer from the NATO countries to talk with the Soviet Union to find out if the Soviet Union is serious. A European security conference is now being planned.

Then, we must look at the trading patterns, the emergence of the Common Market not just as a group of six but as a group of ten that will account for 45 per cent of world trade. We must look also at the U.S. balance of payments problems. It is against this background that the recent Canadian moves and the recent Canadian activities should be seen.

It is childish and, I suggest, very immature to suggest that the tentative and the positive Canadian moves towards better and more rewarding relationships with China, the Soviet Union and other communist nations are an act of defiance towards the United States.

Some hon. Members: Hear, hear!

Mr. Sharp: After all, the United States is moving in the same direction. The other day in answer to a question I said that we are not looking for credit but perhaps we have helped to break down some of the walls that stood in the way of better relationships between the United States, the Soviet Union, and China. And it is childish and immature to suggest that we expect that better relations with China and the Soviet Union will equal, or offset, or replace our close alliance and friendship with the United States.

This is a central fact of our life. We are here situated on the same North American continent. Our destiny and our geography have made it clear that it is in the interests of the Canadian people for us to have good relationships with the people and the government of the United States. Surely, that does not have to be defended as a proposition. That is not new. But there are changes going on. This is one of the reasons Canada decided to exchange diplomats with the People's Republic of China and in due course, and logically to support the occupancy of the China seat in the United Nations by that government. It was not long after we had taken that position and achieved this exchange of diplomats that the President of the United States said he was going to Peking. That was met with applause in the United States. Any suggestion that in taking these initiatives toward China we are acting contrary to the policies of the United States seems to me to be quite confounded by the facts.

• (5:20 p.m.)

Some hon. Members: Hear, hear!

Mr. Sharp: When the hon. gentleman criticizes Canada, by implication, for having diplomatic relations with the People's Republic of China at the expense of the Republic of China government, is he suggesting that we should

have waited until the United States inevitably takes the same step and we follow it meekly? Is that his policy?

An hon. Member: Sure.

Mr. Sharp: It is not mine.

Some hon. Members: Hear, hear!

Mr. Sharp: The hon. gentleman seemed to suggest that somehow we had stood out in the United Nations as the one country that had flown in the face of American public opinion and voted in favour of the Albanian resolution. He knows very well, though he omitted to mention it as he made a selective reading of other matters, that Canada voted alongside all the NATO countries except the United States. We voted with over two-thirds of the full membership of the United Nations. Now, Mr. Speaker, it seems to me that we are acting in a thoroughly logical, responsible and reasonable way. I do think, however, that perhaps we deserve a little bit of credit for having led the procession. It was our action in the establishment of diplomatic relations with Peking that caused many countries to think again about whether they wanted the People's Republic of China or the Republic of China government in the United Nations and they came out in our favour.

Some hon. Members: Hear, hear!

Mr. Brewin: It was so good it should have been done years before.

Mr. Sharp: That could be. We are cultivating relations on a broader front in this world because I believe that is in the Canadian interest; I believe it is in the world interest and I believe it is in the interest of world peace. I believe we are in a position from time to time, even though we are not a very big country, to take useful initiatives and in recent years I think we have done this. I make no apology for it and I certainly do not think it should be termed anti-American, not at all. I think that the United States is rather pleased that Canada was in a position to take some of these initiatives for which they had not quite prepared their own people.

On the question of the Nixon economic measures, Mr. Speaker, I need hardly say that these were not directed against Canada. I have seen some rather silly statements—I must say they were not made in this debate and I hope they will not be—to the effect that somehow the economic measures taken by the United States are directed against us because the United States is not happy with our policy.

Mr. MacInnis: Who made them?

Mr. Sharp: Obviously, this is not so but these are the sort of statements that have been made.

Mr. MacInnis: By whom?

Mr. Sharp: I should like to take this occasion to say that these are obviously a lot—

Mr. MacInnis: Who were they made by?

Mr. Sharp: Various people.

Mr. MacInnis: Name them.

Mr. Sharp: I think that obviously—

Mr. MacInnis: Why bring it up if you are not prepared to name names? Why bring it up?

An hon. Member: Oh, sit down.

Mr. MacInnis: It is just a question of guts, that's all.

Mr. Gibson: You are not impressing anyone.

Mr. Sharp: I met with my Mexican colleagues the other day. We were exchanging views about the American economic policies and I told them that it had been suggested that we did not get an exemption from these measures because the United States was not happy with us and that some sort of retaliation was involved. I mentioned that I expected they were very much affected as well. They replied that they were but they did not think they had done anything to deserve the kind of measures taken against them by the United States. I said, "We are in the fortunate position of having a balance of payment surplus, while you are in balance of payment difficulties." If the United States had wanted to have a selective policy they would have left Mexico out. In effect, these measures were applied by the United States on a universal basis and were not directed particularly against us or anyone.

There are some other issues, Mr. Speaker, upon which the United States and Canada differ. I would draw your attention, for instance, to the Arctic legislation and the law of the sea. I would remind the House that the government acted with the full support of this House. Indeed, as I recall, it was one of those few occasions when this House acted unanimously.

Some hon. Members: Hear, hear!

Mr. Baldwin: Give us something to be unanimous about.

Mr. Sharp: In regard to Amchitka, I have spoken already about the almost unanimous views expressed in this House. I do not think it is a matter on which the opposition can criticize the government for defending Canadian interests or for expressing its opposition, both on the grounds of the dangers to the environment and the need for a complete test ban.

Mr. MacInnis: You are speaking of October 4, I take it.

Mr. Sharp: Mr. Speaker, in conclusion—

Mr. MacInnis: Let's deal with October 4.

Mr. Sharp: —I should like to return to a fundamental principle of relationships between nations. Profound disagreements—and there are some between Canada and the United States, let us not gloss them over—need not endanger nor even impair close and harmonious relations. In the whole course of events since August 15, which was referred to specifically by my hon. friend, communications between the governments have been as forthright and free as ever and probably more voluminous than at any period in living memory. Contact and communication at the ministerial level and between officials have been constant. I have had many conversations with Secretary Rogers on these subjects. The hon. member for Hillsborough said that I have not been in direct and personal contact with Secretary Rogers—I think that is what he

said—but I have made representations on Amchitka, on the economic policies and other issues between us, personally and at length. They have also been made at the official level, and I can think of no more direct form of contact between any two governments than between the foreign ministers.

It is very exceptional in the modern world to find direct communication between heads of government. This should occur only in the most exceptional circumstances and if no other form of communication is possible. In this particular case, we have the machinery for letting the President of the United States and the government of the United States know fully the views of Canada on all the subjects that are under discussion. As you know, the Prime Minister is not reluctant to make his views known. I am certainly very happy to see that the official opposition has as much confidence as I have in the Prime Minister of Canada and know that when he speaks the world listens.

Some hon. Members: Hear, hear!

Mr. Sharp: To come to the question of the relations between the President of the United States and the Prime Minister, the hon. member for Hillsborough omitted to mention the fact that the first contact the Prime Minister of Canada had with any head of government after he took office was with the President of the United States.

Some hon. Members: Hear, hear!

Mr. Sharp: These other visits that are now taking place after we established close and very good relations at the top level, will be useful. They are useful but I do not think, for example, that the Prime Minister would be justified in going to the President and saying, "What I tell you about the Amchitka test is more important than what the members of the House of Commons say."

Some hon. Members: Hear, hear!

Mr. Sharp: I would not advise him in that direction. He has a proper regard for Parliament, even if the Official Opposition does not.

• (5:30 p.m.)

Some hon. Members: Hear, hear!

Mr. Muir: That is the biggest joke you have told this afternoon.

Mr. Sharp: I can only cite the recent actions of the opposition. They consider the Prime Minister more important than Parliament. He does not and I do not.

Some hon. Members: Hear, hear!

Mr. Sharp: The relationship between Canada and the U.S. has always been complex and dynamic. Periods of relative calm generally precede periods of stress. A harmonious U.S.-Canadian relationship remains a paramount factor in Canadian foreign policy as practiced by this government. This is because so many of the things we would like to achieve in the external environment, such as disarmament, new moves toward freer trade, a meaningful response to the more troubling challenges of modern society, will continue to depend on the influence and commitment which the U.S. is prepared to bring into play.

We have every reason to have that very close contact with the United States because we are intimately bound up with the future of that country. When we look outward from North America to the Soviet Union, China and the rest of the world, our perceptions, initiatives and responses do not differ materially from those of the United States.

Nothing, in the opinion of this government, of this House, of the people of Canada, can equal in importance continued good relations with the United States founded on shared hopes, mutual respect and a common heritage of freedom. Nothing is today inhibiting the volume, variety, frankness and frequency of contact between our two governments at ministerial and official levels and between our two peoples at any level anyone may like to mention.

Some hon. Members: Hear, hear!

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, I propose to deal with that part of the motion that has to do with the failure to develop a new economic policy which will strengthen our economic objectives.

Some hon. Members: Hear, hear!

Mr. Fairweather: The opposition has placed this motion before the House as a serious attempt to throw some light on a problem which, whether the minister likes it or not, is causing Canadians some concern. To espouse the cause of Canadian nationalism,—which is the historical position of the party that I have the honour to be part of, does not prevent the fostering of good relations with the United States. To seek to control our natural resources is not to deny them to others who need them, but upon Canadian terms. To want to pursue an independent foreign policy does not exclude sharing many of the aspirations of the United States as she continues to carry a large part of the leadership of the world. I suggest that none of these concepts is mutually exclusive.

I am reminded, if anybody cares at this hour of the day, of a poem that is in danger of becoming a cliché. Because some clichés are acceptable, we all use them. I am reminded of Robert Frost's poem called "The Mending Wall". Interestingly enough, it is the theme of the only speech made in this country outside Parliament by the assassinated President of the United States. I quote:

> . . . The gaps I mean,
> No one has seen them made or heard them made,
> But at spring mending-time we find them there.
> I let my neighbour know beyond the hill;
> And on a day we meet and walk the line
> And set the wall between us once again.
> We keep the wall between us as we go
> To each the boulders that have fallen to each.
> . . . Good fences make good neighbours.

Surely, the point that Frost makes is that the job of keeping the fence in good repair is a joint undertaking. Each side has an obligation. Each side must work at it. Each neighbour has an obligation at spring mending time. The speech of the Minister of Energy, Mines and Resources (Mr. Greene), the off-hand remarks of the Prime Minister (Mr. Trudeau) during his visit to the Soviet

Union, the events of Premier Kosygin's visit, the NATO review, whether one thinks of them as being good or bad really does not matter. In my opinion, they are peripheral to the main issue. The main issue is that in an anxious search for an independent posture, the government has neglected the nurturing of a sound relationship with the United States based upon the interests and aspirations of both our countries.

I do not accuse the government of anti-Americanism. Rather, I accuse it of denying neglect. Our interests and those of the United States require that we trade together. Yet the Prime Minister has still to formulate an economic strategy which will enable us to plan a healthy trading relationship with the United States. Our interests, and those of the United States, call for a relationship which will permit Canadians to have a greater share in the economic decisions which will affect our future. The Prime Minister has failed to provide any leadership which will restore Canadian confidence in our independence in this aspect of our national life. For us, Canadian economic independence and Canadian economic development are inseparable. They are simply the ordering of our economic thrust so that the optimal development of the Canadian and United States economies are mutually beneficial. I have often reflected on the curious aspect of our life, particularly because of the cold climate, that Canadians spend such an inordinate amount of time examining their own navels. Self examination is a preoccupation in this country. Such a pastime may satisfy a deeply felt national psyche, but it is no substitute for national purpose and policy.

There are several attributes of economic independence which I think should be discussed in this debate and in their place. These are ownership, control, costs and benefits of foreign investment in Canada, the phenomenon of the multi-national corporation and the key sector approach to an economic policy. The major issue of the debate on foreign investment is the possible frustration of national trading or commercial policies by the extra-territorial application of the law of the government of the country from whence that investment originates. This is a real issue and I suspect it would be recognized as such by both the foreign country involved and, despite public statements to the contrary, by the officers of the company involved. Policy decisions to deal with the problem would not be resisted by foreign governments. This has been discussed many times, particularly with our American friends.

Because there is a potential for extraterritorial application to Canadian subsidiaries of the laws or regulatory practices of the country of the parent company, there is need for a policy decision by the government of Canada. It is not the foreign capital that is the culprit, but in the case of the United States, it is mainly concerned with the application of that country's anti-trust legislation and legislation dealing with trading with the enemy, whatever that nebulous and mysterious word might mean. It is here that fence-mending should take place.

After all few would deny the validity of a policy which ensures that the operations of any enterprise in Canada, regardless of ownership, are responsive and accountable only to Canadian laws. Because Canada is not now nearly so dependent upon foreign capital, we have room to manoeuver. In recent years we have produced a surplus in our balance of payments on current account which demonstrates a capability on balance to export capital or to retire obligations abroad. This situation will change if, as, and when Canada enters a new phase of economic growth. We are in the midst of a breathing space because of relatively subdued activity. The reason for this lull is, partly, lack of confidence in the present government. The balance of transactions will shift toward a deficit matched by an inflow of capital in one form or another.

• (5:40 p.m.)

I propose that, rather than turn inward in developing policies toward foreign capital, Canada should take the initiative in the international community to establish acceptable rules within which foreign capital will have to operate. Such an initiative would have as its purpose changes in other countries' laws to facilitate desirable international investment. The key to such general policy would be reciprocal treatment of Canadian capital seeking to participate in the economics of other countries.

The provinces must be consulted closely on any new economic policy. There must be much more effort and emphasis placed upon co-ordination of effort. We heard recently, I think it was at the conference of finance ministers, a call for an exposé by the government of the whole philosophy of the Gray report. The once-trumpeted Gray report, which seems to have been shelved or to have been lost somewhere in the flow charts of the cabinet committee system, cannot have much relevance unless there is close consultation with the provinces. I have sought publication of the statistical data which supports the Gray report recommendations, but the government has not yet complied with what I thought was a reasonable request. Secrecy and lack of candour frustrate public discussion and debate.

Canada requires a new national economic policy is designed to: Insist on the processing of more national resources and minerals in Canada; drastically increase the amount of research and development carried on in Canada by companies based here; make attractive the switching of savings to equity investment; promulgate an explicit policy on resource development; exploit Canada's bargaining power when others need our natural resources; co-ordinate these goals with the provinces, which have concurrent constitutional responsibilities in several of these policy areas.

I have often been struck by the fact that when the Minister of Finance tries to cool the economy down a little through fiscal and economic measures, the next thing we know we read stories in the financial pages of our newspapers about visits to New York by representatives of the provinces and the great municipalities in order to get investment capital. I must say this is not altogether the fault of the federal government but there is, in fact, very little co-ordination between the two levels in connection with these very sensitive questions of fiscal and economic direction.

Dependence upon external sources of capital for financing in periods of heavy investment activity has been characteristic of Canadian development. The main source of that capital used, for good historical reasons, to be Britain. However, during the first part of the inter-war period,

the United States became the principal source of external capital, and by 1926 the portion of Canada's international debt owned in that country exceeded that owned in Britain. With some interruption during the 1930's, United States investment in Canada continued to increase, particularly after 1947 when the period of intense activity in the petroleum industry got under way.

More than half of the United States investment in Canada by the end of 1967 had been accumulated since 1957. At $28,030,000, United States investments in 1967 continued to represent more than three-quarters of all non-resident investment in Canada. The main rise between 1957 and 1967 occurred in direct investments in companies controlled in the United States which almost doubled. In the same period, portfolio investments in Canada owned in the United States more than doubled, due mainly to large sales of new issues of securities in that country.

Even if the inflow of United States direct investment capital to Canada were to be reduced in the future, the growth of American-dominated operations in Canada would continue. This has been pointed out earlier in the debate. In recent years, an increasing amount of the funds required to finance the growth of Canadian subsidiaries of American corporations has been financed by retained earnings of Canadian subsidiaries and by borrowing in the Canadian market. The government publication "Foreign Owned Subsidiaries in Canada 1964-1967" reported that:

> In 1965, most of the financing done in the United States was through transactions with parent and affiliated companies . . . In 1967, the larger users of external funds drew largely upon Canadian sources of financing.

A further but related source of concern to Canadians derives from the number of Canadian companies which are being taken over by American owners by the purchase of shares of assets or as the result of mergers. Such take-overs may benefit Canada, for example, by injecting into the economically stagnating firm new financing, new technology, access to new markets, etc. However, there are definite disadvantages to Canada of such take-overs as well. The benefits just mentioned are wiped out when Canadian firms taken over by Americans are not economically stagnating, but rather are viable and successful. In this instance, the net result is to increase the number of United States firms in Canada and to reduce the number of Canadian ones with no net advantage for Canada.

There are many more specific sources of concern to Canadians arising from the increasing American economic intervention. The majority of most federal grants to industries under various programs go to non-resident owned firms, mainly United States firms. Another problem is the large-scale ownership by non-residents, mostly Americans, of intangible industrial property such as patents, trademarks and industrial designs which are particularly important in the most rapidly developing industries based upon improved technology. We heard a warning on this subject the other day from Dr. Firestone who pointed out the need for a whole new policy in the national field of patents, copyright and so on. For example, 96 per cent of all the patents issued in Canada in 1964 were issued to non-residents, a level far higher than that tolerated by any other western country.

The question of how to deal with these issues is not clear-cut. There are a number of complicated factors because United States involvement in our economy has brought with it a lot of benefits as well as disadvantages. The problem is to find a way of reducing the disadvantages without sacrificing all the benefits.

Mr. Deputy Speaker: I regret to interrupt the hon. member. I do so only to advise him that his time has expired.

Mr. Steven Otto (Parliamentary Secretary to Minister of Supply and Services): Mr. Speaker, I have no difficulty at all in understanding the motion. As a member of the government, the Secretary of State for External Affairs (Mr. Sharp) naturally has to couch his words and his thoughts carefully, but as far as I can see the motion is abundantly clear. I venture to say that it sets out the platform issue for the Conservative party for the next federal election.

The motion speaks of a continuing deterioration of communication on the basis of common interest. Somehow, we, as the government, get blamed for this deterioration. It was we, according to the opposition, who instituted the surcharge. Did this government convince the Americans to introduce a 10 per cent surcharge? Did we have much to do with getting United States multi-national corporations to invest 50 per cent of their capital throughout the world and take production out of the United States? Is that our fault? Did we cause this? Were we responsible for this? Is this the deterioration hon. members speak of? Or do they mean the automotive pact, as a result of which we have become more productive? We did suffer from some disadvantage until 1965, but was that our fault?

• (5:50 p.m.)

Is it possible that the United States did not like our visit to the Russians, or the Russian's visit to Canada? Are we to bow and scrape to them? The hon. member for Hillsborough (Mr. Macquarrie) said that Canada is not big enough as a nation to be feared—I agree with that—but we are not small enough to be despised. In the eyes of the United States, we are just about the right size to be invisible, to be completely ignored, and this we do not like. That is the deterioration of which hon. members opposite speak.

The next part of the hon. member's motion speaks of "failing to employ and improve firm and constructive economic and political relations with the United States". That is the gist of the motion, but what it really means is that the Conservative party is in favour of the status quo, of complete dependence upon the United States. Hon. members opposite feel we should remain as we are, that we should do as we are bid. Certainly, that is what the motion means. It means that we will continue to be completely dependent upon the United States; that we shall continue to send our resources to the United States for them to convert into energy, and to manufacture goods which they will send back to us. The motion means that the Conservative party is in complete agreement with a continental energy policy, indeed with a completely conti-

nental political policy. That is exactly what the United States wants.

I am very pleased to learn that the line has now been drawn clearly and definitively. If this is to be a campaign issue for the Conservative party, then I am pleased that it has the guts to say that this is what it believes. It may be what it believes, but it is not what I believe. I refuse to maintain the status quo. It is now up to this government to put forward its position. I suggest to the government that it should put forward the case for economic independence. Economic independence, but not the nationalism of Mr. Walter Gordon, which is unacceptable to most Canadians. Economic independence means that we must create an economic policy. We must create confidence within the country to process our own resources, to deal in the business world as both importer and exporter. We should think more of man hours, when we talk of the balance of trade, than dollars. Indeed, we should look to countries in South America, Europe, China and Asia in which we can foster trade relations. But most of all, we must have leadership and the confidence that we can succeed.

I suggest to the government that this should be the position to take. It is not enough to say that we are going to blame the United States, because we cannot blame the United States for the present situation. On the other hand, it was not Canada that convinced the United States to get involved in a very expensive war in Viet Nam. I also do not see the point of going begging to the United States, saying that it should not do this to us, because if the United States does have to take some measures it must take universal measures. I think the way to become visible again to the United States is to stand on our own feet and be independent—not nationalistic, but independent.

As mentioned by some members opposite, the question then arises: Are we really able to be independent? Do we have a big enough population to be independent? I think we have. This rationalization that with only 22 million people we are not large enough as a nation does not stand up to scrutiny in modern times, and never did in ancient times for that matter. Many nations of this world have made a success of their policies with smaller populations than Canada, some of them with almost no resources. We have lots of resources. Look about you, Mr. Speaker. We have mountains of iron ore, nickel, all the minerals of the world. We have the population, the expertise, and now we have the confidence.

Mr. MacInnis: All we need is a government.

Mr. Otto: If indeed this is the position of the Conservative party, then I am pleased that it has put it forward now. This will compel the Prime Minister to consider just why he was elected. He was elected because there was a haunting conviction in this nation that he would instil confidence and bring about reform; that he and the Liberal government would lead Canada to this position of which I speak.

Mr. Doug Rowland (Selkirk): Mr. Speaker, I was simply rising to ask the House whether it would be agreeable to calling it six o'clock, since there is only one minute to go.

Mr. Deputy Speaker: Does the House agree to call it six o'clock?

Some hon. Members: Agreed.

Mr. Deputy Speaker: It being six o'clock p.m. this House stands adjourned until tomorrow at two o'clock p.m., pursuant to Standing Order 2(1).

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

HOUSE OF COMMONS

Thursday, November 4, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

GRAIN

REPLACEMENT FOR STABILIZATION BILL—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Don Mazankowski (Vegreville): Mr. Speaker, I rise to move a motion under the provisions of Standing Order 43. The pressing and urgent necessity lies in the cash shortage facing farmers and the desperate need to establish stabilization and farm income support programs that are truly geared to the urgency of the present situation which has been particularly aggravated in western Canada by the refusal of the government to bring in acceptable legislation. If the House grants unanimous consent I move, seconded by the hon. member for Dauphin (Mr. Ritchie):

That this House gives unanimous consent to the withdrawal of Bill C-244 concurrent with the introduction of a well balanced farm income support and stabilization measure free from the defects of Bill C-244 and including immediate distribution of the interim acreage payment of $100 million, and the House leaders of the respective parties be instructed to make arrangements to facilitate forthwith the consideration of such measure.

Mr. Speaker: Hon. members have heard the motion proposed by the hon. member for Vegreville. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not and the motion cannot be put.

* * *

TRADE

POSSIBLE U.S. EXCISE TAX ON AUTOMOBILES IMPORTED FROM CANADA—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I will see if I can be a little more successful since some efforts have been made in advance to obtain unanimity. I rise under the probisions of Standing Order 43 which provides that in cases of urgent and pressing necessity a motion may be moved if unanimous consent is given. The matter of urgent and pressing necessity is the potential loss of millions of dollars in trade revenue and of jobs of thousands of Canadians employed in the automotive industry. I therefore move, seconded by the hon. member for Wellington (Mr. Hales), the following motion:

That this House urges the government to make it clear in the current discussions with officials of the United States that the excise tax proposal on automobiles approved yesterday by the United States Senate finance committee contravenes the Canada-U.S. automotive agreement and as such is unacceptable to the people of Canada.

Mr. Speaker: Hon. members have heard the motion moved under Standing Order 43 which requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity.

Mr. Broadbent: Mr. Speaker, I should like it recorded that the nays came from the Liberal side of the House.

* * *

• (2:10 p.m.)

INDIAN ACT

AMENDMENT TO LOWER VOTING AGE TO 18 IN ELECTIONS ON RESERVES

Mr. Maurice Foster (Algoma) moved for leave to introduce Bill C-272, to amend the Indian Act.

Mr. Speaker: Is it the pleasure of the House that the hon. member shall have leave to introduce the bill?

Some hon. Members: Explain.

Mr. Foster: Mr. Speaker, this bill seeks to amend the Indian Act. The purpose is to lower the voting age to 18 years from the present 21 years of age in elections for the positions of chief and councillor of Indian bands so as to conform with the legal voting age in federal elections and the legal voting age in many of the provinces and to give young people in the age bracket of 18 to 21 years an opportunity to participate fully in the democratic process as it relates to elections on Indian reserves.

Motion agreed to, bill read the first time and ordered to be printed.

ORAL QUESTION PERIOD

TRADE

UNITED STATES IMPORT SURTAX—INQUIRY FROM VISITING AMERICAN OFFICIALS AS TO OBJECTIVE, GRIEVANCES AND PRECONDITIONS FOR LIFTING

Mr. Mac T. McCutcheon (Lambton-Kent): Mr. Speaker, I direct my question to the Minister of Industry, Trade and Commerce. Since top United States trade officials are in Ottawa to meet our people today, will the government formally inquire as to what the U.S. government hopes to achieve by the surcharge, and will attempts also be made to find out whether there is a list of grievances and preconditions for lifting the surcharge as it applies to Canada? I ask this question in view of repeated statements by the government that it does not know what the United States wants to achieve.

Mr. Speaker: Order, please. Of course the question is in order only so far as the first part is concerned. Perhaps the minister might like to reply to that.

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, it is too early to know these things yet. The meeting that is taking place today between Canadian and United States officials is exploratory or preliminary, but this is the sort of subject that will be raised. It is too early to know what the list of matters will be that may be provided by officials on the other side.

POSSIBLE IMPOSITION BY UNITED STATES OF EXCISE TAX ON AUTOMOBILES IMPORTED FROM CANADA—AUTO PACT SAFEGUARDS

Mr. Mac T. McCutcheon (Lambton-Kent): Mr. Speaker, since the United States Senate finance committee has given President Nixon authority to apply an excise tax on cars imported from Canada, will the government urge him not to initiate this tax or, alternatively, is the government prepared to consider genuine and complete free trade in automobiles as has been suggested in some United States quarters?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, our opinions are very clear on this subject. What is suggested by the committee if it should become law, would be contrary to the Canada-U.S. automotive agreement. I remind the House that this proposal is only at a very preliminary stage. Approval by the full Senate, a House-Senate conference to iron out differences and a subsequent vote by both Houses on an agreed version, if any, must still occur before any of these provisions becomes law. So it would be like the motion that was presented a moment ago. It is too early in the game, if I may use that word, to raise the issue formally.

Mr. Baldwin: You want to wait until the axe falls.

Mr. McCutcheon: Mr. Speaker, will the government express a clear position on retention of the auto pact safeguards both to these officials and to this House, or is this feature negotiable?

[Mr. Foster.]

Mr. Pepin: It is being negotiated, as I have said on a number of occasions before.

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I should like to ask a supplementary question of the Minister of Industry, Trade and Commerce. As he knows, in the United States process all the steps he has indicated are necessary can be rapidly taken as a matter of national urgency. With this in mind, in the current negotiations taking place in this city has the government informed the United States officials that in its view the proposed excise tax does contravene the Canada-U.S. automotive agreement?

Mr. Pepin: Mr. Speaker, if the hon. member had listened to the first part of what I said he would have heard the answer to his question.

AUTOMOBILES—ALTERNATIVE PLANS TO PROTECT INDUSTRY IN LIGHT OF POSSIBLE UNITED STATES EXCISE TAX ON IMPORTS

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I will try again, and I did listen with care. In light of the possibility of the United States taking action in accordance with the excise tax proposal, does the government of Canada have alternative plans or proposals in mind that could be used to protect the automotive industry in Canada?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, I think it is too early to talk about this subject. Discussions are going on between Canada and the United States on this matter at the present time and have been going on for a number of months. The Minister of Finance has just reminded me that even if such a bill were passed in the Senate and in the House of Representatives the President would still be free to implement the recommendation or not to do so.

AUTOMOBILES—CONSULTATION WITH ONTARIO AND QUEBEC AUTHORITIES RESPECTING NEGOTIATIONS WITH UNITED STATES

Mr. H. W. Danforth (Kent-Essex): Mr. Speaker, I should like to direct a further supplementary to the Minister of Industry, Trade and Commerce. Because of the prime importance of this industry to Ontario and to a lesser degree to Quebec, have the provincial authorities been brought in as consultants? Are they working with the federal government or are the negotiations strictly on a unilateral basis between the federal government and the government of the United States?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, the relations between my department and the Department of Commerce of the Ontario government, for example, are good. Personally, I have met with Mr. Grossman, the Minister of Trade, three times in the last three or four months. This is the kind of subject that can be brought up by the Ontario or Quebec governments at any time they feel like. The other day when speaking to the Minister of Finance for Ontario I said I was willing to see him today, tomorrow or yesterday for that matter. We are very accessible, and if he wants to

discuss this subject I will be delighted to do so with any member of the Ontario or Quebec governments.

Mr. Speaker: Order, please. I suggest that perhaps we should go on to the next question and return to this one in a short while. For the moment the Chair will recognize the hon. member for Athabasca on a supplementary and then see what can be done about further supplementaries later.

DISCUSSION OF CANADIAN OIL AND GAS EXPORTS WITH VISITING UNITED STATES OFFICIALS—POSSIBLE PARTICIPATION BY ALBERTA IN FUTURE TALKS

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, I have a supplementary. Can the minister indicate whether the agenda for the discussions with the United States officials will include the subject of oil and gas exports?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): No, Mr. Speaker. It has already been stated by the Prime Minister that discussion of energy matters with the United States would not take place at this time.

Mr. Yewchuk: If and when discussions on oil and gas exports are held, is it the intention of the government of Canada to invite participation by the government of Alberta in these discussions with the United States?

Mr. Pepin: If by "inviting" my hon. friend means to take part in the discussions, this is something different from having previous consultation with the government of Alberta. I suggest there is a difference between the two, and that the second is more possible than the first.

Mr. Speaker: Is the hon. member for Nanaimo-Cowichan-The Islands rising on a supplementary?

Mr. Douglas: Yes, Mr. Speaker.

Mr. Speaker: I might indicate to the House now that the Chair will recognize the hon. member for Nanaimo-Cowichan-The Islands on a supplementary and the hon. member for Gander-Twillingate and then go to the next subject and call on a representative of the party to the extreme left of the House.

PARTICIPATION BY FINANCE DEPARTMENT OFFICERS IN OTTAWA MEETING WITH UNITED STATES OFFICIALS—DISCUSSION OF EXCHANGE RATES

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I should like to direct a supplementary question to the Minister of Finance. Are officials of his department involved in the discussions which are taking place today with the representatives from Washington and, second, will the whole question of exchange rates be on the agenda?

Hon. E. J. Benson (Minister of Finance): Yes, Mr. Speaker. My officials are taking part in these discussions and as a matter of fact they were in Washington last week having discussions on this whole matter with the officials of the treasury.

Mr. Douglas: Press reports indicate that there have been statements by spokesmen of the Department of External Affairs to the effect that discussions have been going on for some time and it is hoped that the ministerial meeting will be held early in the new year. Does this mean that certain areas of agreement have been reached and, if so, how soon will a statement be made by the government and is it necessary to wait until the new year before the ministerial meeting is held?

Mr. Benson: I think the two matters are mixed up. The ministerial meeting between certain ministers of the United States government and the Canadian government which takes place annually and discusses a great many matters is to take place early in the new year. I understand this is the statement of the Department of External Affairs. So far as the exchange problems and the balance of payments problems of the United States are concerned, the Group of Ten is planning a meeting in Rome, as my hon. friend knows, within a couple of weeks, on November 22 and 23, which I hope I as well as the secretary of the Treasury of the U.S. will be attending.

• (2:20 p.m.)

AUTHORITY FOR U.S. PRESIDENT TO INCREASE IMPORT SURTAX TO 15 PER CENT—CANADIAN REACTION

Mr. John Lundrigan (Gander-Twillingate): I have a question for the Minister of Finance. Has the Canadian government been informed officially or was it informed prior to now that today the United States Senate finance committee has voted to give President Nixon the authority to raise the U.S. import surcharge to 15 per cent on all products, not the restricted list of some months ago and, if so, what is the Canadian reaction to this position?

Hon. E. J. Benson (Minister of Finance): All I have on this matter is a telex. I think what the Senate committee is doing is simply to give President Nixon very broad powers. This is not an indication that he should do this or that. The same applies to the excise tax on automobiles. The Senate committee is simply giving the President, according to the telex I received, very wide powers to do whatever he deems necessary in particular circumstances.

Mr. Baldwin: How naïve can you be?

Mr. Speaker: Order, please. I will recognize the hon. member for Gander-Twillingate on a last supplementary question and then recognize the hon. member for Compton.

Mr. Lundrigan: Can the Minister of Finance tell the members of the House and the Canadian people whether, before he received the telex in question, there was any prior consultation with the American authorities, and what has been the initial response from his office?

Mr. Benson: First of all, I received the telex since I came into the House regarding the decision of the U.S. Senate committee. With respect to consultation, consultations on the particular problem of the surtax have been going on since it was first imposed. There have also been consultations with the United States government on a rather continuing basis with respect to their balance of payments problem.

Inquiries of the Ministry

[*Translation*]

THE CANADIAN ECONOMY

INFLATION AND UNEMPLOYMENT—POSSIBLE WAGE AND PRICE FREEZE

Mr. Henry Latulippe (Compton): Mr. Speaker, I have a question for the hon. Minister of Finance.

Can he tell the House whether it is his intention to recommend a price and wage freeze in order to curb inflation and bring down the unemployment rate?

[*English*]

Hon. E. J. Benson (Minister of Finance): If any such step were to be taken by the government it would be announced in the House.

* * *

CORPORATE AFFAIRS

PRICE INCREASES IN CANADA BY AMERICAN-OWNED COMPANIES BUT NOT BY PARENT COMPANIES IN UNITED STATES

Mr. Pierre De Bané (Matane): I should like to ask the Minister of Finance whether he is concerned and what he intends to do about American-owned companies which are unable to increase the prices of their products in the United States because of the price freeze there but are increasing their prices in Canada? Does he intend to do something about it and is he concerned about the problem?

Mr. Bell: Probably not.

[*Translation*]

Mr. Speaker: The hon. member has put his question.

[*English*]

I am not sure that the question is supplementary to the one asked by the hon. member for Compton. The question will be allowed if the minister wants to reply briefly, and then we will go to another subject.

Hon. E. J. Benson (Minister of Finance): I will bring the matter to the attention of the Minister of Consumer and Corporate Affairs.

[*Translation*]

Hon. Martial Asselin (Charlevoix): Mr. Speaker—

Mr. Speaker: Order. I stated a moment ago that we would try to pass on to a second subject and, for that purpose, the Chair will recognize the hon. member for Egmont.

* * *

[*English*]

EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—STUDY OF SECRET REPORTS RELEASED BY UNITED STATES GOVERNMENT—DIRECT CONTACT BY PRIME MINISTER WITH PRESIDENT

Mr. David MacDonald (Egmont): My question is for the Prime Minister. In light of the publication yesterday of a secret report by the top environmental council to the President of the United States that the Amchitka test potentially could cause an earthquake and tidal waves, what steps has the Prime Minister taken to ascertain the importance of this report and its validity and, if so, what is his response?

Right Hon. P. E. Trudeau (Prime Minister): It is because of the possibility, although we think it is remote, of disturbances of this kind that we made our first protest to the United States and have protested in various forms since then.

Mr. MacDonald (Egmont): Would the Prime Minister indicate whether or not anyone in his office or anyone in the office of the Minister of the Environment has taken the opportunity to study this and the other reports that have not been made public? If so, is there any attempt being made, even at this late hour, by the Prime Minister to exercise his normal right of office with respect to communication with the President?

Mr. Trudeau: Mr. Speaker, as the Minister of the Environment reported to the House some time ago, we had our own scientists look into this matter and their views apparently are not dissimilar to those contained in the report. It is on the basis of their views that we have made our views known to the American government.

Mr. MacDonald (Egmont): Mr. Speaker, I am not sure whether there is a communication problem, but twice I have asked directly whether any governmental officials in this country have looked at these reports and, if so, do they add any further information, and will there be further representations? Perhaps I could get a straight answer to that question.

Mr. Trudeau: Mr. Speaker, with respect to the latter part of the question, whether there is any further information, the answer is straight—yes, the minister responsible for the environment has had information of his own. As to whether this particular report has been looked at by anyone in my office or in the minister's office, I will inquire.

Mr. James A. McGrath (St. John's East): As a supplementary—

Mr. Speaker: Order. Again I invite the co-operation of hon. members so that we may move on. I will make a determined effort to have as many questioners as possible included in the question period today, but if we are to achieve this I hope we will have as few supplementaries as possible and that they will be brief and will be answered briefly.

Mr. McGrath: Mr. Speaker, in view of this report and the mounting concern throughout the country over the proposed test on Saturday, will the Prime Minister now reconsider his view on this matter and communicate the concern of the Canadian people directly to the President of the United States?

Mr. Trudeau: Mr. Speaker, my own position has been made known on this, but I hope that members of the Official Opposition who are protesting U.S. action on this

basis or on the economic basis will vote againt the motion which is before the House now.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

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CANADIAN NATIONAL RAILWAYS

LAY-OFF OF DOCKYARD EMPLOYEES, ST. JOHN'S, NFLD.—GOVERNMENT ACTION

Mr. Walter C. Carter (St. John's West): Mr. Speaker, my question is directed to the Acting Minister of Transport or to the minister's parliamentary secretary. Will the minister say what action has been taken on behalf of the large number of Canadian National dockyard employees at St. John's, Newfoundland, who were served with lay-off notices on October 25 which were rescinded on October 27, re-issued on October 29, rescinded again on November 1 and re-issued again on November 2?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, I will take the question as notice and look into the matter.

Mr. Carter: In view of the fact that these lay-offs will impose considerable hardship on the people affected, would the parliamentary secretary ask his minister to intercede to have Canadian National withdraw the lay-off notices, and do everything possible to prevent a recurrence of this inhuman treatment of its workers by Canadian National?

Mr. Duquet: I can only say to the hon. member that the matter will be looked into today.

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GRAIN

WHEAT—STATEMENT BY MINISTER OF SUPPLY AND SERVICES ON NECESSITY OF TWO-PRICE SYSTEM—GOVERNMENT POLICY

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, my question is directed to the right hon. Prime Minister. Was the Minister of Supply and Services stating government policy earlier this week in Assiniboia when he said a two-price system for wheat was now necessary, with a minimum price of $3 a bushel for wheat sold domestically in Canada?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I did not understand what the minister was quoted as having said but I will look at both *Hansard* and what he said and then answer as to government policy.

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COMMUNICATIONS

GOVERNMENT DIRECTION CONCERNING CONTRACTS FOR FEEDS FROM BEAVER HARBOUR TRANS-ATLANTIC CABLE

Mr. Robert McCleave (Halifax-East Hants): Mr. Speaker, my question is directed to the Acting Minister of Communications since the minister is absent but with good cause. Frankly, I want an answer at ten o'clock.

Some hon. Members: Oh, oh!

Mr. McCleave: Would the minister tell the House whether a government direction has been made with regard to the question of the forthcoming award by the Canadian Overseas Telecommunication Corporation of contracts for feeds to this continent from the Trans-Atlantic cable shortly to go into Beaver Harbour, Halifax county? The question has urgency because Treasury Board is now considering the tenders, and the decision may be reflected in hundreds of thousands of telephone bills across Canada.

Mr. Trudeau: Ten o'clock.

Mr. McCleave: You be there, Mr. Prime Minister, and I will too.

* * *

• (2.30 p.m.)

PENITENTIARIES

IMPLEMENTATION OF OUIMET COMMITTEE RECOMMENDATIONS

Mr. David Orlikow (Winnipeg North): Mr. Speaker, I should like to direct a question to the Solicitor General. Has the interdepartmental committee set up to consider implementation of the Ouimet committee recommendations yet reported to him and, if so, will he be making that report public?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, this committee still meets regularly and over 50 per cent of the recommendations contained in the Ouimet report have already been put into effect. Work is going on for implementing the others, provided they do not conflict with our policy.

[*English*]

Mr. Orlikow: Would the minister consider making a statement on motions at an early date indicating which recommendations of the Ouimet report have been implemented, which, if any, the government rejects, and what steps it proposes to take to get the co-operation of the provinces in implementing those recommendations that require provincial approval?

[*Translation*]

Mr. Goyer: Mr. Speaker, I shall be pleased to send the hon. member as many details as possible.

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[*English*]

UNEMPLOYMENT INSURANCE

ALLEGED DELAY IN PROCESSING CLAIMS—OPPORTUNITY FOR MEMBERS TO QUESTION COMMISSION OFFICERS

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Minister of Labour. In view of the increasing

number of complaints concerning the payment of unemployment insurance claims—I have a letter here from a member of the board of referees in the city of London, Ontario—will the minister provide some vehicle by which members of the House from all parties may have an opportunity to question members of the commission concerning their administrative practices and the many complaints that it regularly takes five or six weeks to pay claims? Would the minister, who is very sympathetic to labour and labouring people, do something? He would make himself very very popular if he would.

Mr. Speaker: Order, please. The hon. member is now making a speech. He has asked the question and the minister might be allowed to reply.

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, I had a report on my desk this morning indicating that the number of complaints tabulated by the commission has in fact decreased over the last few weeks. When my estimates come before the appropriate committee the hon. gentleman will have full opportunity to ask further questions. However, I am quite prepared to arrange for an interview between the hon. gentleman and the chief commissioner of the Unemployment Insurance Commission at the hon. gentleman's convenience so that he can bring up these problems personally.

Mr. Nesbitt: Could the minister be persuaded to make arrangements when the new session commences to have his estimates brought on early so that it will not be next summer before the matter is discussed? Also, since the minister has been kind enough to suggest that he would arrange a meeting between myself and the administrator of the Unemployment Insurance Commission, would he include other members who have received all sorts of complaints as well?

Mr. Mackasey: I would prefer to do that, Mr. Speaker, rather than have the civil servants of the Unemployment Insurance Commission rapped with an unfair charge periodically in the House.

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FINANCE

CANADA SAVINGS BONDS—INQUIRY AS TO PROTEST REGARDING ADVERTISEMENTS

Hon. Marcel Lambert (Edmonton West): I have a question for the Minister of Finance, Mr. Speaker. Has the minister or his department received any protest or comment from the Ontario Consumer Protection Service that the advertisements of the Bank of Canada and/or the Department of Finance with regard to Canada savings bonds are in direct breach of the Consumer Protection Act of Ontario?

Hon. E. J. Benson (Minister of Finance): Not to my knowledge, Mr. Speaker. The advertisements I have seen indicate that Canada savings bonds are something that should be invested in by every Canadian.

INQUIRY OF THE MINISTRY

Mr. Thomas M. Bell (Saint John-Lancaster): I have a question for the right hon. Prime Minister. Has Mr. Donald Peacock been appointed a press officer in London, England, and is this the same person who wrote the life history of the Prime Minister before the last election, a very notable work of fiction?

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AGRICULTURE

EGGS—SUGGESTED ACTION TO CONTROL IMPORTS FROM UNITED STATES

Mr. J. G. Lind (Middlesex): Mr. Speaker, I wish to direct a question to the Minister of Agriculture. My question is prompted by the minister's announcement of a fowl slaughter program to stabilize egg supplies. How does the minister expect his program to stabilize egg supplies when I understand that eggs are being imported into the Toronto area from the United States at a price which enables the importer to sell his product at a lower cost than the local producer? Could this be considered dumping and is there any way that the government can place a surcharge on these imported eggs to protect our egg producers?

Some hon. Members: Hear, hear!

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I understand that a very small quantity of eggs was imported from the United States under special circumstances. The price of eggs in Ontario has increased about eight or ten cents per dozen in the last week or so and of course this makes the Canadian market somewhat more attractive to American producers. In so far as dumping is concerned, if we can establish that United States eggs are being offered or sold in Canada at a lower price than in the United States then anti-dumping provisions can apply.

Mr. R. E. McKinley (Huron): I have a supplementary question for the Minister of Agriculture. Will the minister tell the House whether these United States eggs being sold in Canada have to be marked as such and, if not, will he take action to ensure that they are marked as U.S. eggs on the grocery shelves?

Mr. Olson: Mr. Speaker, I am inclined to believe that these eggs were not put on the market at all but perhaps went to the breaking plants.

BUTTER—IMPORTATION FROM UNITED STATES OR NEW ZEALAND

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I have a supplementary question for the Minister of Agriculture. May I ask whether currently or within the last month the Canadian Dairy Commission or the department has imported butter from the United States or New Zealand?

Hon. H. A. Olson (Minister of Agriculture): No, Mr. Speaker, they have not and there may be no imports for several weeks and perhaps months. However, the projec-

tions now would indicate that to the end of this dairy year we may be short eight or 10 days' supply on total requirements of butter for the year.

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HEALTH

INVESTIGATION OF USE AND SAFETY OF DRUG MDA

Mr. P. B. Rynard (Simcoe North): I have a question for the Minister of National Health and Welfare. In view of reports recently of the deaths of seven people who had taken the drug MDA, with no other apparent cause of death, is the minister conducting an investigation into the use and safety of this drug?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, I shall check into the matter and report to the hon. member.

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LABOUR CONDITIONS

GOVERNMENT REPRESENTATIONS TO INTERNATIONAL NICKEL COMPANY TO PREVENT LAY-OFF OF EMPLOYEES AT PORT COLBORNE REFINERY

Mr. Lincoln M. Alexander (Hamilton West): I have a question for the Minister of Labour. The other day I asked the Prime Minister whether he was aware of the situation which exists at Inco involving the possible lay-off of 470 employees. I understand the matter was taken up with the Minister of Labour. Can he now advise whether there has been any discussion with Inco regarding this problem with a view to alleviating the situation?

Hon. Bryce Mackasey (Minister of Labour): The Prime Minister spoke to me about the question and I spoke to the appropriate minister who was not available the other day, the Minister of Manpower and Immigration. I am sure he would inform the House that Inco complied with the law and discussed the proposed lay-offs with his department so that the facilities of that department will be placed at the disposal of both management and the affected personnel.

Mr. Alexander: In view of the situation that exists at Inco, is the minister planning to inject a further $100 million into the employment support program?

Hon. Otto E. Lang (Minister of Manpower and Immigration): The employment support program is only beginning to be put into operation and that question does not arise at this point. The Department of Manpower and Immigration is having specific discussions with Inco under the consultative manpower services in the hope of arriving at an agreement for working out the best possible solution for employment for the individuals involved.

Mr. Alexander: A further supplementary—

Mr. Speaker: Order, please. The hon. member may ask a last supplementary but we will soon be running short of time.

THE CANADIAN ECONOMY

INTRODUCTION OF POLICIES TO AVERT BUSINESS FAILURES

Mr. Lincoln M. Alexander (Hamilton West): In light of the fact that Dun and Bradstreet of Canada has indicated that business failures rose in September to 216 from 168 in the corresponding year-earlier period, and that the largest number of September failures occurred in Quebec, 100 companies compared with 88 in September, 1970, is the government considering new selective fiscal measures to avert such high levels of business failures next year?

Mr. Speaker: Order, please. The hon. member will appreciate that the question as asked would normally invite a general statement which ought to be made on motions. I would not think that the question in those terms is in order. The hon. member for Qu'Appelle-Moose Mountain.

Mr. Alexander: A point of order, Mr. Speaker—

Mr. Speaker: I apologize to the hon. member for Qu'Appelle-Moose Mountain. The hon. member for Hamilton West is rising on a point of order.

• (2:40 p.m.)

Mr. Alexander: Mr. Speaker, I thank you for your patience. In view of the way you ruled on my question, may I ask the Prime Minister this question. In light of the fact that business failures seem to be increasing, would he indicate to the House when a statement will be made regarding the policies that the government will undertake in order to avert this situation? Surely the Prime Minister can answer that.

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I do not know if the hon. member is suggesting that we should make a specific statement to tell businessmen how not to fail. However, if he is not asking that, if he is asking about the general state of the economy, may I say that the Minister of Finance made a statement less than two weeks ago and we are frequently making such statements.

Mr. Baldwin: And that statement caused another 50 failures.

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GRAIN

COMPLAINTS REGARDING NON-RECEIPT OF PAYMENTS UNDER FORAGE CROP AND GRASSLAND SUBSIDY PROGRAMS

Mr. R. R. Southam (Qu'Appelle-Moose Mountain): Mr. Speaker, I have a question for the Minister of Manpower and Immigration in his capacity as the minister answering for the Canadian Wheat Board. In view of the large number of complaints that have come to light recently with respect to tardy payment or non-payment of moneys owing to western farmers under the government's forage crop and grassland subsidy programs which are related to the Lift program, what steps, if any, is the minister taking to clear up this serious situation?

Inquiries of the Ministry

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, to the extent that any individual problems are brought to my attention we attempt to check into them. We find, on occasion, that cheques which have been sent out have been lost. There are bound to be some cases like that among the 100,000 applications which were dealt with under the program.

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CROWN CORPORATIONS

LAYING-OFF OF EMPLOYEES IN SPITE OF PROFIT MADE

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I want to direct a question to the Minister of Manpower and Immigration. In view of the high unemployment rate in Quebec, does he know that one Crown corporation, COTC, has fired fourteen men at a time when the company is making $20 million in net profit? Why is that policy allowed, and does the minister intend to change that situation with regard to Crown corporations?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I think the specific question had better be addressed to a colleague of mine rather than to me. It is, of course, government policy generally to allow Crown corporations to exercise individual business judgment. As far as the Department of Manpower and Immigration is concerned, we continually offer our services to employees of Crown corporations in the same way as to others who are affected by a lay-off.

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EXTERNAL AFFAIRS

SOUTH AFRICA—GOVERNMENT POLICY RESPECTING POSITION OF NON-WHITES

Mr. John L. Skoberg (Moose Jaw): Mr. Speaker, my question is for the Prime Minister. Can the Prime Minister say whether Lieutenant Colonel W. Kenneth Robinson, a Member of Parliament, was expressing government policy when he stated on a short summer visit to South Africa that—

Mr. Speaker: Order, please. The hon. member knows that a question in those terms would not be in order. He cannot ask a representative of the government to indicate whether a member making a statement outside the House is enunciating government policy. That is clearly not in order.

Some hon. Members: Oh, oh!

Mr. Speaker: Perhaps the hon. member might rephrase the question.

Mr. Skoberg: Is it government policy to suggest that South African non-whites should realize they are not yet ready for full political independence, as was indicated by Lieutenant Colonel W. Kenneth Robinson?

Mr. Speaker: Order, please. The hon. member for Dartmouth-Halifax East.

[Mr. Southam.]

NATIONAL DEFENCE

REQUEST FOR REPORT ON CRASH OF AIR SEARCH AND RESCUE PLANE

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, it is with sadness that I rise to ask this question of the Minister of National Defence. It concerns the first serious accident involving an air search and rescue craft in about 20 years. Would the minister make a brief comment on whether the bodies are recoverable, and so on?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I thank the hon. member for the question. The tragic accident I think will serve as a reminder that the business of search and rescue is not only arduous and at times unexciting but also dangerous. I am sure the House will join me in expressing our sorrow to the bereaved families. The accident, as the hon. member indicated, is the first fatal accident involving a Canadian Armed Forces Dakota since 1951. A board of inquiry is under way at the moment. I cannot report at the moment on the possibility of recovering bodies, because, as the hon. member may well know, the crash was complete and there was heavy burning at the time.

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CAPE BRETON DEVELOPMENT CORPORATION

COURT ACTION BY MINER—SUGGESTED TREASURY BOARD REVIEW OF COMMITTEE REPORT TO ACHIEVE JUST SETTLEMENT

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, on Tuesday the Prime Minister indicated that he was interested in avoiding a court case between a miner and the Cape Breton Development Corporation. In view of that interest, would he follow it up by asking Treasury Board to review the final report of the Standing Committee on Justice and Legal Affairs in order to bring about a just settlement of this question?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I will take notice of the question.

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MANPOWER

LOCAL INITIATIVES PROGRAM—REQUEST FOR INFORMATION ON FEDERAL WORK-INTENSIVE PROJECTS

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, my question is for the Minister of Manpower and Immigration. My question concerns the local initiatives program and particularly the federal work-intensive projects. Would the minister indicate when the people of Canada will be given more information on the projects that can be carried out by the departments of Public Works, National Defence, National Health and Welfare, Industry, Trade and Commerce and others?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, I cannot put a specific timing on when further details will be announced but they will certainly be announced as specific decisions are made and

announcement is appropriate. Decisions are moving forward and I think we may have an announcement about the details before very long.

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CANADA PENSION PLAN

DELAY IN PROCESSING CLAIMS—GOVERNMENT ACTION

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, my question is directed to the Minister of National Health and Welfare. Since it has taken between four and six months and in some cases up to eight months to process claims under the Canada Pension Plan, would the minister be good enough to have that situation investigated and ascertain if further equipment is required such as computers, or more staff, in order to expedite these claims?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, I would advise the hon. member that, because of the hundreds of thousands of claims now coming in as the program ages, it has been necessary in order to catch up with the load for us to do the very thing the hon. member is suggesting. We are converting to computers but the process is not complete.

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EXTERNAL AFFAIRS

INDIA—CANADIAN ASSISTANCE FOLLOWING TIDAL WAVE

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, may I ask the Secretary of State for External Affairs if the government has now arranged a program of special assistance for the victims of the terrible tragedy in the state of Orissa, India. If so, what is the nature of the assistance?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I inquired of the department this morning and they are putting before me today a recommendation for some temporary assistance at least in the form of a cheque to the Red Cross, but since it has not come formally before me I cannot yet announce it.

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HEALTH

TESTING OF MORNING AFTER CONTRACEPTIVE PILL

Mr. Doug Rowland (Selkirk): Mr. Speaker, my question is to the Minister of National Health and Welfare. Is he aware that an American research laboratory in Chicago has conducted successful experiments with the morning after contraceptive pill, and is the minister's department prepared to conduct similar tests on this pill to determine whether or not it is suitable for use in Canada?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, the answer to that, generally, is yes. We are watching the developments in this area closely. Our most recent action was to reconstitute the experimental committee on the pill and other recent discoveries in this area. We expect to have a report from them shortly.

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NATIONAL DEFENCE

INCLUSION OF COST OF COMPUTERIZED WEAPONS SYSTEMS IN COST OF HYDROFOIL DEVELOPMENT PROGRAM

Mr. Elmer M. MacKay (Central Nova): Mr. Speaker, I have a question for the Minister of National Defence. Can the minister tell the House whether, in the figure of $52.5 million he gave in his recent statement regarding the cost of the development program for the hydrofoil *Bras d'Or*, there is included the cost of computerized weapons systems and other armament costs?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I think this is a matter of public record but I can look up the references and let the hon. member know.

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AIR TRANSPORT

USE BY ROYAL AIR FORCE OF UNITED STATES FACILITIES AT GOOSE BAY BECAUSE OF DETERIORATION OF DEPARTMENTAL RAMPS AND HANGARS

Mr. Ambrose Hubert Peddle (Grand Falls-White Bay-Labrador): Mr. Speaker, I have been trying for three days to catch your eye.

Some hon. Members: Oh, oh!

Mr. Peddle: Actually, I had been absent, Mr. Speaker, attending the funeral—

Some hon. Members: Hear, hear.

Mr. Peddle: —of a government. My question was to be addressed to the Minister of Transport but in his absence I will direct it to his parliamentary secretary. It is an international question, Mr. Speaker, involving Great Britain, the United States and Canada. Is the minister aware that the Royal Air Force, which up to now has been using Department of Transport facilities at Goose Bay, is now using United States Air Force facilities for its aircraft as a result of the deterioration of DOT ramps, and hangars? If so, what action is the minister prepared to take to ensure that this RAF activity is returned to the Canadian site?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, I will take this question as notice.

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• (2:50 p.m.)

ABORTION

MEASURES TO ENSURE LAW IS APPLIED FAIRLY REGARDLESS OF WHERE PEOPLE LIVE

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I have a question for the Minister of Justice. In view of evidence

that the abortion law is being unevenly applied, partly as a result of congestion in certain metropolitan hospitals, is the minister studying any measures in conjunction with the provincial health ministers intended to ensure that this law is fairly applied regardless of whether people live in rural or urban communities?

Hon. John N. Turner (Minister of Justice): This is a matter we can properly deal with in debate. Of course, the administration of the law depends on enforcement by the provinces.

[*Later:*]

Mrs. Grace MacInnis (Vancouver-Kingsway): I wish to direct a supplementary question to the Minister of Justice, arising from his earlier answer to the effect that uneven facilities for abortion available in different hospitals could be considered in debate. I should like to ask the minister to do his best to see that we get an opportunity for such a debate during the present session.

* * *

INDUSTRY

INCREASE IN PRICE OF CERTAIN SHIRTS BECAUSE OF IMPORT RESTRICTIONS

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is for the Minister of Industry, Trade and Commerce. Has the government calculated what, if any, increase in the prices of work shirts and low and medium-priced dress shirts will result, or has resulted, from the new import restrictions announced last month?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): The opinion of my experts is that the effect will be minimal if any. I would remind the hon. gentleman that there will still be a little more than 1.2 million dozen low priced shirts imported into Canada next year. I am quite sure the hon. member will be able to find one his size if he cares to.

Some hon. Members: Oh, oh!

Mr. Paproski: I do not think we should get personal, Mr. Speaker. May I ask whether the Prices and Incomes Commission was consulted in connection with the decision to limit imports of work shirts and low and medium-priced dress shirts?

Mr. Pepin: Not to my knowledge, Mr. Speaker but all departments were.

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[*Translation*]

INCOME TAX

PROPOSED DATE OF IMPLEMENTATION OF NEW BILL

Mr. Roch La Salle (Joliette): Mr. Speaker, I wish to ask the hon. Minister of Finance a question.

The Finance Minister of Quebec stated yesterday that he still hoped the new tax system would not go into effect until 1973. Could the minister tell the House whether the government intends to apply the new system in 1972?

[Mr. Ritchie.]

[*English*]

Hon. E. J. Benson (Minister of Finance): I have indicated very often that it is the intention of the government to proceed with Bill C-259 and to have it passed and implemented on January 1, 1972.

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AGRICULTURE

REQUEST FOR RESTRAINT IN PRESSING FOR PAYMENTS ON FARM CREDIT CORPORATION LOANS

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, my question is for the Minister of Agriculture. Bearing in mind the cash shortage among farmers today, would the minister consider sending a communication to the Farm Credit Corporation asking them to show understanding, caution and friendly restraint in attempting to extract from farmers payments on Farm Credit Corporation loans?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I did that several months ago.

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REGIONAL ECONOMIC EXPANSION

MEETING BETWEEN MINISTER AND ATLANTIC DEVELOPMENT COUNCIL—REQUEST FOR STATEMENT ON RECOMMENDATIONS

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to direct a question to the elusive Minister of Regional Economic Expansion. Has he met with the members of the Atlantic Development Council, and when may we expect a statement from him concerning the recommendations contained in the council's first report?

Hon. Jean Marchand (Minister of Regional Economic Expansion): No, Mr. Speaker, I have not met with the members of the council; I have not been asked to meet with them, though I shall probably do so at a future date. However, if I have a statement to make I shall make it in due course.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Dartmouth-Halifax East on a supplementary and then call orders of the day.

SIGNING OF SUPPLEMENTARY AGREEMENT WITH NOVA SCOTIA

Mr. J. M. Forrestall (Dartmouth-Halifax East): I wish to direct a supplementary or related question to the minister. Can he now confirm the signing of the supplementary DREE agreement with the province of Nova Scotia and tell us when an announcement may be made?

Hon. Jean Marchand (Minister of Regional Economic Expansion): I think all these questions should be a little more precise. Does the agreement to which the hon. member refers concern highways? If so, I hope it will be signed very soon.

DRUGS

INQUIRY AS TO FINAL REPORT OF LE DAIN COMMISSION

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, my question is addressed to the Minister of National Health and Welfare. Can the minister tell us when the LeDain report on the non-medical use of drugs will be completed and made public?

Hon. John C. Munro (Minister of National Health and Welfare): As I said in the House some time ago, the latest advice I have received, after discussing the matter with the Chairman, is that it will probably be available by the latter part of December at the earliest.

Mr. Speaker: Orders of the day.

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BUSINESS OF THE HOUSE

WEEKLY STATEMENT

Mr. Baldwin: On a point of order, Mr. Speaker, may I ask the leader of the House what the business is to be for the rest of this week, and what plans the government has for next week, particularly bearing in mind that next Thursday will be Remembrance Day? Can the hon. gentleman indicate whether there is any special plan for the sittings next week?

Mr. MacEachen: Tomorrow, Mr. Speaker, we shall resume the debate in committee on the tax bill and continue it next week. With respect to Remembrance Day and the holiday which is provided for that day under the rules, a number of hon. members have indicated that they would like to participate in ceremonies in their constituencies on that day. However, it will be difficult for hon. members, especially those from outlying constituencies, to do this and be back on Friday morning. If it could be arranged to pick up the hours which are normally spent on government business on Friday early in the week, it might be possible for us not to sit on Friday in order that hon. members can spend Remembrance Day in their constituencies and still be able to get back for the sitting on Monday.

Some hon. Members: Hear, hear!

Mr. MacEachen: If that is agreeable we can do something about it tomorrow by way of making it an order.

Mr. Baldwin: I wonder whether the minister is able to give the House a statement as to the government's intentions respecting business for the rest of this session. What happens after Bill C-259 has been completed? In particular, is it the intention of the government or of the Minister of Finance to introduce further budgetary measures which would have to be passed before this session ends?

Mr. MacEachen: It is not the intention of the government, following the completion of the tax bill, to commence discussion of new items which are not presently at the report stage, except, possibly, with respect to the tax legislation arising from the statement in the House some time ago by the Minister of Finance. That would be a possible additional item.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I rise merely to indicate that as far as this party is concerned we would agree to the suggested arrangements for next week. We feel it would be proper for the House not to sit on Friday, it being understood that the time lost on government business because of our not sitting on Friday would be made up on Monday and Tuesday.

Mr. McCleave: May I express the hope, Mr. Speaker, that we who star in the late show will not be forgotten in all this amity and concord, and that the late show can start, instead of at ten o'clock, at midnight or one o'clock in the morning, whenever the beautiful people in the House of Commons decide to adjourn.

Mr. Blair: As hon. members are aware, Mr. Speaker, there are a number of private bills which have been on the order paper for a long period. It seems that every time there has been an arrangement by the consent of all parties to put one piece of business ahead of another it has been at the expense of these private bills. I ask the leaders of the parties to take into account the fact that this will happen again next Thursday under the present proposal. Can arrangements not be made to replace at least some of the hours which have been lost?

Mr. Speaker: Orders of the day.

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY, S.O. 58—NON-CONFIDENCE MOTION—ALLEGED FAILURE OF GOVERNMENT TO DEVELOP POLICIES TO ENSURE ECONOMIC INDEPENDENCE AND FULL EMPLOYMENT—DETERIORATION OF RELATIONS WITH UNITED STATES

The House resumed, from Wednesday, November 3, consideration of the motion (Mr. Macquarrie):

That this House, noting the continuing deterioration of communications on the basis of common interest and mutual respect between the Government of Canada and the Government of the United States, condemns the government for failing to employ and improve firm and constructive economic and political relations with the United States and, at the same time, for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly skilled human resources.

Mr. Doug Rowland (Selkirk): Mr. Speaker, the motion before the House reads:

That this House, noting the continuing deterioration of communication on the basis of common interest and mutual respect between the government of Canada and the government of the United States, condemns the government for failing to employ and improve firm and constructive economic and political relations with the United States, and, at the same time, for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

There, Mr. Speaker, is an expression of the kind of courageous leadership that this nation requires as it moves into one of the most difficult phases of its history. There stand the Tory statesmen with feet firmly planted, one on each side of the fence, issuing the traditional clarion call of Canadian politicians in difficulty—"Join us in confused inaction". If I did not know the source of this motion I would have sworn that it emanated from the Liberal party. It sounds like something Mackenzie King would have said were he here today. Indeed, I suspect that the motion was written by Eddie Goodman sitting in Laurier House. That, at least, would explain the clear case of schizophrenia which has gripped the person who prepared the motion.

• (3:00 p.m.)

The hon. member for Hillsborough (Mr. Macquarrie) yesterday presented us with a highly emotional defence of his motion. It was emotional by necessity since one obviously cannot employ logic in speaking in its favour. Following one of the more sentimental passages which drew appropriate reactions from other members of the House, the hon. member for Hillsborough obliquely charged that hon. members were being intellectually indecent. Let me say this, Mr. Speaker: if anything was intellectually indecent in this House yesterday, it was the speech of the hon. member for Hillsborough. When I see a man such as the hon. member for Hillsborough, whom I personally admire, representing a party for which I have a great deal of respect, the party of Sir John A. Macdonald, Sir Robert Borden and Arthur Meighen, consciously and deliberately hurl himself into the depths of intellectual dishonesty, I become depressed and angry. This motion reeks with intellectual dishonesty, an intellectual dishonesty motivated by the crassest political cupidity.

This resolution was carefully designed to create the impression that Canada, by taking a slightly more independent stance on foreign affairs, had betrayed its ancient ally, was cozying up to the Godless communists, and that in righteous anger the United States government had smitten us with the 10 per cent surtax. I know that the hon. member did not say that in so many words, but that was the impression he was seeking to leave. One need hardly say that such is a total and complete misrepresentation of the situation.

In the name of what noble cause has the Conservative party perpetrated this disservice to the nation? In the name of more votes at the next election and more money for its next election war chest. The Conservatives know that there are sizeable numbers of people in this country who suffered terrible indignities in Eastern Europe and who undoubtedly as a result view attempts at east-west rapprochement with mistrust. Tory strategists obviously wish to fan the flames of fear in the breasts of such people in the hope that that fear will be transformed into Tory votes at the next election.

The Conservative party is attempting to create a species of sophisticated neo-McCarthyism. It is attempting to form an unholy alliance between the right-wing extremists of the Edmund Burke sort and persons who, because of terrible personal experiences, legitimately mistrust the governments of eastern Europe and the People's Republic of China. That kind of raw political opportunism stinks to high heaven and is unworthy of the Progressive Conservative party.

But what is beneath contempt is the other political pay-off that the Conservatives expect, that of having their warchest swelled by funds from United States corporations operating in Canada. They learned through bitter experience in 1962 and 1963 that U.S. corporations in Canada are extremely nervous about even the most watered down manifestations of an independence of spirit on the part of Canada, and that they will do whatever is necessary to crush it if a Canadian political party gives them the opportunity. The Liberals gave them that opportunity in 1962 and 1963, to the eternal shame of that party and to the discomfiture of the right hon. member for Prince Albert (Mr. Diefenbaker). The Tory party has now determined to play that role. As I said, that is crass political cupidity.

What makes me even more angry is that the whole exercise is not only intellectually dishonest, in direct opposition to this country's best interests, but it is also bloody stupid and completely inept. This motion is making those do-nothing continentalists on the other side of the House look good. To my horror, yesterday I found myself applauding on occasion the Secretary of State for External Affairs (Mr. Sharp). The Liberal party, which more than any other institution in this country has contributed to Canada's becoming virtually an economic fiefdom of the United States, is coming out of this debate sounding like the guardian of Canadian independence, courtesy of the Tory party.

Just what has the government done that is so bold and innovative? It has recognized the People's Republic of China. Britain and France did that in 1949. We in the New Democratic Party have been demanding such action for years and so, by implication, have western Tories who have cried for increased grain sales to that country. The government has voted to have the People's Republic of China seated in the United Nations. This the hon. member for Hillsborough called a cruel act. This "cruel act" was supported by two-thirds of the membership of that organization. Is it a cruel act to say that the effective government of China is the government in Peking which rules 600 million Chinese rather than the government of Taiwan which rules approximately three million Chinese and another 10 million or so highly discontented Taiwanese? What bold steps has this government taken which would have the effect of shaking United States confidence in us? Was it because the government invited Marshal Tito for a visit? He was in Washington first. Was it because the government invited Mr. Kosygin for a visit? Mr. Nixon himself is going to the Soviet Union to see him.

What bold actions that are contrary to the interests of the United States have we taken? We have allowed our dollar to float, which is in accordance with United States desires. We have the lowest tariffs in our history, which is also in accordance with United States desires. This government has seen to it that Canada lay supine as Canadian industry after Canadian industry and Canadian resource after Canadian resource has fallen into the hands of foreign corporations. The rate of take-over after the war of about 50 corporations a year has now risen to 175 a year. This is the government which in principle part has presided over the development of a branch plant

economy in Canada, a branch plant economy that has hobbled our capacity to be productive, which has warped our economic development into a misshapen horror and left us horribly vulnerable to the effects of the United States DISC program, if and when it comes into effect.

This is the government which four years after receiving a report on the danger to our independence of increased foreign ownership of our economy has done nothing to meet that danger. This is the government that ten weeks after the imposition of the U.S. surcharge on imports has taken no effective steps to counteract its effects, even though by its own calculations the surcharge, if left on for one year, will result in the loss of 90,000 jobs in Canada. This is the government which, threatened by wholesale shutdowns of United States branch plant operations in Canada should DISC come into effect, mutters vaguely about contingency plans and which has not presented any concrete measures for the protection of the Canadian economy for discussion by the Canadian people.

This is why the second part of the motion makes so much sense. The second part reads:

—for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

What do the Tories really mean by those words? Let me quote a passage from a speech by a prominent Conservative recently:

• (3:10 p.m.)

Another suggestion that has been made, which may shock ... some is that the inevitable answer for Canada is to seek closer economic integration with the United States. There are two sides to that question. Personally, I believe that integration, on a planned and programmed basis, of our economy with that of the United States is absolutely necessary. We have integration now. It happens to be unplanned and unstructured, and it is that lack of planning and lack of structuring that has caused the particular problems of this emergency.

This is a statement by Senator Grosart on October 4. So while the statement in the motion stands as valid, one must question the sincerity of its drafters. There are things we can do and must do right now to meet the current emergency. Spokesmen from my party have mentioned them time and time again, and I will review them briefly.

One of the first steps this party suggested was the reduction of interest rates in Canada, and I am pleased to see there have been some steps in that direction. We have also suggested the establishment of a monitoring agency, similar to that proposed in the Watkins report of 1968 and supported by the External Affairs Committee, to ensure that Canadian subsidiaries of United States corporations do not transfer production to their parent companies in the United States, or elsewhere, for that matter. The third suggestion we have made is implementing very substantial tax cuts, particularly for low income people, in order to increase aggregate demand in Canada. We have suggested the immediate, massive infusion of funds into the field of housing and construction. We have suggested that the federal government should make a serious contribution of funds for building waste treatment plants across the country, both for the purpose of expanding economic activity and for the purpose of dealing with the problems of pollution.

Hon. members will certainly note that none of these measures imply retaliation against United States economic measures. They are measures that Canada can and must take at home to stimulate and build up our own economy, to make it more resistant to measures such as those the United States has implemented. There are also things we can and must do now in order to guarantee the continued independence of this nation. My party has suggested on numerous occasions medium and long-range policies which are absolutely necessary to that end. Again, spokesmen from my party have gone into that time and time again so I have no need to do so now. In fact, time would not permit me to do so.

In summary, it is my contention and the contention of this party that we must now, in the words of the motion, develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly skilled human resources. It is our further contention that a more independent stance on the part of Canada has not and will not result in a deterioration of relations with our friends to the south. If those relations are slightly strained at the moment, if communication is slightly more difficulty, it is not Canada which is at fault. That is not to say we should not be seeking to repair any damage that does exist with all the means at our disposal, but how great is the damage? I would remind hon. members that today's papers carry headlines announcing that United States officials are in Canada to discuss the surtax.

I would, therefore, move, second by the hon. member for Winnipeg North Centre (Mr. Knowles):

That the motion be amended by deleting therefrom the words "for failing to employ and improve firm and constructive economic and political relations with the United States, and, at the same time",—

The motion as amended would then read:

That this House, noting the continuing deterioration of communication on the basis of common interest and mutual respect between the government of Canada and the government of the United States, condemns the government for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

Mr. H. W. Danforth (Kent-Essex): As the House is aware, I hesitate to get into partisan politics, but I have been tempted by the speech we have just heard from the hon. member for Selkirk (Mr. Rowland). He did make some rather harsh criticisms of the hon. member for Hillsborough (Mr. Macquarrie). As as matter of fact, he said his speech was an example of crass political cupidity. In referring to the speech of the hon. member for Selkirk, I think I should substitute the word stupidity for cupidity. I do this kindly because such speeches were heard from one end of Ontario to the other during the election campaign last month which resulted in the demise of that party.

It is not strange for us to hear the hon. member utter words of praise for tighter or closer ties with Communist nations. This is a policy that party has been advocating for years. What is strange is that they have an anti-U.S. policy, to prevent the United States take-over of Canadian industry and, at the same time, their Maritime manifesto refers to the state taking over industries without compen-

sation. I have often wondered why, as have many people in this nation, when this party is dealing with anti-U.S. policy and United States interference in this country, they never talk about the interference of the United States unions in Canadian domestic affairs or of retrieving Canadian moneys used for financing United States unions. We never hear them speak about this. If they are to be concerned about Canadian independence they should deal with the whole gamut.

One of the real disappointments to me in this entire debate, as a member for Ontario where this matter is of vital importance, is the fact that the government speakers in the main have not dealt with the actual issue before us. It is not good enough for the Secretary of State for External Affairs (Mr. Sharp) to spend his allotted time whining about the reaction of our party when we were in government 10 years ago. We want to know what is to be done about the situation facing Canada today, and we want to know what the government's policy is toward the problems of tomorrow. It is not good enough for the Secretary of State for External Affairs to cry about their efforts to date. The man on the street and the people of this nation know there is a difficulty in Canada-U.S. relations today. They know there is confusion and they know we are facing problems we have never faced before. As far as we can gather from the speeches of any members of government, in an official or unofficial capacity, there is no plan, no policy and no program; therefore, there is no progress.

I am going to support many of the statements, and emphasize them if I may, made by my colleague, the hon. member for Hillsborough. In his speech he intimated that we are now in a brand new ball game, and we are. We heard the hon. member for York East (Mr. Otto) talking about the Tory party making this an election issue. I should like to deal with that because the Liberal party started making statements of this type during the war of 1812, and they have not changed since. That is nothing new. I would like to say that in this era we are not just dealing strictly with United States-Canadian relations. We are in an era of world trading groups; we are in an era of international combines, corporations, factories and businesses. The hon. member for York East probably knows this aspect of the subject as well as any other member in this House. Why did he not deal with it on that plane rather than deal in partisan politics? He is from Ontario and knows the importance of good United States-Canadian relations.

• (3:20 p.m.)

There are several areas in which we can make progress. One thing I should like to mention is the fact that this government seems to have been almost panic stricken by the application of the surcharge. In his reference to this the hon. member for Selkirk mentioned that the surcharge was applied ten weeks ago but there has been no action yet by this government. I believe the government should be criticized for this because the United States action was not unforeseen. As a matter of fact, those on the government benches who were in a position to be well informed economically, those in the opposition and in the financial circles of Canada, could tell from the fact that the United States dollar had been in trouble for months because of the balance of payments difficulty that the United States had almost no other course of action than the one it took.

My criticism of this government is based on the fact that, having this knowledge and knowing this course of action was almost inevitable, it did not have any program or contingency plan to meet it. The terrible shame is that to date, ten weeks later, we still do not have any program and are still not making any progress. The fact which must be emphasized is that we are still waiting for the United States to make a move. The onus should have been on us. I think this was an opportune time for the Canadian government to show the leadership Canadians expect, because we are in a brand new ball game. The trading patterns in the future are not going to be comparable to those of the past. This was the time for us to break new ground. The fact that we are alienating ourselves from the United States, whether through political moves or government economic moves, matters little if we are to end up all alone. The pattern today is for nations to align themselves together into strong trading groups which can take a share of the markets of the world.

The fact is that Great Britain, which has long been a pillar of strength as a trading nation, has decided it could no longer go it alone and has joined the European Economic Community. It should be pointed out in no uncertain terms that this is the trend. This is the way we are going. We should not be staying on the outside looking in and asking for crumbs from the table of the Americans. When we asked the government what was going on in the European Economic Community, since we were not within the inner circle of informed people, we were told that there had been some consultations in respect of some of the negotiations but we had taken no part in working out the ramifications of such a treaty. This was not the case with Australia and New Zealand; they obtained concessions. Canada did not obtain any concessions. We do not have to leave it at that. There are other areas which we should be exploring. Does it not seem logical and plausible at this time for Canada to start exploring either unilaterally, bilaterally or multilaterally the other markets of the world that are developing right before us? We have Japan; we have the Pacific rim; we have the European Economic Community; we have a whole group of nations.

The world is breaking down into blocks of potential consumers. I am afraid that Canada will find itself running around at the last moment trying to beg someone to look at it as a trading nation. Canada must choose what it wants to be. It must do this now and not count, as we seem to have been doing, on the patience of others as we vacillate without any clear and consistent long-term objective. We must take a stand. With Information Canada which this government uses so well, and with the facilities for the dissemination of news which we have in Canada either through television, radio or the press, if this government had had any policy whatsoever, everyone in the factories and on the street would know about it. But ask any learned gentleman or lady today who is earning a living what the policy of the government is toward the industry they work for or the business in which they are engaged and they cannot give you a single plank, platform or promise. They do not know. I suspect the government does not know. Is it not time we started to take measures to do something about it?

I think the problem is that there are so many departments in this government that one department does not know what the other is doing. A prime example of this is, at a time when a major industry is in trouble through lack of markets, either domestically or internationally, the Minister of Regional Economic Affairs (Mr. Marchand) is allocating money to establish the same type of productive capacity as that which is in trouble. This does not make any sense. Is it not time we embarked on a program to find out what we could do best to compete in the various parts of the world. We should concentrate on these particular objectives, instead of muddling along in the same old manner that was outdated years ago. Certainly, we should learn. If we cannot learn and if we have lost all initiative, then we can copy.

I point to the economic status today of West Germany, which not only has no unemployment problem but has a problem obtaining sufficient workers. We should look to Japan whose industries were smashed during the war some 30 years ago and who today is an industrial giant. Here we are in Canada talking about going to the United States on our knees and asking for concessions. Where is the leadership? Many of us in this House, especially from Ontario, have grown up next door to the United States. Many of us have been engaged in businesses directly concerned with companies in the United States. I am not afraid of United States domination. I am not afraid of a take-over by the United States. That is not what they want. These are businessmen. All they ask is that their counterparts in Canada be businessmen, too, and speak to them as one businessman to another. They do not want Canadians to go to them with cup-in-hand and say "please". They want the co-operation that is their due as one neighbour to another. Is this too much to expect?

• (3:30 p.m.)

Mr. Paul St. Pierre (Parliamentary Secretary to Secretary of State for External Affairs): Mr. Speaker, my adrenal glands do not seem to be pumping very hard today. I am more in the mood in which the House was yesterday, I suppose, when I found myself very frequently applauding individual statements made by the hon. member for Hillsborough (Mr. Macquarrie), the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) and others, because I think there were some profound truths spoken about Canadian-American relations. But there seemed really to be more agreement among speakers than disagreement. I wondered for a time if I might see a repetition of something that happened a good many years ago in British Columbia. There was a young judge in the Kootenays named Cox. He visited his circuits only occasionally, and in the district of Boundary it was usually eight months before the judge arrived. At one time the inhabitants of this mining area saved up quite a splendid collection of law suits with which to test the young judge. But his horse went lame on the Kootenay trail and the judge did not arrive on time, so the litigants repaired to the local saloon. Judge Cox was a long time getting there, so they stayed in the saloon three days. At the end of that time all the litigation had been settled among themselves and there were no cases left for the judge to hear. They were strong men in the Kootenays and continue to be so. I will refrain from speaking about Coast-Chilcotin this afternoon because it would take too long.

An hon. Member: Hear, hear!

Mr. St. Pierre: I thought yesterday that perhaps sometime this afternoon the opposition party would decide it was not really worthwhile to bring their resolution to a vote today, but after hearing them today I think perhaps they feel it should come to a vote.

I have had some trouble with the resolution, as have many others. I have looked at it sideways, straight-up, upside down, and I have held it up to a strong light, but I really cannot be sure what the official opposition party is trying to say here. The closest I can paraphrase this statement is that we must stand up to the Americans but we must never tell them anything that they might not care to hear.

Some hon. Members: Hear, hear!

Mr. St. Pierre: I am afraid we cannot have it both ways. I am quite convinced that neither our American friends nor any other friendly nation on this earth would want us to do that. The United States does not expect that Canadian policy should be identical with theirs on every issue. We may find such complete harmony of views among the governments of eastern Europe, but not within free and independent societies such as ours, and to suggest that our American friends really expect Canada's views to be identical with the American in every aspect is to insult the intelligence of the American government and of the American diplomats. What the United States does have a right to expect of us is that our position be clear, and that we speak as frankly and calmly about the few areas of disagreement as we do about those vast regions of bilateral and multilateral relationships in which the two governments have worked in complete harmony for many years, and in which they will continue to work in such harmony.

I suggest that in dealing with other states we must have policies which have the immense virtue of credibility. I should like to quote the diplomat Talleyrand. This is a partial quote from a long statement, but I think it is appropriate here. This is what he said:

> In order to destroy a prejudice fairly generally current, I must here point out that diplomacy is in no way a science of cunning and duplicity. If good faith is necessary anywhere, it is especially so in political transactions, for it is good faith that makes them strong and enduring—

In respect of credibility, we might cast our thoughts back to the disagreement between the United States and Canada over the Bomarc missiles. I am sure I do not have to remind members of the Official Opposition about that issue because they were in government then. This was a situation in which Canada accepted the Bomarc delivery vehicles and then said that we did not want to put warheads on them. It would be hard to imagine a less credible policy than that one. It can only be compared to a man who walks into a shoe store, buys a pair of shoes and announces he will only wear one of them. It is such lack of credibility, such unreliability in dealings abroad, that arouse the contempt, anger or scorn of other governments, and who could blame them?

Let us compare this with the recent China vote in the United Nations in which Canada and the United States

voted in different ways. First, let us consider that Canada had not pledged itself to support the United States. Second, we had instead informed our ally in advance what our policy was, why we felt as we did, and how we would vote. We did no proselytizing. Other nations could vote as they saw fit; we would vote as we saw fit. Of course, the Americans would have preferred that we support their view, but even in disagreement we were straightforward and our behaviour was credible. I suggest to the House that the Americans fully appreciate our position, and I draw the attention of the House to the fact that not a single responsible U.S. government official or diplomat has accused Canada of betrayal.

In my closing remarks, I would like to deal with some of the opening remarks of the hon. member for Hillsborough in this debate. He said that Canada was not so big as to be feared nor so small as to be despised. I would agree with him, but I would add one more line. I would say that we are not so large as to be feared, not so small as to be despised and not so young as to be pampered. I wonder if psychologically our country was, for much of the first century, in a psychologically dependent frame of mind. For so many generations we looked to mother Britain, who too must have wondered at times if we were ever going to get out of the nest. Last week Britain voted to join the organization which appears to be evolving rather rapidly into the united states of Europe. Are our relations less friendly and less open with the British? Of course not, but the relationship is and has been for some time on an entirely different basis from the old, the basis of two nations with a multitude of common interests and a tradition of friendship. Never again, however, will Canadians even subconsciously be able to take a tug at mother Britain's apron strings.

Then, in our later evolution, I wonder to what extent we depended on spontaneous affection from good old Uncle Sam to the south—Uncle Sugar as he came to be known for his generous spending in many parts of this world. Well, Uncle is still friendly despite what some may say, but we have been reminded that he is a great power and he will behave essentially as any great power and most small powers would do and should do. The government will act in what it conceives to be its national interest, and Canadian governments must also so act. But nothing in this precludes the central fact which has been recognized by most and perhaps all of the participants in this debate. We and the United States are two nations which have a vast multitude of common interests and a long tradition of firm friendship, and this will continue.

[*Translation*]

Hon. Martial Asselin (Charlevoix): Mr. Speaker, the government members are wondering why the opposition has presented the motion now under consideration. I think that the answer is extremely simple.

For several months, the members of the opposition have tried on several occasions to find out what uneasiness could exist between our country and the United States. Unfortunately, as a result of vague answers, we have been compelled to state the problem clearly in the House and that is why we presented the motion now under consideration.

[Mr. St. Pierre.]

Hon. members, including the government members, would be blind if they did not realize that we have been witnessing for several months a serious deterioration in our relations with the United States, a deterioration which is due, in my view, to some inflammatory statements.

Hon. Jean Marchand (Minister of Regional Economic Expansion): I guess because we imposed a surcharge on them.

Mr. Asselin: We will come back to that later. If the Minister for Regional Economic Expansion wants to make a speech, we will listen to him. If he has remarks to make or questions to ask, I can answer them immediately.

Mr. Speaker, I say that deterioration is the result of the inflammatory remarks made recently by members of the government about our relations with the United States.

Must I remind you that, generally, Canadians bitterly deplored the statement the right hon. Prime Minister (Mr. Trudeau) made during his visit to the USSR when he spoke of the economic imperialism of the United States? Must I remind you that the equally inflammatory statements of the Secretary of State for External Affairs (Mr. Sharp) and the Minister of Industry, Trade and Commerce (Mr. Pepin), after the 10 per cent American surcharge was levied on imports did nothing to improve our relations with the United States?

• (3:40 p.m.)

Mr. Speaker, the true sense of diplomacy as exercised by former governments has been relegated to the second rank. The attempts of the former Prime Minister of Canada (Mr. Pearson) will be remembered: wishing that China be recognized in 1968, he met President Eisenhower and discussed the matter with him; when the president told him that U.S. public opinion was not ready to recognize the People's Republic of China, the prime minister replied that it was impossible for Canada to make such representations if we were not supported by the U.S.

I do not say, Mr. Speaker, that we of the opposition blame the government for having made representations in favour of the recognition of Red China or voted in favour of its admission to the United Nations, but we say that all those decisions must in our view be taken in consultation with our allies, and our closest allies are the United States. In that connection, we have been greatly remiss in our duty by not relying on the quiet diplomacy which is important in our relations with the United States.

Mr. Speaker, I say again what we said a short while ago that we, Canadians, do not want the government to bow before the Americans in order to formulate our economic policy. Nor do we oppose the efforts of Parliament when it enacts laws to guarantee the economic sovereignty of this country, but we want the government to show greater leadership when it comes to establishing with our neighbours to the South relations which in our opinion can have extremely important effects on the Canadian economy as a whole.

Mr. Speaker, to restore Canada's name in the United States, it was even suggested, after the application of the 10 per cent surcharge, that the Canadian government could retaliate against that country, if the latter did not withdraw it.

Does such an aggressive and provocative statement represent the best way to solve this problem?

And despite the fact that the Secretary of State for External Affairs, the Minister of Finance and the Minister of Industry, Trade and Commerce went to the United States, we have failed to influence the American's decision and the 10 per cent surtax, as we are all aware, will certainly penalize a great many Canadian industrialists and manufacturers.

Mr. Speaker, as I said, it is not a matter of our going on our knees to the Americans and ask their blessing when we have to take decisions in the interests of Canadians. But I suggest that we must find a formula to coordinate relations between the two governments so that the measures taken by either administration will not penalize Canadians as is now the case with the 10 per cent surcharge.

Mr. Speaker, perhaps we should ask the government to read once more the report submitted by ambassadors Heeney and Merchant on the coordination that should exist in our relations with United States. I feel that if the government chose to reread this report which has been made public, they would find all necessary guidelines to ensure better coordination of our relations with our neighbours to the south, especially in matters as important as those we have dealt with recently.

Obviously, the 10 per cent surcharge, as I said a moment ago, will have a considerable effect on Canadians, which will be felt mainly in the province of Quebec. If we look at the statistics on imports, we find that in 1971 exports from Quebec to the United States and other countries were decreasing, and this has very serious consequences for Quebecers.

Everyone knows that the employment situation is very bad in Quebec. We need all our resources. We must make all possible means available to our industrialists and manufacturers, not only in order to create new jobs but also to protect the existing ones.

Mr. Speaker, I have already spoken here, and I am doing so again today, of the pulp and paper industry, because the subject is of great interest to me and also because some mills are located in my riding. For many years, that industry was the most flourishing one in Quebec. During the past year or so, pulp and paper mills are in an extremely precarious situation, and this is, obviously, because this government and high officials have failed to coordinate our trade relations with the United States. In fact, most of our news-print is sold in the U.S., and mostly in New York.

We have gone through proceedings, Mr. Speaker, and I am extremely concerned when I see that these firms, which had flourished for decades, are now laying off workers, or shutting down for two or three weeks. This is, by the way, what Donohue Brothers Limited and other pulp and paper companies in Quebec are doing, and this government, though we have insisted on that, has not managed to meet with some representatives of the U.S. government so as to ensure the survival of the news-print factories.

Mr. Speaker, other industries in Quebec are also affected by the 10 per cent surcharge, and it would be enough to name the snowmobile industry. Even if the snowmobile industry is tax exempt under the automobile agreement, the fact remains that because we impose a 12 per cent tax on imported snowmobiles, we now have an important fight to win. In fact, we notice that American snowmobile manufacturers have been trying for some time to influence the Nixon administration in order to get a revision of the automobile agreement, so that the United States tax snowmobiles imported from Canada at the same rate we tax those we import from that country. The snowmobile industry was created in Quebec. Thousands of Canadians earn their living from it and because of the lack of leadership from the present government, Quebec is losing important profits in that field.

Mr. Speaker, in closing, I wish to point out that we did not merely want to criticize the government in a non-objective way with regard to our relationships with the United States, because it is not a matter of being pro- or anti-American, but of strictly facing facts.

We have serious problems with our southern neighbours and for the past few months we have been asking the government to enlighten us, to define its policy of co-ordination of relations with those neighbours, and since we have had no specific replies, we introduced this motion in order to clarify the situation.

Hon. members, whatever party they belong, to, should seriously consider the possibility of supporting our motion in order to force the government to show better leadership, in our relations with our southern neighbours.

[*English*]

• (3:50 p.m.)

Mr. Lloyd Francis (Parliamentary Secretary to Minister of Veterans Affairs): Mr. Speaker, participating in this debate yesterday, my colleague the hon. member for York East (Mr. Otto) said that this motion which is before us now was perhaps the issue which the Official Opposition might use at the next election. The question was put very squarely to the hon. member for Kent-Essex (Mr. Danforth) and there was no reply given in any terms understandable to me. I sincerely hope this is not the case because if there is any issue in which the loser would be Canada, it would be such an issue. None of us could gain by seeking any narrow partisan political advantage out of events that have taken place with our neighbour to the south. I listened with a great deal of interest to some very good speeches.

An hon. Member: From this side.

Mr. Francis: I felt that perhaps there was no reason for members on this side of the House to rise when I listened to the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) and the hon. member for Selkirk (Mr. Rowland) attack the Conservative party for its hypocrisy in attempting to blame the deterioration of our relations with the United States on the Liberal party, and—

An hon. Member: Shame!

Mr. Francis: —when they recalled the deterioration that had taken place under the last administration for which the Official Opposition was responsible some years ago. But then we saw, through an interesting procedural device, the presentation of an amendment by one party in

the opposition to a motion presented by another party by which the absurdities of the motion itself were reduced to a minimum. I find it strange, in listening to the very good speeches, that the member for Nanaimo-Cowichan-The Islands had found a method of defending it so that they could-

An hon. Member: You only listened to half the speech.

Mr. Francis: They have changed the thrust of the motion. They have deleted one-half of the motion, and the part they have deleted is the charge against the government that it is responsible for the deterioration of relations with the United States of America. Therefore, all the sanctimonious pieties that we heard in the speeches from the Official Opposition are, by the admission of the opposition itself in accepting the amendment, thereby denied by their own act. There is no longer any obligation on members on this side of the House to attempt to answer the absolutely absurd charges contained in the first half of the motion.

What we have before us now, Mr. Speaker, is purely and simply a motion which is cast in the framework of economic nationalism which says that Canada should seek to become more independent in its economic relations with our neighbour to the south. This is the thrust which the New Democratic Party has given to this debate and which has been accepted by the movers of the motion, admitting the clumsy way in which it had been originally construed and the absurdity of trying to put together the pieces which were totally irreconcilable.

We have to look at the economic realities of Canada. As a result of the events of recent days we have a wave of economic nationalism surging in our country. We all recognize that. As Canadians, we have a certain dual aspect to almost everything we do with the United States. On a day to day basis we want to drive a motor car of North American manufacture; we want to buy gasoline of a North American brand; we want to be able to cross the border and use credit cards; we want to watch the same programs on television; we want to participate in the same national or international sports of football—and argue whether it should be three downs or four downs—and hockey in which we trade our players back and forth. We want at the same time to maintain our complete social, economic and cultural independence.

There are certain problems in seeking those objectives and the problems come out when we have to deal with matters like this. I have received, as I am sure every member of this House has, letters from constituents demanding that we take forcible and vigorous action against our neighbours to the south. Indeed, my colleague the hon. member for York East who spoke earlier in this debate also spoke in the debate in this House on September 10 when he said Canada should stand alone. These are fine phrases, but Canada's record as a trading nation is something that we should not forget. We know that 28 per cent of our gross national product is derived from exports and that per capita we are one of the world's great trading nations. We have to look at places like Singapore, Hong Kong and so on to get a similar situation in per capita terms.

We have to look again at what is happening in the contemporary world. I listened to my good friend the hon. member for Kent-Essex when he spoke about Great Britain joining the European Economic Community. It is no accident that the decade of debate was finally resolved by a government of the United Kingdom supported not only by a majority of its own members but a very significant group of the Official Opposition in the House in a historic decision to join the European Economic Community.

Those of us who speculated about what such a decision would mean to Canada have got over the initial alarm with which we approached the potential loss of the Canadian markets, realizing that we must look forward. It is suggested that we must take advantage of the expanded markets and prosperity of western Europe, especially since that prosperity will undoubtedly grow in the years ahead. Yet, there is no immediate prospect of Canada's joining the European Economic Community. The facts of geography are against it. The facts behind the trading patterns of Canada are also against it, if one examines those facts. The Minister of Industry, Trade and Commerce (Mr. Pepin) and the Minister of Finance (Mr. Benson) have said in this House that we must face the problem of creating jobs and protecting jobs.

• (4:00 p.m.)

In its 1965 report the Economic Council of Canada pointed out that resource development does not create enough jobs and that we have to look to secondary industry if we want to create jobs. In order to achieve our national objectives, industries that show reasonable prospects for development should be given the greatest encouragement possible to develop. Where are we to find markets for those export products other than our national resources that create jobs in Canada? I listened to my hon. friends on the other side talk about the growing Japanese market. Does Japan really want to buy our aircraft, or does that country want to buy our copper, paper, coal and primary materials? We complain in Washington, and justifiably, in my opinion, that the Americans want Canadians to be hewers of wood and drawers of water; yet would not the Japanese wish even more to create such a pattern if we were to seek to expand our trade with them?

An hon. Member: Nonsense.

Mr. Francis: Would they be prepared to accept Canadian manufactured products as a substitute for the raw materials that they are now buying in such quantities as to create serious balance of payment problems which affect our relationships with Japan?

An hon. Member: In what quantities?

Mr. Francis: Those of us who think that Canada should seek markets ought to be a little more precise. They ought to specify which markets for which products they have in mind. I listened to the hon. member for Duvernay (Mr. Kierans) say that we should export more wheat. He distinguished between renewable and non-renewable resources. Where should we export more wheat, Mr. Speaker? Where should we export more paper products? Hon. members ought to tell salesmen of the pulp mills across Canada where to sell paper. They are doing their very best to sell paper right across the world. We should export our manu-

factured products, of course; but where do we find the markets that want to buy our manufactured products?

An hon. Member: We'll find them.

Mr. Francis: Which markets will take our manufactured products instead of taking basic raw materials which they feel we should supply? Mr. Speaker, the so-called "simple facts" of economic life in Canada are not at all simple. We are an exposed nation and, on top of all our other difficulties, we face difficulties in our relationship with our neighbour to the south. We face a major crisis in the field of international currency. In view of the difficulties involving the International Monetary Fund and the collapse of the Breton Woods Agreement, we face the prospect of a long period of floating currencies without any agreement to bring about currency stability in sight.

A nation that is thus exposed in the markets of the world is not a nation to rattle any kind of economic sword, Mr. Speaker. There are those who will say that I am not belligerent enough, that I am not demanding enough for Canada and that I am not adopting a sufficiently bellicose line in standing up to those who are uttering such terrible things in Washington. The word I want to leave with the House is this: no one stands to gain by pursuing aggressive and ill-conceived policies of economic isolationism, as I said yesterday to my good friends in the NDP when I applauded them after they had spoken so well of the true record of this government in the field of foreign relations.

This debate is related in part to the field of foreign relations, and we have conceded that there is no case against the government in terms of what it has done. We are now talking about how far we can pursue economic isolationism in the name of Canadian independence. We must think hard, Mr. Speaker, and we must think in terms of our own vulnerability. That should not inhibit us from driving the best bargain we can, from fighting for stable currencies with the Council of Ten and from doing our best to play our role as a constructive international trader, because that is our role in the contemporary world.

Mr. Aiken: Mr. Speaker, may I ask the hon. member a question?

The Acting Speaker (Mr. Laniel): The hon. member may only ask a question with the permission of the hon. member who has the floor.

Mr. Francis: Agreed.

Mr. Aiken: Mr. Speaker, I merely want the hon. member to clear up something that arose in his remarks. He said that the Official Opposition, "has accepted an amendment to our resolution". Of course, this is not factually correct. Will he not agree that we merely did not object to it as being procedurally acceptable as we did yesterday?

Mr. Francis: Mr. Speaker, if hon. members on the other side want to say where they stand on this matter, they will have an opportunity to participate in the debate and clarify the record, because their position is far from clear.

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, before coming to the main part of my remarks may I indicate to the previous speaker, and to others who have spoken today, one of the sources of the concern that has resulted in the motion under the name of the hon. member for Hillsborough (Mr. Macquarrie) being put before the House. One concern arose as a result of remarks made last night by the Secretary of State for External Affairs (Mr. Sharp). He was responding to the opening remarks of the hon. member for Hillsborough and was dealing with the multiplicity of avenues and channels of communication with our good neighbour, the United States. He said in part, as reported at page 9310 of yesterday's *Hansard*:

> I will just mention a few of them. I will first take some of the older, established ones.
>
> There is the Permanent Joint Board on Defence.

I interjected and asked, "How often has it met in the last five years?" The minister answered:

> It has met frequently, and it is meeting very soon.

For the sake of the record and to indicate to hon. members the concern that led in part to the bringing forward of this motion, may I say that the Canada Ministerial Committee on Joint Defence, formed in September, 1958, met, actually, in 1958,1959, 1960 and 1964. That board has not met since.

Mr. Danforth: There goes the minister's credibility.

Mr. Forrestall: The Secretary of State for External Affairs saw fit to refer to this matter. That was his first example of the level of our relationships with the United States. What he said was not correct. That shows why we are concerned and that, in part, is why I am on my feet now.

In addition, I should like for a few minutes to talk about another aspect of our deteriorating relations with the United States. In the general area of defence, our relations have deteriorated. We stopped listing the United States as potential enemies in our official war strategy planning documents back in 1931. Sometimes you get the feeling, and I have had it particularly in the last two or three years, that, for some reason unknown to Canadians, we have decided to list them in that category again. We long ago recognized, as many hon. members in this chamber have noted, the inseparableness of our positions with respect to defence.

Indeed, the truth of this statement will be borne out by an examination beginning with the Hyde Park Declaration of 1941 and ending with present defence production sharing arrangements. It will be seen that in the development of this particular relationship with the United States, it has become absolutely necessary for us to enter into the closest and frankest of relationships with our American allies in the areas of defence and defence expenditure. John Gellner expressed this view on this matter in his *Globe and Mail* article of April 28, 1971:

> Canada is the only country in the world with almost unrestricted access to the U.S. arms-market. The cornerstone of the Defence Production Sharing Programme which was put together in 1958, was the waiving by the U.S. of the Buy American Act where Canadian Goods were concerned.

I am trying to show the closeness of our relationships in this area and the degree of sincerity with which the United States recognizes the existing, close relationship. The degree to which we are involved in defence production sharing is evident from two or three simple facts.

First, over the years it has provided, and continues to provide, jobs for well over 100,000 Canadians. As of the latest figures we seem to have a surplus in the order of $509 million.

• (4:10 p.m.)

Here again, is a reason for one of the fears which has led to the tabling of the motion we are discussing today. The United States treasury people are eyeing this surplus closely, so closely in fact that pressure is building up to knock some of it out through the forced sale of the Lockheed Orion. During the past year and a half, I suppose, there has been a departure by the United States from practices and procedures which have been followed for a long time. We must ask ourselves out loud, why this is. It is unfortunate, Mr. Speaker, but one does not have to look very far to find an openly expressed opinion in the United States that during the past two or three years Canadian negotiators have been acting more like hungry headhunters in search of victory rather than honest traders. As a result, our American friends have been much more cautious in their trading approach, because they believe, rightly or wrongly, that our end is victory for victory's sake in order to satisfy what some people might consider to be a sentiment in Canada which would say "To Hell with the Americans". This is an impression which exists in the United States because the government has done nothing to correct it.

In a field as complex as defence, it is imperative that those involved enjoy mutual confidence and trust. Because of this, our attitude toward our United States neighbours must always be honest, frank and open. The 1964 white paper was a basis for departure from an approach which we had taken for many years. It paved the way for what has become a serious deterioration in the quantity and quality of information we exchange with the United States on military, scientific and related matters. Let us consider some of the reasons for this. First of all, there was the unilateral decision to cut back NATO troops in Europe. This comes to mind immediately. There was the decision to reduce our maritime fleet by virtually half—though, admittedly, some of these vessels were obsolescent. There was the hesitancy displayed with regard to the part we would play in NORAD in the future. The white paper of 1971 made no mention of what our posture would be in 1973 when the agreement comes up for renewal. There is the Prime Minister's statement that the preservation of Canadian sovereignty was considered more important than continental defence. Peyton Lyon had some interesting comments to make about this proposition.

I, myself, am hard-pressed to imagine how one could separate the defence of Canada from the defence of North America, but in any event this observation has created serious doubts among our NATO allies to the south. We have shut down Bomarc sites. We have refused in a determined way to permit the use of our facilities at North Bay in the event,—which Heaven forbid—that Colorado Springs was destroyed or put out of action as a result of nuclear attack. One has heard expression in many quarters from time to time in traditionally Liberal circles, not to mention circles close to those who sit to my left, that what we are doing is retreating from traditional military ties and associations, particularly with Britain and the United States, to a position of neutrality. People are wondering out loud whether we are doing this in order to placate the Soviet Union, so as not to disturb the new relationship with Russia. Again, in the policy papers for Canadians we find that the maintenance of Canadian sovereignty is listed as the No. 2 priority, whereas in the white paper on defence it was said to be priority No. 1. Mr. Speaker, if we do not understand whether it is our first priority or our second, how can we expect our American allies to understand it?

Some hon. Members: Hear, hear!

Mr. Forrestall: We on this side sincerely suggest that it is the responsibility of Canada to participate to the fullest possible extent in continental defence. I do not think this view is seriously disputed on either side of the House, but I believe it ought to be stated. In spite of the fact that we may generally agree with this thesis, it is apparent that we are not taking steps to accomplish it. Nor do we go to the trouble of informing our friends to the south of our changing plans. I cannot help but wonder whether the Americans consider that we are likely to make any real or meaningful contribution to military defence. I think this uncertainty has resulted in a very serious downgrading of the quality of military and related information exchanged between the two countries.

The importance of this downgrading is, indeed, very real. Dr. G. R. Lindsey, Chief of Defence Research, told the maritime defence sub-committee in January, 1970, that reductions in Canada's military contribution had resulted in the drying up of United States military and scientific information which used to flow into Canada. Dr. Lindsey specifically said, and I quote:

> Not too long ago we did make a survey of the number of reports that have been coming in from some of our allied countries, and it is much less than it used to be. Of course, we do not know what reports they have written they did not send us, but it seems surprising that we are getting fewer. I think we find ourselves invited to less exchanges of information and scientific and technical meetings than we were.

This decline in reports was particularly noticeable, he said, in relation to plans for new military equipment or the results of the testing of experimental vehicles. In short, the whole field of nuclear weapons, radar and sonar detection devices. In this respect, I can only conclude that the government's attitude toward the United States, as reflected and determined by the Prime Minister's decision to use Soviet Russia as a platform last summer from which to take a whack at our United States allies, could lead to an even further decline in these exchanges of vital information. Maybe the Prime Minister (Mr. Trudeau) made his observations facetiously on that occasion. I do not know. But he did make them, and he has not retracted them. He said he feared economic or military domination from the south.

Surely, Mr. Chairman, a determined government can broaden and extend its relationships with other countries, such as the Soviet Union and China, while at the same time continuing to enjoy good relations with the United States. These are good things and we in this party welcome them. We also welcome the initiatives of the President of the United States. What we do not welcome, and what continues to scare us, is the fear being engendered

by the present administration because of its inconclusive and undetermined policy objectives, particularly in the military field, that have let our United States allies not to take us nearly as seriously as they have in the past, and indeed as they should if we are to continue to get along on this continent in the way we should.

• (4:20 p.m.)

It is my contention that our weakness comes only from fear itself. We have no need to fear, as the hon. member for Kent-Essex (Mr. Danforth) said, economic domination by the United States because this will not happen.

The Acting Speaker (Mr. Laniel): Order. I regret I have to interrupt the hon. member, but I do so to inform him his time has expired.

Mr. Hubert Badanai (Fort William): Mr. Speaker, as a North American country, it is inevitable that Canada has developed North American points of view on political, social and economic questions and possesses certain North American social and racial characteristics. Geography is an important part of the relationship between Canada and the United States, the customs and outlooks we have acquired, and also accounts for the constant flow of people between the two countries. It has been estimated that one-third of all the people of Canadian origin are now living in the United States, and a goodly percentage of American people are living in Canada. It is, therefore, natural that economic and financial relationships are closer and more extensive than those between two foreign countries.

It is because of this background that in the course of time United States capital began to exploit and develop our immense natural resources and provide a market for our nickel, iron ore, oil, gas and forest products, to name a few. This invasion of capital from south of the border has been exploited by various groups, and has initiated a wave of anti-Americanism, condemning any and all United States investments in Canada. It is not the government that is anti-American.

In an interview given by the Prime Minister (Mr. Trudeau) to a journalist last February, he was asked: "Do Canadians suffer because of domination of the economy by American business interests?" The Prime Minister replied:

> They don't, I think, suffer in an economic sense or even for that matter in a technological sense. It is because of American capital investment, and the technology that came with it, that we enjoy one of the highest standards of living in the world—that our resources, which are extraordinarily abundant, have been exploited to the extent that they are and have provided wealth for the people of Canada. So they don't suffer in that sense.

I believe that anti-Americanism in Canada stems from the fact that United States capital has successfully developed some of our major industries, hence the voices of blind nationalism which are heard almost daily in this very chamber. A few weeks ago, I listened to a panel discussion on the topic of American investments in Canada. It sounded as though the "taking over of Canada" by the United States was well on the way; and it ended with a good dose of anti-Americanism. There are reasons for this sentiment. Americans can be ruthless, hard-boiled, keen investors, not afraid to risk capital ventures in the hope of making a fortune, and they often have. However, the fact is that we are forever tied to the United States by reason of geography, history and circumstances, so let us be practical and make the best of it.

The United States is a great and wealthy nation, with many good qualities and great achievements to its credit. It was born of revolution. It lives in, and on, crisis. But it has been, and continues to be, the most generous nation the world has ever known. It has contributed millions of dollars through foundations and in other ways to Canadian universities and organizations. Its colleges and schools have been freely open to Canadian students and scholars, and every year thousands of them take advantage of these opportunities for study and research. Its contributions to science and technology are almost fantastic. Do we want to build walls against this? Do we want to reject it, and refuse to permit its entry to Canada? As for United States investment and the often repeated cry of "take-over" by our nationalists, this is a matter of concern to every thinking Canadian. But we do need United States capital and United States know-how, and I believe we should continue not only to admit it but to go after it. At the same time we should and must take the necessary steps to ensure that actual control remains in Canada; and the government of Canada is doing just that.

Mr. Gordon Archibald, president of the Maritime Telegraph and Telephone Company, speaking to a conference in Toronto, as reported in the *Globe and Mail* of October 8, made a vigorous plea for the benefits of continued foreign investments in Canada. He linked it with sharp attacks on anti-foreign investment arguments of the Committee for an Independent Canada, and said:

> Businessmen must rally to convince others who oppose foreign investments on emotional and nationalistic grounds. Few, if any, practical businessmen oppose foreign investment, particularly in our resource industries. It would be fine if Canadians could control all companies doing business in Canada, but this is not practical. Until we can, let us be thankful we have a wealthy neighbour, whose citizens have the resources and are willing to take risks and to invest in areas where we Canadians, even when funds are available, are not so inclined to invest our money.
>
> The Committee for an Independent Canada charges that Canada is being "bled", which is questionable indeed.
>
> The basic inflow-outflow comparison ignores the over-all gains resulting from the foreign investment itself: in the form of various taxes and reinvested profits, the creation of exports, substitutes for imports, demand for imports, and other beneficial effects to the balance of payments.

In conclusion, he warned of the serious danger of adopting any kind of nationalism, or desperation measures, to save Canada from an imaginary, self-induced situation.

The "Business Review" published by the Bank of Montreal for October 27, 1971 carries an article by Mr. Leonard Walker, president of the bank, and I should like to quote a few paragraphs from it:

> The Canadian attitude towards foreign capital has been described as a love/hate relationship and the description seems to me to be quite appropriate. On the one hand, as a matter of national policy we have from the beginning welcomed foreign capital with open arms, and even the most ardent nationalist will admit that we could not have got along nearly as well in the world as we have, or have enjoyed so many of the good things of life that come from a high and rising material standard of living, if we had not been able to use other people's savings for the development of our great country. On the other hand, there have over the years been waves of resentment about the degree of dependence on

foreigners which the use of their capital seems to imply, as well as ill-defined fears about the dangers in terms of loss of political sovereignty or the loss of a national cultural identity. However, as with any relationship as devoid of logic as the phrase love/hate suggests, realism has tended to be submerged by emotion.

• (4:30 p.m.)

Frankly, I am less concerned about the so-called "American take-over" in the sphere of industry, economics, and natural resources, than I am about unemployment. If American capital will develop an industry in Thunder Bay that will create jobs for our unemployed, I am all for it. I am confident that the Canadian government will continue to recognize the need for foreign investment for some time to come. Canada has the fastest growing labour force, relative to population, in the western world. The investment required to create a new job in manufacturing is around $25,000.

Job requirements and welfare costs are the main reasons Canada has a continuing need for foreign investment. The economic nationalists argue that Canada should be able to get along without foreign investments. Their argument fails to take into account the rising cost of new job creation, and social welfare. Recently, the Hon. Jean Marchand, Minister of Regional Economic Expansion, announced an incentive grant of $332,000 to Larson Woodlands Research Limited for a new plant to manufacture short wood harvesters in Thunder Bay. The new plant will empl oy 80 persons. The incentive is based on a rate of 15 per cent of the approved capital costs which are estimated at $.5 million, plus $3,200 for each new job created.

The President of the Canadian Chamber of Commerce, Mr. Neil V. German, speaking to the Canadian Club of Toronto, a few weeks ago, said:

The goal of Canadian foreign policy should be to obtain some kind of special relationship with the United States imbedded in law and treaty, which could begin with selected free trade, industry by industry.

Since Canada has no major outlets for its manufactured goods, which employ more Canadians than any other economic sector, we may find ourselves obliged to seek and make special arrangements with the United States, so that they will give us some special treatment. Our bargaining power for such negotiations is substantial: they need our raw materials in the foreseeable future.

One fact of life is that it is clear that Canada is utterly dependent on the American market.

No one can deny that foreign capital has helped to keep Canada together, and prosperous, as a nation, beginning with the construction of the Canadian Pacific Railway a century ago, down to the development of the Steep Rock Iron Mines in northwestern Ontario and the creation of a community of 6,000 people at Atikokan.

Another example is the export of Canadian coal to Japan, mined in the Kootenays of British Columbia, developed by United States capital which alone will contribute $324 million in labour income, and $210 million in taxes over a 15-year period, according to Mr. H. M. Romoff, Research Manager of the Canadian Pacific Railways. He made these statements before a Canadian Transport Commission hearing, which further indicated much greater loss than the sum of these two figures, if the area was not developed at all. There must also be taken into consideration all the jobs created; special railway equipment had to be designed and built in Canada; a new superport, Robert Bank, had to be built; townsites had to be constructed to accommodate staff, with all that means in provisions of supplies and services, as in the case of numerous other developed projects. Whole new areas have been and are being opened from such simple beginnings as a single mine—from new homes to offices, beauty salons, bowling alleys, supermarkets, hotels and newspapers. The fact about this particular coal mine is that the coal which is now being mined would still be in the ground, unused and contributing nothing, if an American company with the necessary money and nerve had not undertaken to develop it.

Full employment is the key to prosperity and, although the employment picture across the country is one of concern, there has not, and it appears there will not be, any immediate danger of mass lay-offs in Thunder Bay. The manager of the Canada Manpower centre in my constituency said recently that we did have some lay-offs at the Great Lakes Paper Company. He said, however, that the economy in Thunder Bay in general is fairly reasonable. Construction has been booming. The shipyards and Canadian Car are moving ahead with work; and there will be no slackening of activities at the grain elevators. In other words, the Thunder Bay economy, I am pleased to say, appears to be better than in most Canadian cities.

In conclusion, I want to stress that my views on foreign investments are that I would much prefer to see greater encouragement for Canadian-owned industry, rather than discourage foreign investments.

Mr. Edward Broadbent (Oshawa-Whitby): During my comments I will not spend any time discussing that intellectually confused or dishonest, and I hope it is the former, resolution presented by the Conservative party. It has already been dealt with adequately by the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas), the hon. member for Selkirk (Mr. Rowland), and even, God forbid, the Secretary of State for External Affairs (Mr. Sharp). What I should like to deal with primarily is the automotive industry.

In terms of the resolution before the House the automotive industry, perhaps more than any other in Canada, symbolizes the issues at stake. On the one hand, it is a major industry employing, if we include, as we must, the supplier plants to the automotive manufacturers, some 83,000 Canadians, and its exports are responsible for an annual surplus of trade to the extent of $200 million. It is therefore a major industry both in terms of the number of Canadians employed and our trading position. In my view, it is also the major bone of contention in terms of the United States government's economic policies as they are directed toward this country.

In recent weeks, the Secretary of the Treasury of the United States, Mr. John Connally, and the Assistant Secretary, John Petty, as well as numerous Congressmen, Senators and other officials within the president's office, have all been referring to the Canada-U.S. auto agreement as the major block or obstacle in that government's view to what is necessary for the removal of the surcharge against Canada imposed by President Nixon in the middle of August. There can be no doubt that automotive pact changes are a major objective of the United States. The single most important area of trade in terms of our favou-

rable position with the United States is the automotive industry. Therefore, in terms of U.S. economic interests in redressing what they consider to be an unfair imbalance, they want to go after the automotive pact. As recently as today, we heard that further action is planned by the United States government. A measure has been introduced in the U.S. Senate and was passed by its finance committee yesterday. This was a proposal to allow the president to levy a 7 per cent tax on automobiles exported from Canada to the United States. Of course, this would be in complete violation of the Canada-U.S. automotive agreement if it were enforced.

When the Minister of Industry, Trade and Commerce (Mr. Pepin) and, as I recall, the Minister of Finance (Mr. Benson), were questioned about the matter this afternoon, they dismissed it as being not a very serious matter in the typical, nonchalant government fashion. It was suggested by the Minister of Industry, Trade and Commerce that this was just a first step. He said that before it could be acted on it would have to get through the Senate as a whole, the House Committee on Ways and Means, and then be approved by the President. I say to the government of Canada that that process should not be lightly dismissed. If the United States government, both the executive and legislative branch, should deem it to be of prime importance to their economy to act quickly, they could get that measure right through all stages of the legislative process in a matter of days. Then, President Nixon would be in a position to act as unilaterally as he did in imposing the surtax in the first place. This possibility cannot be lightly dismissed.

• (4:40 p.m.)

I should like to say something about what led up to our present crisis. Before I do so, however, perhaps it would be worth while to mention the numbers involved in terms of the practical matter of jobs which seems to concern people around here in the abstract but not in terms of any attitude or emotion which results in any concrete action in respect of rectifying the situation. The people in Ste. Thérèse, Quebec and in St. Catharines, Oshawa and Windsor in Ontario as of Monday this week experienced about 2,300 job reductions. This affects currently at least 7,000 or 8,000 men, women and children if we take families into consideration. This is very significant. It is 10 per cent of the General Motors labour force and cannot be lightly dismissed.

If the safeguards in the auto pact are not maintained—and no one including the Prime Minister of this country has said in recent weeks that they will be maintained—what is currently happening in General Motors could spread to Ford, Chrysler and American Motors. In a year or two, it might mean that instead of having 83,000 persons employed in this industry the figure could be down to 10,000. I repeat that this possibility should not be lightly dismissed. This is a distinct possibility. It is a distinct desire on the part of certain United States Senators, including the senator for Michigan, and it is the distinct desire of many other congressmen. Unless this government makes its position clear in respect of these safeguards it is very understandable that the state of apprehension and anxiety which exists in the automotive homes throughout this country will be maintained.

In 1964, it was decided to set up the automotive agreement which was finally signed in 1965. At that time the government of this country had to make a major decision. It had to ask itself whether Canada, like Sweden or Japan, should create an independent autonomous automotive industry. That was one possibility. That would have been difficult to bring about. However, that was one alternative. The other alternative was to more fully integrate our industry into the economy of North America. That was the decision reached and that principle is embodied in the Canada-U.S. automotive agreement.

When this was done it was realized by the government that we could not simply have free trade in automobiles because this industry is virtually owned and controlled in the United States and there would be nothing to protect jobs in this country if pressure should be built up, as has been the case in the past six months in the United States, to create and maintain jobs in that country. So, important safeguards were provided in the pact. The first safeguard concerns the ratio of production to sales of vehicles in Canada. The agreement provides that, as a minimum, manufacturers must produce vehicles in Canada in the same ratio to sales as they produced in 1964. The second safeguard concerns the amount of Canadian economic content involved in the production of automobiles in this country. A certain Canadian dollar level, different for each manufacturer, based on its 1964 position, must go into the production of cars in Canada. This provision ensures that not merely units of cars but real dollar value is protected in Canada and that a certain amount of the labour content in the production of automobiles is ensured for this country.

These are the safeguards which the government of Canada has refused to assure the people of this country they will maintain. They must be maintained at all costs, but in addition to this the government of Canada should be seeking in a positive, non-belligerent way to improve the position of this industry within the country. The Canadian government should be insisting that the minimum objective is to increase the Canadian value added component to 100 per cent. That is to say, if the total value of cars sold in Canada by a North American manufacturer is $100 million, then the minimum Canadian dollar value of his production should be $100 million. This is a very important point because at the present time we do not produce all we consume in terms of dollar value in the automotive industry. The government has, therefore, a legitimate and positive point it can make in negotiations with the United States. It need not maintain its defensive, supine position on this issue. These two points rest directly on the issue of our economic relationship with the United States, and on the kind of trade arrangements which exist between our government and the government of the United States.

There is the matter of employment. I would remind you, Mr. Speaker, that this is the last part of the Conservative motion. Very few people have spoken of this. The motion criticizes the government for its failure to develop a policy to fully employ our growing and highly skilled human resources. Something must be done to encourage the expansion, or at least retention, of the number of jobs which currently exist in this industry. I remind hon. members that at present the number of jobs in the automotive

industry is being reduced and that a state of genuine apprehension exists, I am sure, in the ridings of at least 10 or 15 members of this House.

What else can the government do? If it is concerned about the creation and maintenance of jobs, it can remove entirely or at least substantially reduce the federal tax on automobiles. It did this last spring in respect of the electrical appliance industry, and the effect on the economy and on that industry was very positive; jobs were created. There is no reason this could not be done in the automotive industry. Second, I urge that a very serious investigation be made of the price-making policies of the automotive industry in this country. There is no adequate reason at this point that automobiles in Canada should be sold at prices which range between $100 and $700 more when purchased in this country than when purchased in the United States.

I have here two shipping statements taken from automobiles produced in Oshawa. They reveal a very interesting situation, indeed. One is off a car being sent to Verdun, Quebec, and the other is off a car being sent to Rochester, New York. These are identical automobiles produced in Oshawa. The manufacturer's recommended price for the automobile to go to a destination in Canada is about $700 higher than the recommended price for the automobile being shipped to the United States. This is an astounding fact. These are the manufacturer's recommended prices. I repeat that these are identical cars run off the line in Oshawa. If you add to the difference in the recommended prices such things as vinyl interior, floor mats, wheel covers and so on, all of which are listed as extras although most people would hope they could be taken for granted, you will find there is another $100 of difference in the recommended price for the car sold in the province of Quebec and the car sold in the state of New York.

• (4:50 p.m.)

I think it is a scandal that after all the years of the auto pact's existence, after all the capital renovation of plants that has taken place on this side of the border which has led to the fact that we have the most efficient industry in North America on this side of the border, not on the American side, we should be paying from $100 to $700 more for a car. Therefore, I say that this government has an obligation to investigate this industry very thoroughly and to reveal its findings to the public of Canada. I say this both in terms of the general interest of Canadians as consumers, and more specifically in this case in terms of the interest of the 83,000 Canadians who are employed in that industry. If we want to compete with Japanese imports, one of the best ways of competing, in my judgment, would be to drop the prices of automobiles very soon. If General Motors and other companies were prepared to accept the same profit margins that Japanese and German automobile producers are prepared to accept, then they could compete, and we would not have as we now have some 25 per cent of the cars sold in this country being small foreign imports. They would not be imported because they could not compete if our major producers decided to set prices in an equitable fashion.

I will conclude, in terms of the recommendations for the federal government with regard to the automobile industry, on that point. I have tried to stick as closely as I could to factual points. I will repeat my opening observation that this industry above all others in Canada is perhaps symptomatic of the issue involved in this debate.

The Acting Speaker (Mr. Laniel): Order, please. I must advise the hon. member that his time has expired.

Mr. C. Terrence Murphy (Sault Ste. Marie): Mr. Speaker, I will not take any time dealing with the wording of the motion which has been placed before the House because that has been done adequately by many speakers before me. I need not say any more than did a very eminent gentleman lately, who said that the resolution seems to be one of the things that meets itself coming around the corner.

During the course of the debate there have been a number of excellent speeches, and I would like to comment on some of them, particularly the opening speech by the hon. member for Hillsborough (Mr. Macquarrie). That speech was emotionally touching; its phrasing was beautiful, and at times it was even melodramatic. But at the end of it I seemed to get the impression that the hon. member was so carried away with the brilliance of his eloquence that he forgot to deal with the facts. I must endorse the comments of the hon. member for Selkirk (Mr. Rowland) when he dealt at greater length with that particular speech. During the course of his remarks he said that he experienced great difficulty during the course of the speech by the Secretary of State for External Affairs (Mr. Sharp), because he was agreeing with it, and even at times had to applaud it. May I say to the hon. member for Selkirk that I found myself in the identical position while the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) was speaking.

Mr. Baldwin: That makes four of you in the wrong.

Mr. Murphy: There were a couple of other speeches, one by the hon. member for Kent-Essex (Mr. Danforth) and one by the hon. member for Dartmouth-Halifax East (Mr. Forrestall), both of whom said that we have nothing really to fear from the Americans; they have no aims on our country and all they want to do is to deal as businessmen. That may be so, and I do not dispute it, but I wish I could be as sure of that as these hon. members are because there are other people around who are not that sure. I should like to quote someone of their own ilk. This article appeared in the Toronto *Telegram* of October 8. It was written by Aaron R. Einfrank who, the Toronto *Telegram* alleges,—at that time at any rate it was not a Liberal newspaper—to be an expert on things in Ottawa. He wrote:

> The surcharge and other protectionist moves against Canada are indications of the change which has been brought home to me during ten days of interviews in Washington . . .
>
> An example of what might be termed the end of an era is a conversation I had with a high-ranking Nixon Administration Official in his office.
>
> I asked this official, who is close to the ultimate political power in the U.S., what would happen if American protectionist policy led to the destruction of the Canadian state because of resulting economic chaos in Quebec and elsewhere in Canada.
>
> He began his answer in a routine way by saying "I don't think it will happen." Then I was stunned to hear him ramble on: "But if it did happen, it might not be a bad thing."

In explaining why "it might not be a bad thing" for Canada to disappear, he made two points:

The North American economy could be planned on a unified, continental basis, in regard to land and resources, including energy and water, as well as in regard to industrial development.

The addition of 21 million predominatly white "stable" Canadians to the American body politic would counter-balance "our minorities here". In other words, these 21 million "stable" Canadians would tend to off-set the influence of 23 million blacks in the U.S.

I do not know whether or not that is correct, but I recommend to the hon. member for Kent-Essex and to the hon. member for Dartmouth-Halifax East these comments for their consideration when they are considering the whole problem.

During the course of the debate there has been much philosophizing and much flowing oratory. I should like, if I may in my small contribution, to come down to the facts and face hard realities. What are the facts? I submit that if we really look at them, and look at history, we will admit that Canada and Canadians have been spoilt. We have been spoilt first by the United Kingdom, later by the Commonwealth, and more lately, since the second world war, by the United States of America. We have reached that lofty plateau where we are described as having the second highest standard of living in the world, and I suppose we have. We arrived there, particularly during the last two decades, by looking to the south and seeking to follow as the sheep follow the shepherd. Why do sheep follow shepherds? Sheep follow shepherds because the shepherd takes care of them, and that was what was happening to us during the last 20 or 25 years.

Then came August 15 and the boom was lowered. The shepherd found that his house was in danger. He found that he could no longer take care of all the sheep; he had to look after his own interests, and that is a quite valid position. If he did not look after his own interests, he would be a fool. Some people in this country seem to think that the actions taken by President Nixon on August 15, and latterly by Secretary Connally, are tragedies and represent, in effect, a tragedy for Canada. I do not think so. I think that those activities, and what has happened during the last two months, have given Canada the pause it needed to stop and look at itself. We must must look at our policies, find out where we are, and determine where we want to go. If we re-assess the facts there are two or three things that become obvious.

• (5:00 p.m.)

In order to exist, we must trade. In order to trade, we must have markets. Those markets do not exist in Canada. We need the markets in the United States. We need the markets in the United Kingdom, in Europe, in Russia, in China, in Japan and wherever else we can find them. One alternative, the one that seems to be espoused by the loyal opposition, is that we can seek some form of economic integration, the suggestion being that this economic integration be with the United States of America. One of the members memtioned, and used as an example, the moving by the United Kingdom and other countries into the European Common Market so that that community will now be a group of ten as compared with a group of six. This is the type of example we are told we should follow.

I should like to point out that it is one thing for six or ten countries of approximately equal size, approximately the same interest in all ways, but particularly in size and particularly in the value of gross national product, to get together and form a bloc. But it is another thing completely for a country the size of Canada to join a country ten times its size and hope to retain any type of national recognition. There is no way that can be done. Economic integration with the United States will lead eventually to complete economic domination, and economic domination will lead to political integration and eventually to political domination as well.

Mr. Baldwin: How about Luxemburg and Germany?

Mr. Murphy: Luxemburg, the three Benelux countries, always work together with Germany as a group and have the same voice as Germany in the Common Market. They are three countries and they work together as one.

A second alternative is to throw up the barriers and take the route to economic nationalism; I think everyone agrees that would be disastrous. A country this size, trying to go it alone, would end up completely on the outside, bankrupt and completely undone, and would be at the mercy of any other country. This, too, would lead to the loss of our national identity.

Thankfully, Mr. Speaker, there is a third route. We, as Canadians, can decide to mature economically. We have been weaned, as I said, by the United Kingdom and by the Commonealth, and to a degree we have received special treatment and pampering from the United States. Now is the time when we should be prepared to recognize that we are no longer economic infants; we are mature people prepared to act responsibly and with maturity.

We must decide if it is possible to enjoy the luxury of having the second highest standard of living in the world and at the same time compete with other countries in the market places of the world. Can we any longer afford the luxuries of wasteful industrial strife, high wages, fat profits large dividends, short work weeks, a high return on the dollar, and so on? Can we afford all that and still claim for ourselves the right to economic and political independence? As responsible adults, what do you do when you realize you are living beyond your means: What then should responsible Canadians do if they wish to retain the right to be called Canadians? That is the question facing us today, Mr. Speaker. Have we matured enough as a nation to recognize and accept our responsibilities? Are we ready to put our work muscles where our mouths are?

We were born a little more than 100 years ago. We took our first faltering steps as a nation when we helped our friends in the Boer War. We passed the age of puberty with flying colours by our participation in World War I. We learned in our adolescence that life is not a bowl of cherries. That was the lesson of the thirties. We demonstrated our strength and daring as young adults in World War II and later in Korea. Now, in a time of crises, in this time of re-assessment, I believe that Canadians have the opportunity to prove to the world and to themselves that they have attained the full maturity of adulthood, and I do not think we should be lacking in the courage to try.

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, the first thing I want to say is that the speech by the hon.

member for Hillsborough (Mr. Macquarrie) yesterday has drawn consistent and continuous remarks from every member. I cannot understand how a speech which was "so inadequate," "so incomplete," "so contradictory," "so emotional," "so filled with nothing good" could draw such a tremendous response from everybody, beginning with the past leader of the NDP and moving over to the person who sits to the right of the Prime Minister (Mr. Trudeau). That struck me as a bit strange when listening to this debate.

In June, 1970, the government published what it termed a theoretical framework of Canadian foreign policy, a white paper which consisted of six booklets: Canada's position on Europe, Canada's position on the Pacific region, Canada's position on Latin America, Canada's position on the United Nations, Canada's position on Development Assistance. But there was no reference at all to Canada's position on her relations with our neighbours, those whom we in this party talk about as our neighbours to the south of us. On numerous occasions we have given the government the opportunity of spelling out its position on economic policies and on other policies connected with our relations with our southern neighbours. We did so again yesterday, and yesterday I listened to the speech made by the Secretary of State for External Affairs (Mr. Sharp). Later, I re-read his speech to see if I could believe my ears and eyes.

His speech contained no reference at all to our present political and economic relations with the United States, no reference at all to the present economic moves by the United States, no reference at all to the Gray Report which finds itself locked away in somebody's desk drawer, no reference at all to energy policies, and no reference at all to the conflicting statements made by people such as the Minister of Energy, Mines and Resources (Mr. Greene) and the Minister of Indian Affairs and Northern Development (Mr. Chrétien). It was just unbelievable. I have never read or heard so much in my life and learned absolutely nothing from it. The minister's speech was filled with words like "childish". I repeat that this was a speech by the Secretary of State for External Affairs, that great diplomat. It was filled with words like "silly," "contradictory," and "hypocrisy," all in reaction to the position taken by our spokesman on external affairs, with no reference at all to the position of the government. There was a continuous challenge, one which seems to be dominant in the front benches of the government, a challenge to our party to state our position on a multitude of issues.

It may be trite to say the obvious thing, Mr. Speaker, that we are living in a unique nation. It is the second largest nation in the world geographically speaking, a nation of 22 million people, a nation with great resources and with great regional disparities but which has a rather unique tariff policy. Our tariff policy reacts to the tariff policies of another government, the government of the country to the south, which has devised a system which makes it difficult for us to manufacture and export manufactured products but which makes it very easy for Canadian industrialists and business people to export raw resources.

Despite the bragging of the government that we have a buoyant economy, we have a country which has had massive problems over the last several years, not just since May, not just since the imposition of the U.S. 10 per cent surcharge, with rapidly growing unemployment. We have a government which has allowed the business community to remain in a position of uncertainty to the point where, if one watched the stock market over the last several months, one saw a drop of 10 to 12 percentage points from the level that existed six or seven weeks ago. According to recent statistics, business failures in the province of Quebec have increased by about 10 per cent and have increased right across the nation.

• (5:10 p.m.)

In November, 1971, we are faced with two significant challenges. The first is to improve our interrelationships with our neighbours to the south through discussions, and the second is to see what we can do within the confines of the Canadian economy, bearing in mind our resources, our manufacturing position, our taxation and tariff position, to help a staggering and sick economy. These challenges have faced this nation for the last several years.

I cannot see how any of those people who sit to my extreme left can say that the motion before us today is the least contradictory. We are saying that we have a challenge to establish healthy working and friendly relationships, both political and economic, with our neighbours to the south. We are also saying that, bearing in mind our resources, the economy of the Canadian nation, the tariffs and the business community, bearing in mind all the conditions that are peculiar to Canada, we can develop economic muscle. That is what we are saying in the motion.

The hon. member for Sault Ste. Marie (Mr. Murphy) was here for 15 minutes today and I heard him and the hon. member for Coast Chilcotin (Mr. St. Pierre) say that we have been spoiled, that we have emerged from puberty and adolescence, have reached adulthood and must become independent. They said we have to become big boys and expose ourselves to all the winds and forces of the international scene, that we have to be able to negotiate with other countries and maybe even turn our backs on our friends to the south, saying that we have now reached the age of maturity. But I ask these members what we have done in the last three years to put muscle in the Canadian economy so that we can become independent, so that we can insult our friends and allow a breakdown in our international relations? Right now we find ourselves in a corner, because at the moment our neighbour receives 80 per cent of our exports.

There are questions that I should like the Secretary of State for External Affairs to answer today. What have we done with energy? Have we found out from the Minister of Energy, Mines and Resources (Mr. Greene) what our total capacity is? Have we discovered how much the Americans depend on it? Are we in a strong bargaining position? Do we know what our own domestic needs are? Is it necessary to develop the Fundy Tidal Power project? The Churchill Falls project has been developed privately with the assistance of one provincial government and no assistance at all from Ottawa. What is the position on resources domestically? And have the Americans become so dependent on our resources that we can talk tough to them? Have we developed strategies to help our resource

industries by means of tax credits, tax abatements, tax incentives or industrial growth incentives? Are the Americans so dependent on our resources that we can take that line of attack without hurting ourselves? Can other nations in the world supply the resource needs of the American people? If we talk tough are we liable to lose the market and thereby the jobs which have been created through the export of raw materials? I feel that this government has reached conclusions on these questions, but for political reasons or through incompetency is afraid to disclose them to the Canadian people.

What is our position on technological capability? Are we so capable technologically that we can forge ahead and become dominant in the world? What have we done about developing managerial capability? The books I have read say that any nation is dependent to a large extent on managerial capability for independence in the industrialized world. Has Canada set up special programs to help business communities, industry, universities and technical colleges develop managerial expertise? I am not talking about a master's degree from a university; I am talking about spending a lot of Canadian dollars to assist the business community in developing competency in the field of management.

What have we done about the recommendations of the Science Council of Canada for a new industrial strategy? I am not referring to an auto pact or an ad hoc policy on textiles or a policy on resources that is ad hoc to everything else in Canada. What I am talking about is a major industrial strategy which includes tax policies, tariff policies, expertise in management. Has the government considered these measures? This is what we are talking about in the second part of our motion when we refer to a number of things that we can do within Canada in order to make ourselves more vigorous and viable. No nation in the world will react to Canada making moves on its own considering its unique characteristics, its qualities, its advantages and disadvantages. This government has not stated any policy on energy, on resource development, on managerial capability nor a new industrial strategy. I do not think that our neighbours to the south can talk with people in this government because I do not believe this government knows where it stands on these issues.

Some hon. Members: Hear, hear!

Mr. Lundrigan: If the Gray report found that we are so inextricably involved with the United States economy that it is going to be difficult for us to do any more than reconsummate the marriage, why are the Canadian people not informed? If this government has found in discussions on energy and resources that we are not indispensable, why are the Canadian people not informed? These are things that the Canadian people must accept. I do not believe that the Canadian people are all that upset and terrified over losing their economic sovereignty. If they were faced today with a choice between losing economic sovereignty or suffering massive unemployment, I think they would quickly opt for closer relations with our neighbours to the south.

Some hon. Members: Hear, hear!

Mr. Lundrigan: I do not believe that in order to stand as adults among the nations of the world we have to sacrifice our political independence or identity as a nation.

Some hon. Members: Hear, hear!

Mr. Lundrigan: Newfoundland became part of this nation in 1949 and has not lost its identity. It has not lost its culture or its heritage.

Some hon. Members: Hear, hear!

Mr. Lundrigan: It is an integral part of the Canadian nation in every sense of the word. In the last three and a half years, I think we have had the worst of both worlds. I see members on the other side of the House whose feelings I know are the same as mine. Our economy went from a position of relative strength four years ago to one that is causing grave concern to every Canadian. The economy has been weakened to the point that more than 7 per cent of our labour force, on a seasonally adjusted basis, is unemployed. We have a government that persists in blaming this on our neighbours to the south. They blame everybody. They blame striking workers, single people, young people, the aged, new technologies, lazy deadbeats, organized labour and participation rates; and now they are blaming our United States neighbours for our unemployment.

• (5:20 p.m.)

Instead of blaming all these people, the government ought to accept the challenge of establishing closer and better working relationships with our neighbour to the south and attempt to offset the devastating economic situation that has arisen in Canada. Instead of doing that, we have offended our neighbours. We have made it much more difficult to establish healthy working relationships with them. At home nothing has been done to help us find a way out of our present position in order to make sure that when similar moves are made by other nations in future, the Canadian people will be better able to stand alone. That is the devastating part of what has happened. The challenge facing this government and the Canadian people is this: we must find a better, quicker and easier way to establish adequate working relationships with our neighbour to the south. We must remember that, aside from relying on the United States, we can do many things for ourselves within Canada, so that in future we may stand economically independent.

Mr. Ian Wahn (St. Paul's): Mr. Speaker, despite the eloquent and forceful manner in which the hon. member for Gander-Twillingate (Mr. Lundrigan) expressed his point of view, it is entirely clear, of course, that the motion originally introduced by the hon. member for Hillsborough (Mr. Macquarrie) is not only confused and illiterate, it is also intellectually dishonest or schizophrenic. That has been clearly established by a number of speakers, including the Secretary of State for External Affairs (Mr. Sharp) the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) and the hon. member for Selkirk (Mr. Rowland).

I do not intend to spend much time repeating arguments which have been advanced. The motion, however, is helpful and important because it exposes clearly a fundamen-

tal cleavage within the ranks of the official opposition. This cleavage cannot be denied and is clear if one reads the record of yesterday's debate. One of the views is that expressed by the hon. member for Fundy-Royal (Mr. Fairweather) who emphasized the importance of developing, basically, policies of Canadian nationalism. In so speaking, he was speaking in the tradition of the original founder of his party, Sir John A. Macdonald. On the other hand, the hon. member for Hillsborough spoke in another tradition, a tradition which has also been associated with his party for many years, a tradition and I say this with respect because I respect the views of the hon. member, that is based on what I might call the colonial mentality, the fear of independence which pervades a large part of Canadian society and which affects some of our business people, some of our professional people and some of our bankers and other financial people. This is a fear of new initiatives, expressed by the desire to remain in a sheltered position or, as is sometimes said, under the American umbrella. Theirs is the desire to maintain the status quo. After all, these are privileged people and very comfortable at present. They do not want to rock the boat. They are not anxious to take new initiatives. They want to wait and see.

Years ago they wanted to wait to see what Great Britain would do, and then they would follow; and today, Mr. Speaker, they want to wait and see what the Americans will do, and then they want to follow. They are terrified at the possibility that a country so small, so weak and so dependent as they suspect Canada is, should ever do something before our American friends do it. This was made entirely clear in the remarks last night of the hon. member for Hillsborough.

What were the reasons he gave for attacking the present government for alleged anti-Americanism? We had taken an initiative in developing friendlier cultural and trading relationships with the Soviet Union and other countries of eastern Europe. We had taken steps to establish trading and cultural relationships with the People's Republic of China, and we had failed to follow the United States lead with regard to the recognition of the Peking government of China. We were diversifying our economic and cultural relationships and the hon. member said—and I emphasize that I am referring to what the hon. member said—that the Prime Minister (Mr. Trudeau) had made some injudicious remarks to this effect. On that basis, this government is accused of an anti-American policy. It is a very serious charge and appears on page 9299 of *Hansard*, where the hon. member for Hillsborough is reported as having said:

—no government in Canada should recklessly engage upon a rampage of anti-Americanism without being prepared to face some painful consequences.

That is true, of course, but I think the implication is clear. The hon. member is charging this government with such a policy. And that is false; that is far from the truth.

An hon. Member: That is what the hon. member says.

Mr. Wahn: That is absolutely false.

An hon. Member: Bull.

Mr. Wahn: It is false for the reasons I have given. There is no basis for the charge, as proved by those illustrations which I have already given. Obviously, there is nothing inconsistent with our diversifying our relations with other countries and developing friendly relations with other countries while maintaining friendly relations with the United States and our traditional friends.

Nevertheless, and this is an important point, we must recognize that, unfortunately, in Canada today there is a great deal of anti-American sentiment. But that anti-Americanism has not been sponsored or encouraged by this government. That anti-Americanism shows itself in many ways. For this reason, we should be very careful in Canada to emphasize and continue emphasizing, and re-emphasize, if necessary, our desire to maintain the friendliest possible relations with the United States while at the same time—and this is not an inconsistent position—diversifying our relationships and trying to build friendlier cultural and trade relationships with other countries as well, even though they have not traditionally been our friends. For example, when we start firing off telegrams to the President of the United States protesting against the Amchitka blast, I think we should also send telegrams to the heads of state of the Soviet Union, France and the People's Republic of China, because they are all doing much the same thing, and it is bad no matter who does it.

Some hon. Members: Hear, hear!

Mr. Wahn: When we protest, as we often do in Canada, against the American involvement in Viet Nam, should we not also protest against the Soviet Union's involvement in Hungary of some years ago and its involvement in Czechoslovakia?

Some hon. Members: Hear, hear!

Mr. Wahn: When we protest against the American treatment of blacks and other minority groups in the United States, should we not also protest—and send telegrams—against the treatment in the Soviet Union of minorities in that country and should we not also protest against our own treatment of our own minorities in Canada?

Some hon. Members: Hear, hear!

Mr. Wahn: Although there is no substance in the allegation of the hon. member for Hillsborough, which charges our government with anti-Americanism, I am happy that the point has been raised and brought into the open because, in repeating that allegation the hon. member for Hillsborough, whether he realizes it or not, is joining in and participating in a widespread whispering campaign which is now under way and which is designed to suggest that the present government of Canada is communist oriented and is trying to "cozy up" to the communists—

Some hon. Members: Oh, oh!

Mr. Wahn: —and give up its traditional friendships with the United States and the countries of western Europe.

An hon. Member: That is true.

Mr. Wahn: I suppose all of us in the House have received some of the filthy publications which mostly come, I think, from extreme right wing organizations in the United States which make these charges. I am, in a way, glad to see this charge raised in the House in this

debate so that the people of Canada can realize just how insubstantial it is.

• (5:30 p.m.)

I should like to return to the most important aspect of this discussion. Should Canada seek economic integration in a single continental American market dominated by the United States, or should we seek economic independence based upon the development of a new Canadian economic policy which in turn must be founded upon the development of multilateral relationships, basically economic relationships? This is the fundamental economic problem which faces us in Canada at the present time. And opinion in Canada is divided right down the middle.

I have spoken of the cleavage within the ranks of the Official Opposition. But there is also a cleavage within the ranks of the NDP. This becomes clear when we emphasize that it is not just business dependence we are talking about but dependence in the field of trade unionism, and the domination exerted by the so-called international unions, which are really United States dominated unions.

Within my own party there are obvious differences of opinion. Although I respect the views of my hon. friend from Fort William (Mr. Badanai) as expressed earlier today in this debate, I can hardly agree with them.

The hon. member for Fundy-Royal attacked the government because it has not yet made up its mind what its policy should be in this field. It has, indeed, taken time to make up its mind and it is just as well that it should not hurry the process. Because when the new policy is published, if it is directed toward achieving a greater degree of Canadian independence, we can be sure that hon. members opposite will attack the government for being anti-American.

Policy in this area has to be developed very carefully and in a responsible way. While continuing to emphasize that we shall necessarily for many years continue to be highly dependent upon our United States friends in many ways, I certainly hope that when the policy is published it will indicate clearly that we are moving toward a greater degree of economic and cultural independence. I hope that we shall reject the notion of complete economic integration with the United States as being inconsistent with the maintenance of an independent and unified Canada.

I should like to emphasize that the new Nixon economic policy involving the 10 per cent surtax and other protectionist devices does pose a serious economic threat to Canada. But it also presents us with a tremendous opportunity if we have the courage to take advantage of it. It emphasizes, as nothing else could, the extent of our dependence on the United States. What is the use of the people of Canada having elections to elect members of this House if our economy is completely integrated with that of the United States: if, as a result, all the basic economic decisions are made in Washington, if at all?

The people of Canada are primarily concerned about their jobs, their families, and getting enough to live decently. All these things are related to the state of the economy. If our economy is integrated with that of the United States, decisions in this area will be made in the United States unless, as sometimes appears to be the case, the U.S. economy is completely beyond the control of the American people, in which case there would be no one guiding our economy.

For these reasons it is important that the government announce promptly its policy concerning foreign investment in Canada. I hope it will be a policy pointing in the direction of less rather than greater economic dependence upon the United States. Mr. Speaker, to help our United States friends I think we should renounce voluntarily and unilaterally the benefit of the special exemptions they have given us in the past. We should give up our exemptions under the interest equalization tax and other balance of payments programs introduced by the United States to protect its balance of payments position. Our reserves are higher than ever before—more than $5 billion. We could well afford voluntarily to give up the benefit of these exemptions as an indication to the United States that we recognize their problems and wish to help them, while at the same time moving in the direction of greater independence for Canada.

[*Translation*]

Mr. C.-A. Gauthier (Roberval): I was beginning to doubt that I would be able to get the floor on this subject today.

I have the pleasure to speak to the non-confidence motion which condemns, and I quote:

> the government for failing to employ and improve firm and constructive economic and political relations with the United States, and, at the same time, for failing to develop a new economic policy which would strengthen our economic independence and fully employ our growing and highly-skilled human resources.

I think this motion should be closely scrutinized since it allows us to look back briefly at the performance of the various governments we have had since 1962.

• (5:40 p.m.)

To this end, I will give the substance of the first four speeches I heard in the House. As I only have 15 minutes, I will quote the analysis of those speeches published in today's edition of *Le Devoir*, entitled "Canada-US hot line cooling down", which states:

> The foreign affair critic, Tory MP Heath Macquarrie, yesterday stressed the fact that no Canadian government can afford the luxury of violent anti-Americanism. This statement was booed by the Liberals.
>
> The economies of our two countries, Mr. Macquarrie stated, are closely related, and any government which tries to undermine traditionally good relations between Ottawa and Washington is endangering the position of Canadians, who are in the hands of Americans.

That was for the first speech. The article comments as follows on the second speech:

> Secretary of State for External Affairs Mitchell Sharp answered that disagreements between Canada and the United States do not necessarily reflect a deterioration of the relations between the two countries but that they are more likely the outcome of the development of these relations.
>
> These relations must develop according to the circumstances and that sometimes may cause some disagreements, said Mr. Sharp.

He could have added: the extension of their relations with other countries.

And I quote further:

For this part, former New Democratic Party leader T. C. Douglas, commended the government for its efforts to establish better relations with the socialist and communist world.

He said that he was surprised to hear that blame from the official opposition which in his opinion goes along with the right wing organizations and newspapers that attempt to accuse the government of turning its back on "our excellent American friends" in favour of the socialist and communist regimes.

However, the NDP member expressed the hope that Canada will achieve greater economic independence and closer control over the corporations operating in its territory.

As we may see, member of the New Democratic Party are always tempted to come back to their socialist doctrine in order to control corporations. So they keep trying to stand against those who dare talk against certain communist doctrines.

As usual, they moved an amendment which was rejected. So, they came up with another one. I want to point out that as far as we are concerned the chair should never accept amendments on allotted days, days which by right belong to the parties moving the non-confidence motion. Often the other parties take that opportunity to try to bring in their own ideas about the motion moved so that it completely loses its meaning, as it happened in our case.

This is why I ask that such amendments not be introduced in future but that we discuss instead the non-confidence motion moved by an opposition party. We should not have to put up with these amendments. Let us deal with the subject matter.

I resume the quotation:

As for Mr. Matte, he stated that we should not wait for a further deterioration of Canada-United States relations before taking action.

Relations are not too good, he went on, compared with what they have been in the past.

Speaking of the Canadian economy, the member for Champlain reiterated that the evil is more in the present system than in the nature of Canada-United States relations.

If Canada could achieve production equal to its consumption, the 10 per cent American surtax on imports would have had little effect on us.

Those were the opinions expressed by the first four speakers on the motion.

Now, let us get down to facts. First political aspects, after which we will deal with our economic situation and finally with our future diplomacy.

To my knowledge, and I have been sitting here since 1962, this matter of anti-Americanism began under the former administration, that of the Progressive Conservative party under the leadership of the right hon. member for Prince Albert (Mr. Diefenbaker). That government was charged with anti-Americanism because it opened more widely its doors to British goods. That was the opinion of the then right hon. Prime Minister and he may have been right at that. That assuredly did not please the United States because non only did we see the consequences in the progressive conservative defeat, but we all know that the Americans financed the liberal victory. American financiers attempted to bring back to reason those who wanted us to stop relying so much on North American markets.

That is the nature of the present conflict and I do not contend that the Progressive Conservative government

was any more anti-American than the Liberal government that followed was pro-American, but I say that we acknowledge facts. American capital put the government headed by the right hon. Mr. Pearson into power, because the previous Progressive Conservative government disappointed Americans a little.

The present government under the right hon. Prime Minister (Mr. Trudeau) then presided over the destinies of the country. Several questions come to our minds. We feel the United States are also asking themselves questions, because they do not know whether the present government is pro-American, anti-American, socialist, capitalist or democratic. We still do not know. It is neither flesh nor good red herring. I think that is partly what the United States fear. Even those who are members of the cabinet fear that. Privately, they are afriad of the Prime Minister: is he a socialist disguised as a liberal, or a liberal disguised as a financial dictator? We still do not know.

• (5:50 p.m.)

That is, I believe, part of the cause of our present difficulties with regard to our relations with the United States. At times, he says that he is of the left or of the far left, although he looks to the far right and remains with the Liberals. And this governmental instability surely scares the United States, although, on the whole, some effort is made today to find markets outside the American continent—which is very well—but the economic context should not be ignored.

And this brings me to my second point, the economic context in which we find ourselves. What are our present economic positions? In fact, in many areas, especially with regard to raw materials, we are exporters. We also export a certain quantity of semi-finished products, but we import large quantities of finished products, and this poses a threat to our economic situation.

In order to direct our economy toward increased independence, as proposed in the second part of the motion, I feel that it is time for Canada to deal with its own affairs as regards finished products. This is where our economic weakness is most apparent. As long as we are not aware of this economic weakness, we will not be able to live beside a country like the United States and deal with them on equal terms, because we are dependent on them. In fact, we are a little bit like the child who has not yet left his mother; we are still being led by the hand by the United States since we have to get from them 60 per cent of our consumer goods.

If this government really means business, if it wants to act responsibly, let it start first by developing our secondary industries so as to satisfy the needs of local consumers. That is the first step to take.

On the other hand, we often compete with the United States. We should not conceal the fact. As competitors, we should play the game and be cautious. If we are selling the same product to other countries, it gives rise to conflicts because the United States are used to treating us as a child and when we want to act like an adult, they get angry.

The Acting Speaker (Mr. Boulanger): Order. I regret to interrupt the hon. member, but his time has expired.

[*English*]

Mr. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, as has been said by other hon. members, this Conservative resolution is an embodiment of contradictions. They are trying to have it both ways; they are trying to ride two horses at once. On the one hand they condemn the government for poor relations with the United States because it took certain initiatives, and on the other they condemn the government for not presenting a policy of economic independence, which in itself is a very serious issue that could disrupt relations with the United States. I do not view this as an argument against such a policy and I will discuss this question later. The Conservative opposition condemns the government when it takes steps to make this country more independent, but at the same time criticizes it for not doing more. Fortunately, most Canadians can see through this nonsense.

What are the matters raised by the Conservatives when they allege there are poor relations between Canada and the United States? First of all they refer to the recent economic measures introduced by Mr. Nixon, the surcharge and others. If those measures resulted from Canadian action, certainly all governments in the world could be condemned by the same resolution. I submit, as many others have done before me, that the United States action is an attempt by that government to solve their economic problems by riding on the backs of not only their enemies but also their friends. In that particular instance I say Canada is not at fault. We have floated our dollar, we have had very liberal trade with the United States, and we have tried to communicate on all problems. What has happened is not the fault of this government.

Another issue raised is the Amchitka incident. If there are poor relations between Canada and the United States as a result of our protests regarding the Amchitka test, whom are we to hold responsible? Are we to hold responsible those people who may be damaged seriously by such a blast, or are we to hold responsible those people who are initiating this atomic test which could cause serious ecological and personal damage not only to Canada but to many parts of the United States and other areas of the world? I fail to see how the Canadian government bears any responsibility if there is a breakdown between Canada and the United States on that point.

Next we have the visits of Messrs. Kosygin and Tito to Canada and the visit of our Prime Minister (Mr. Trudeau) and our Secretary of State for External Affairs (Mr. Sharp) to eastern Europe. We also have developed relations with China. Again, I fail to see how our initiative in attempting to build bridges between the west and the east for the good of peace in the world can be considered a measure which is anti-American. I fail to see how an attempt by this government to take strong initiatives for the independence of Canada by spreading our contacts and creating friends in many parts of the world can be considered anti-American.

The Conservative position in this regard is just not credible. As has been pointed out, the United States itself has followed up the initiatives we have taken. After we established relations with China, the President of the United States announced that he would be visiting that country. We do not think he will try to establish relations with China, but his visit could lead to that in the long run. The President is going to the Soviet Union. Our Prime Minister took the initiative and went there last year; he was the first western head of government to do so.

If in raising these issues the opposition is trying to present them as a policy of anti-Americanism, I fail to see how that can be done. These policies have been followed by the government in an attempt to make Canada more independent economically, politically and socially. As a result of these new contacts in the eastern bloc and in Asia we hope to develop cultural and economic relationships which will be of benefit not only to Canada but to the western world.

There have been other measures taken in the last few years. We have attempted through the Canadian Radio Television Commission to develop a more independent broadcasting policy and we have attempted to develop more independent policies in other areas. For a long time we have maintained relations with Cuba and we have traded with that country although the United States did not do so. No one considers that as being anti-American.

I reiterate that it is in the interests of Canada, since we lie between the Soviet Union and the United States, to establish good relations with both these countries. In this era of modern communication and fast means of transportation the Soviet Union is as close to us, in many respects, as the United States and I think it is necessary that we maintain these close relationships.

May I call it six o'clock, Mr. Speaker?

The Acting Speaker (Mr. Boulanger): Perhaps the Chair might make its first request. The hon. member has only a few minutes left; perhaps hon. members would agree to let him finish so that we can start with a new speaker at eight o'clock.

Mr. Allmand: Perhaps I could have another five or ten minutes, Mr. Speaker.

An hon. Member: No, it is six o'clock.

The Acting Speaker (Mr. Boulanger): There is not unanimous agreement. It being six o'clock, I do now leave the chair until eight o'clock this evening.

At six o'clock the House took recess.

AFTER RECESS

The House resumed at 8 p.m.

Mr. Allmand: Mr. Speaker, before the supper hour I had pointed out that the government has taken many new initiatives in respect of foreign policy. We admit that and are proud of it. But as I mentioned before, these have been pro-Canadian policies rather than anti-American. If the United States blames us for helping ourselves and for trying to protect our own interests, then it is doing this as a pretext for carrying on its isolationist policies. We want friendly relations with the United States. It is in the interests of both countries to have friendly relations—but we would not want such relations at the expense of our own interests, our own sovereignty, our own resources, and so on. We feel we can be a close friend of the United States

and still be very pro-Canadian. I believe the United States is big enough and mature enough to appreciate and accept such a relationship.

The second part of the resolution condemns the government for failing to develop a new economic policy which would strengthen our economic independence. That is not true: the government is developing such a policy and has taken certain steps already. It has set up the Canada Development Corporation. It has taken action in the case of Denison Mines and Home Oil. Also, several fiscal measures have been adopted. It was a Liberal government which appointed the Watkins commission, and another Liberal government which referred the report of that commission to a cabinet committee. In addition, the Government reported recently through the Prime Minister that it will make its policy on the Gray report known very shortly.

I was a member of the external affairs committee which prepared the report on United States-Canada relations in 1970. I fully support the recommendations in that report and hope that several of them will be included in the government's policy statement when announced. I think it would be worth while to repeat some of the important statements in the report of the external affairs committee. In summing up their assessment of the U.S.-Canadian relations the committee said:

> The danger facing Canada is not one of political absorption by the United States: The danger which Canada must guard against is that it will drift into such a position of dependency in relation to the United States that it will be unable, in practice, to adopt policies displeasing to the United States because of the fear of American reaction which would involve consequences unacceptable to Canadians. The committee believes it is in the interests of both Canada and the United States that Canada should remain politically united and economically strong.
>
> The committee has concluded that, in addition to maintaining political independence, Canada must also maintain a sufficient degree of military, economic and cultural independence that it will, in practice, be able to make the independent decisions which constitute the vital characteristic of an independent nation.

This was a report by a committee with a majority of Liberal members. It is true we had support for these recommendations from members of other parties. One important recommendation in the report is that we must adopt positive measures to make our industry much more efficient so that it can compete on a world-wide basis. We also recommended the establishment of a Canadian Development Corporation. That has been set up.

Another important recommendation was that we enact a Canadian ownership law which would set up a Canadian ownership and control bureau. It was suggested that this Canadian ownership and control bureau would monitor foreign ownership, would keep a close watch on foreign companies operating in Canada and would see that these companies follow the guidelines and laws laid down for foreign corporations. It would do many other things which I cannot go into this evening because I do not have sufficient time. One thing it would do would be to monitor a rule which we think should be implemented, to the effect that in key sectors of Canadian industry 51 per cent of voting shares should be in Canadian hands. Unfortunately, this recommendation was misunderstood when the report came out and was badly reported in the press. It was reported that we had recommended that companies operating in Canada must have 51 per cent Canadian control. That was not the recommendation. The recommendation was as follows:

> Nevertheless, the committee recognizes that as a general rule it is desirable that Canadians should control Canadian companies by owning at least 51 per cent of their voting shares particularly in the important sectors of the economy where American control is now most highly concentrated, and that we should move toward this goal as rapidly as capital requirements and other relevant circumstances permit.

The recommendation was that in important sectors of the economy we must maintain control as we acquire the capital. Another important recommendation was that there should be no take-over of a Canadian company unless such take-over is passed by the Canadian ownership and control bureau. This is a very important recommendation. There were others with respect to the extraterritorial effect of American and other foreign laws in Canada, the role of foreign-based trade unions, cultural imperialism, and so on.

• (8:10 p.m.)

I submit that this was an important report. Much time was spent on it. I presume that the government is taking these recommendations into consideration in preparing their economic independence policy statement, in addition to their consideration of the Gray recommendations. I feel that the government has been moving in this direction and I have confidence that soon we will have a strong policy on Canadian economic independence.

In conclusion, I want to state again that I think the motion by the Conservative opposition is a nonsense motion. It is trying to sit on both sides of the fence at the same time. It criticizes the government for the very thing that it asks for in the latter part of the resolution.

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I cannot say that there has been a high-level debate from some quarters today, but it has been a very interesting one and it is the first occasion for some time that government members have been really smoked out. Shakespeare had a word for nearly everything and what he said certainly applies to government members—methinks she doth protest too much! I have never seen such an exhibition and heard such pronouncements of how much we love the United States. What a reversal this is from the actions, which speak much louder than words, of the last two or three years. I will deal with those in a moment.

Also very interesting to me was the speech of the hon. member for Selkirk (Mr. Rowland). I am sorry he is not in the House at the moment because I dislike criticizing a member in his absence. I am extremely sorry that the hon. member for Selkirk dealt with the speech of the hon. member for Hillsborough (Mr. Macquarrie) in the way that he did. He got himself all wrapped up in pious observations about intellectual honesty. If I recall his speech this afternoon, he described the expulsion of Taiwan from the United Nations—mentioned by the hon. member for Hillsborough in his speech—as a cruel act. He intimated that the hon. member for Hillsborough had said that the seating of the People's Republic of China was a cruel act. Of course, this is pure nonsense.

I am not imputing motives to the hon. member for Selkirk: one cannot do that. I can only assume from what he said and from the evidence that he is new in this House

and, I presume, very new to the United Nations and that therefore he probably made a mistake. What the hon. member for Hillsborough said is clearly on the record. I think in the view of nearly all members of the House, if not all, the People's Republic of China should indeed have the Chinese seat in the General Assembly and on the Security Council.

What was objected to by members of this party was that Taiwan, which is a different government altogether and for which the American resolution would have provided a seat, should not have been allowed some representation at the United Nations. They had been a good member of long standing. They had paid their dues better than some other nations. Taiwan, with a population of 14 million, has a bigger population than half of the other members, including bogus members such as the Ukrainian Soviet Socialist Republic which represents nobody other than the Soviet government, and Byelorussia. I remember that a senior delegate of that country said, "Our foreign office is one room over a grocery store in Minsk".

The very least this government could do is to recognize Taiwan. I hear lots of pious observations from the government side and from my friends to the left about universality being the great thing in the United Nations—pious hypocrisy! If a Communist nation had been concerned, they could have forgotten it, but with Taiwan they could not. The very least the government could do was to bring forward a resolution—

Mr. Faulkner: Mr. Speaker—

Mr. Nesbitt: The hon. member for Peterborough (Mr. Faulkner) should keep still for a moment. He ought to remember what happened to his riding in the provincial election. The very least the government could do in this case was to bring a resolution before the General Assembly to seat Taiwan which is a *de facto* country. Certainly they do not represent mainland China—nobody suggested they did—but they are certainly entitled to representation. That was promised in the last election by the man who sits in the seat of foreign affairs minister of this country. "Oh, no, we would never sacrifice Taiwan", he said in the nice manner of the Secretary of State for External Affairs (Mr. Sharp). He changed his mind pretty quickly.

I am sorry that the hon. member for St. Paul's (Mr. Wahn) is not here, but I was very interested in his mind-reading speech this afternoon. All I can say is that it is just another indication of how disturbed hon. members over there are about this whole debate, because everybody recognizes them for what they really are no matter what they say. The hon. member for St. Paul's wanted to know why people in Canada and on this side of the House think the government is anti-American.

I have some examples which I am happy to be able to provide for him. Let us take the following, for example. During the Prime Minister's recent visit to the Soviet Union, in what was I suppose a happy frame of mind after a Russian dinner—you can get in that frame of mind after those dinners—he said that Canada needed to have closer relations with Russia to counterbalance the military threat from the United States. Then, of course, there is the little item of the cutting of our NATO commitments and certain other matters which were dealt with by my colleague, the hon. member for Dartmouth-Halifax East (Mr. Forrestall), regarding our lack of co-operation in other defence fields.

Then there was the red carpet treatment given by us to U.S. draft-dodgers. Let us only compare the immigration difficulties presented to good, honest immigrants who wanted to come here from Italy, the Netherlands or elsewhere. They were examined for security and everything else, but the draft-dodgers were cleared, so we were told, sometimes in half an hour. There is also the recent attitude at the United Nations regarding Taiwan. I have already mentioned that. There was the reported behaviour of members of the Canadian delegation jumping with joy, laughing and screaming epithets at the American delegation when the United States suffered the diplomatic defeat which they did. This is bad manners.

Some hon. Members: Oh, oh!

Mr. St. Pierre: Mr. Speaker—

Mr. Deputy Speaker: Order, please. Is the parliamentary secretary rising on a point of order?

Mr. St. Pierre: On a question of privilege, Mr. Speaker. The hon. member should check his facts. What he stated is absolutely untrue.

Mr. Nesbitt: This is not a point of order, Mr. Speaker. I am certainly prepared to accept the word of the hon. member for whom I have great personal regard. I realize he was there at the time in his capacity as parliamentary secretary. The only thing I have to say is that I had reports from some of my colleagues who were there, and when the question was raised in the House the other day the Secretary of State for External Affairs seemed a little unsure of his facts on the matter. While there is no question in my mind that the hon. member who has just spoken would certainly not have engaged in such activities, I am informed that some of our other delegates did. Perhaps the hon. member for Coast Chilcotin (Mr. St. Pierre) did not see it.

There are other matters. The division concerning Canadian-American relations is not confined to the government; unfortunately, it also exists among the people of these two countries, with the daily barrage of anti-American propaganda whipped up by some members of the government party and by the Canadian Broadcasting Corporation in its daily, venomous attacks on the United States.

• (8:20 p.m.)

People in the United States hear this; the Canadian Broadcasting Corporation covers a large section of the United States. Since it is the CBC they think it is the public mouthpiece of the Canadian government. Mr. Speaker, you know that is not so and I know it is not so. We know that the CBC is an entity very much unto itself. But people in other countries do not understand these niceties, particularly when they hear "hate America" propaganda every day.

I remember that at one of the last meetings of the broadcasting committee I asked the president of the CBC if he could produce one program from the public affairs division that had been even neutral to the Americans within the last five years. He had to think for a while and

then he said there were two, a series on the American landings on the moon, and de Tocqueville's visit to the United States, which I think took place about 1828.

Then there is confusion about U.S. investment in Canada. We hear "Yankee go home" from all quarters. We heard something like that from a former Minister of Finance, Walter Gordon, a prominent member of the Liberal party, and from others. Yet we do not seem to have any policy. This is something that has been mentioned by a number of members on the other side of the chamber. It must be very difficult for our American friends when we have the Minister of Industry, Trade and Commerce (Mr. Pepin) and the Minister of Indian Affairs and Northern Development (Mr. Chrétien) going down to the United States begging Americans to invest their money in Canada, and then we have the Minister of Energy, Mines and Resources (Mr. Greene)—I am sorry he also is not here—speaking and giving Americans hell for investing here. The Secretary of State for External Affairs is saying much the same thing. This must be puzzling to Americans.

Then we have the provincial premiers, the premier or former premier—whichever he is—of Newfoundland, the premier of Nova Scotia, the premier of New Brunswick and the premier of Quebec going down to the United States asking our American friends to invest in Canada, and when they do and they come up here they get a chorus of "Yankee go home". You cannot blame our American friends for being a little puzzled about where we are going.

I have heard the question asked, "What are you people going to do about it?" The first thing that I suggest the government should do about it is try to produce the Gray report, on which the Minister of National Revenue (Mr. Gray) spent one dickens of a long time and much hard work, instead of burying it in the recesses of cabinet lockers. Let us have a look at it. The government should formulate a policy on American and other foreign investment in Canada. But the government has done nothing, has shown no indication of doing anything and has not given any leadership other than schizophrenic pronouncements by various cabinet ministers.

We would like a co-ordinated effort in this regard. The government should take the lead in determining our policy on American and other foreign investment. It should hold a conference with the provinces on this matter and, in all fairness to our friends, whether they be in the United States, the U.K., West Germany, Japan or wherever else, the government should say, "This is our policy. We would like your money here under certain terms and conditions. These are the terms and conditions." But we have had none of that, not one bit of it. There has been no leadership. All we get is anti-American propaganda when someone on the other side of the border does something that does not suit the views of this government.

In 15 minutes, Mr. Speaker, it is pretty hard to deal at length with a very complex subject such as Canadian-U.S. relations. But there is very little doubt about one thing. The government says that things are fine and relations have never been better with the United States. But everybody in the country knows that is not so. All we ask the government is this: please try and avoid in the future incidents such as I have mentioned tonight. A recent example of such an incident concerns the Amchitka explosion. I am sure that nobody in this House approves of nuclear explosions. I certainly do not, and I spent a good many years of my life working at the United Nations on this problem. But some of us object to the selective vilification of the United States. On this point I agree with the hon. member for St. Paul's who spoke this afternoon.

The government of France has announced that it is going to detonate nuclear explosions in the atmosphere next spring. I hope there is the same amount of protest to the French government and in front of the French embassy next spring as there has been in front of the American embassy, and also in front of the Russian embassy, because I point out that the Russians detonated a big nuclear blast last month; and I hope the same thing happens with respect to the Chinese. You can readily understand why people in the United States think the Canadian government is anti-American when it selects the American government for selective vilification and all other governments are allowed to do whatever they like and no one here utters a peep.

In conclusion, Mr. Speaker, there is an old expression which says that it is not what you do, it is the way you do it. No one in any party in this House does not want the Canadian government to stick up for Canadian national interests, but you do not have to be anti-American to be pro-Canadian. It is as simple as that. And it is not in our national interest to be attacking the United States constantly, gnawing at our closest neighbours. They are our closest neighbours whether we like it or not. If a major war breaks out and nuclear bombs are dropped on Detroit, that will affect the whole southern end of Ontario. If dropped on the Seaway, that means Montreal; and if dropped on Seattle, that means Vancouver.

Whether we like it or not, we are tied up intimately with the United States—militarily, economically and in many other ways. The best thing for us to do is to get along with our friends, and they have been our friends at least since 1812. We can be firm with them and we can be severe, but we do not need to be unnecessarily abusive and provocative.

Mr. Deputy Speaker: Is the parliamentary secretary rising on a question of privilege?

Mr. St. Pierre: Would the hon. member permit a question, Mr. Speaker?

Mr. Nesbitt: Certainly.

Mr. Deputy Speaker: Order. Just before he concluded his remarks the hon. member's time had expired. If there is unanimous consent he may be permitted to reply. Is there such consent?

Some hon. Members: Agreed.

Mr. St. Pierre: Mr. Speaker, could the hon. member tell the House whether the person who said members of the Canadian delegation were hooting and jeering at the Americans, dancing and stomping, claimed to have been present in the assembly at that time, because this was total fiction? I ask him to inform the House whether this person claimed to be present. Actually, the proceedings

are all on television tapes at the United Nations and can be checked there.

Mr. Nesbitt: Mr. Speaker, I have to go by the reports I received and all I can say is that I was also told certain remarks were passed to the Saudi Arabian delegation. This appeared on the CBC, if I am not mistaken. I am not disputing the veracity of the parliamentary secretary's remarks. What he says may be so, but this was not the report that appeared on the CBC and reports I received from my colleagues. I just leave it at that.

Mr. David Anderson (Esquimalt-Saanich): Mr. Speaker, it was not my intention to intervene in this debate but I think I share with people on all sides of the House a sense of sincere regret that the hon. member who preceded me made so many rather unfortunate remarks.

Mr. Nesbitt: Unfortunate for you, maybe.

Mr. Anderson: The first thing, of course, is, as we have known for many years—it stretches back throughout our history—that there is no easy way to co-exist with the Americans. This has been mentioned often enough, not just over the last 100 or 104 years of confederation but long before Canada existed as such. It was mentioned in the days of the early colonies. It is deep in the history of many of our people.

Many of the Loyalists came from the United States. Indeed, ironically those who left the States and settled here were known in the States as Tories. I wonder whether those people who left wealth, position and comfort in the United States, who were happy to call themselves Tories, would be proud today to hear the drivel spouted a few moments ago by the hon. member for Oxford (Mr. Nesbitt). They would be shocked and dismayed, Mr. Speaker.

• (8:30 p.m.)

An hon. Member: Better than the drivel we are hearing right now!

Mr. Anderson: Mr. Speaker, as I mentioned, the question of relations with the United States is most difficult. In this country, through two world wars we suffered enormous losses in wealth and materiel but particularly in terms of personnel, people killed. We suffered enormously before the Americans came in. We welcomed American citizens in our armed forces, those who came to fight for what we thought was democracy, for what we thought the two countries, Canada and the United States, stood for even before their government realized this. At this time I think we should bear in mind that there are many Americans then and now who have shown themselves to be friends and who shared our ideals even though their own governments were a little behind.

We realize that in the two world wars it was necessary for many European nations with whom we also have very close links, the United Kingdom in particular, to virtually give away, to sell at fire-sale prices, all their assets overseas to American corporations and American interests. I wonder whether the U.S. today remembers this.

I think it is only fair to point out that we have long experience of a fruitful relationship, but one that was never easy. It was not easy back in 1812 when, as the hon. member for Oxford (Mr. Nesbitt) mentioned, we had our difficulties. It was not easy during the Fenian raids or at any other time since then.

I must say I find the present debate very disappointing. We have heard that the Tory party which has abandoned its traditional positions which, incidentally, it held 93 years ago when my great grandfather, the nominated Tory candidate, stood down to allow Sir John A. Macdonald to be elected in Victoria. He did this because he believed in the principles that Sir John A. stood for then. What the Tories stand for now we do now know, and we have not learned a great deal in the last day and a half. All we know is that it is far from their historical position, far from the position of the great Sir John A.

An hon. Member: You should have been in the House.

Mr. Anderson: I see the hon. member for Hillsborough (Mr. Macquarrie) sitting opposite and I realize this is a very difficult resolution for him to defend. On the one hand the Conservative Party has been criticizing the government for its failure to rush down to Washington and plead for our special interests; on the other hand it has been complaining bitterly about what it considers our too close relationship with the United States. Faced with this dilemma, the hon. member for Hillsborough is to be congratulated. He has steered a most tortuous course, swinging back and forth on thin ice, trying hard not to break through. He did a fine job.

Mr. Yewchuk: This is a reactionary speech.

Mr. Anderson: I hear the hon. member for Athabasca (Mr. Yewchuk) describe the speech of the hon. member for Hillsborough as reactionary. I think that is unfair.

An hon. Member: He is talking about you.

Mr. Anderson: Perhaps more than most, we on this side of the House often see irreconcilable differences among members of the Tory party which, of course, because they are in opposition and intend to remain in opposition, they make no attempt to reconcile or deal with.

The problem facing this nation of how to arrange relations with the United States which takes such an enormous amount of our trade, which has so many Canadian born citizens, which wields more power than any other nation on earth, is an extremely difficult one. To suggest that we can somehow deal with this problem with simplistic formulae, in a trite and trivial manner, is foolish and does no service to good relations between our two countries, which I hope all members of this House are anxious to see in as good condition as possible.

With respect to trade, we understand the American position and their vast balance of payment deficits. They have a war in Indo-China. Perhaps more than most members I realize what a traumatic experience this is for the Americans because I spent a year in Viet Nam in 1963-64. We realize that this war has led to economic difficulties because the United States government was unwilling to finance it by taxing the people. They attempted to finance it by a peculiar form of deficit financing which, to a large extent, I believe, has led them to their present difficulties.

We warned them that the problems they now face might occur. At the same time, despite the criticism of members

of the Conservative party and the New Democratic Party, we have attempted to do something about these problems, something to help the United States. For example, over a year ago we freed our dollar and allowed it to float. There were cries of anguish from the opposition that we were hurting the Canadian exporter, yet it was known at that time that this step was necessary in order to prevent the trade situation becoming so unbalanced that the Americans would be forced to do something drastic about it. We tried to act in a reasonable way. We pointed out to them the amount of American ownership in this country. I could refer to the U.S. trade and ownership figures. The hon. member for Athabasca regards this as very amusing.

Mr. Yewchuk: Say something original.

Mr. Anderson: We tried to point out to them that the extensive ownership of Canadian industry has created problems for Canada. This is known not only to members of the Liberal party but also to the New Democratic Party. If the Tory party ever listened to their youth wing it might even find they have some interesting things to say about this. Even people in their own party have commented upon the difficult situation caused by the enormous amount of American ownership in Canada.

It is easy to say that this creates a situation in which we should show ourselves to be more pro-American. This is taking the easy, thoughtless way out. I think it is indicative of the lack of content of this resolution that Tory members opposite pay so little attention to the debate of today and yesterday. It is almost an irrelevant debate because I think they have chosen such a bad motion.

An hon. Member: You are not helping it any.

Mr. Anderson: I see the difficulty and I appreciate and sympathize with hon. members in the Conservative party—

An hon. Member: Sit down, then.

Mr. Anderson: —for the dilemma they face. I know it must not be easy to defend such an absurd resolution and I am sure when it comes to the vote they will find that members of other parties will not support them.

But we are still faced with the question of how to deal with the United States. There have been criticisms of this government for attempting to create better relations with other nations, in particular such countries as Yugoslavia, the Soviet Union and communist China. I think we are much more fortunate than the American people or their government in that we do not have the enormous burden that they carry as the world's most powerful nation, and so it is possible for us to be more flexible than they are. It is ironic that the President of the United States, who made his name largely by his strong anti-communist stand, is now making a trip to the People's Republic of China and, later, to the Soviet Union. We find in President Nixon a great pragmatist.

Those who criticize Canada for its independent role are ignoring the fact that in some ways we have been only a step, if not only half a step, ahead of the American people and the American government. I do not think that the Americans object to our attempts to create a world in which there is more understanding and less suspicion, less of the cold war, and more understanding. They are doing precisely the same thing. Those who have embarked upon a rather shabby course of criticizing the Prime Minister (Mr. Trudeau) for his efforts to bring about better understanding between the communist and non-communist worlds are really doing this country a disservice as well as a disservice to the United States.

• (8:40 p.m.)

Some hon. Members: Oh, oh!

Mr. Anderson: I know that some hon. members opposite are criticizing. I wonder what the right hon. gentleman for Prince Albert (Mr. Diefenbaker), who has been noticeably absent during the whole debate, would say to all this. I daresay, since the government he headed instituted trade between this country and communist China and brought about closer relations in that regard, he would be embarrassed by this Conservative motion which is being debated in the House.

An hon. Member: Shame.

Mr. Deputy Speaker: Order, please. Is the hon. member for Athabasca rising on a question of privilege?

Mr. Yewchuk: No, Mr. Speaker, on a point of order. I think the hon. member's 15 minutes have expired.

An hon. Member: Check your watch.

Mr. Deputy Speaker: Order, please. With respect, the Chair watches the time very closely and the hon. member for Esquimalt-Saanich still has the floor.

Mr. Anderson: Thank you, Mr. Speaker. I am afraid I was not watching the time as closely as you were or as closely as the hon. member for Athabasca was. He seems to have difficulty telling the time.

Some hon. Members: Oh, oh!

Mr. Anderson: Nevertheless, I submit that it is still pretty easy in a debate like this to score second-rate debating points when speaking of our problems in dealing with the United States. There are real problems, difficult problems, problems based on realities all Canadian governments have had to face, including the governments headed by the right hon. member for Prince Albert, by former Prime Minister Pearson, whose constituency is now represented by the present hon. member for Algoma (Mr. Foster), and by the present Prime Minister. All our governments have had to face such difficulties. The governments of Mackenzie King, Borden and other Prime Ministers faced these difficulties.

The simplistic approach in dealing with such problems and the shallow criticisms which have come from the Tory party do a disservice to the people of this country. The problem is difficult and nobody pretends that there are easy solutions except, apparently, the Conservative opposition. I do not think the Americans would want us to adopt the servile position in world affairs suggested by some members opposite and echo U.S. views in the United Nations and elsewhere. The U.S. knows there is value in demonstrating to the world that it is possible for an independent and much smaller nation living close to them

to trade with them and to maintain friendly and fruitful relations with them.

I regret that the difficulties involving the surtax which is in large part directed against us, the Amchitka problem that we are now facing, and the problem of the Alaska pipeline involving threatened damage to the Canadian west coast from oil pollution, should all have arisen at the same time. It is unfortunate that they have arisen at a time when the American government apparently is feeling isolated and, in a sense, feels misunderstood by other nations.

Mr. Deputy Speaker: Order, please. I regret to interrupt the hon. member. I do so to advise him that his time has expired.

Mr. Yewchuk: Mr. Speaker, would the hon. member permit a question?

Mr. Deputy Speaker: Order, please. The hon. member may ask a question only if he has unanimous consent of the House. On the other hand, it occurs to the Chair that since there was a special order perhaps it would not be advisable to ask for such consent. The hon. member for Edmonton Centre.

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, before beginning my main remarks may I say to the hon. member who has just finished speaking that if it had not been for the entrepreneurship of the Conservative party under the leadership of the right hon. member for Saint Albert—I beg your pardon, Prince Albert (Mr. Diefenbaker)—the hon. member opposite would be supporting the government of a second-rate nation instead of a first-rate nation that is led by a second-rate government.

Some hon. Members: Oh, oh!

Mr. Knowles (Winnipeg North Centre): The right hon. gentleman is not a saint yet.

Mr. Paproski: I am pleased, Mr. Speaker, to take part in the debate on this non-confidence motion and to add a little weight—

An hon. Member: Physical or moral?

Mr. Paproski: —to my colleague's argument in order to show that this government has brought about a deterioration in Canada-United States relations in the field of energy. Canada has energy resources which can be used to power our industries and those of the United States, but the Prime Minister (Mr. Trudeau) has yet to tell Canadians and Americans what is his position on Canadian energy policy, let alone continental energy policy.

An hon. Member: He has no policy.

Mr. Paproski: When recently questioned in the House of Commons on the position of Canada-U.S. energy talks, the Prime Minister had this to say:

> We are not at this time prepared to continue them because we do not have the wherewithal, the personnel and the time to arrive at a decision.

Obviously, this cannot be true since talks between Canada and the United States have been going on for the last two years and by now Canada should have at least a temporary position on domestic energy in the continental American market. Furthermore, the reluctance to initiate further talks on energy at this time suggests strongly a veiled threat by the Prime Minister to use Canada's energy exports as a lever to counteract domestic effects of the recently imposed 10 per cent surcharge. Such a posture by the Prime Minister of Canada adds further support to the growing concern felt by many over the deterioration of Canadian-American relations. My following statements proposed to elaborate on this assumption by placing the Canadian position in its proper perspective.

Let me ask, Mr. Speaker, where does Canada stand? Let me give a little background to my remarks. The largest consumer of oil and gas in the world is the United States of America. If I may illustrate, last year the Americans used approximately 15.6 million barrels of oil daily. This year that consumption has risen to 16.5 million barrels daily. By contrast, Canada's daily consumption of oil was about 1.4 million barrels daily in 1969 and last year it was about 1.5 million barrels daily. This year's domestic consumption is about 1.6 million barrels per day.

The largest oil reserves in the world are found in the Middle East, Russia, South America and the United States. May I illustrate. Of total, known world recoverable oil reserves, the Middle East has about 50 per cent, Russia and South America 30 per cent and the United States 10 per cent. By contrast, Canada holds only 2 per cent of recoverable world oil reserves. Furthermore, on the basis of present patterns of consumption, the Middle East has enough oil for the next 50 years, Canada for the next 20 years and the United States for the next 10 years.

As these figures show, the United States has been relying and will continue to rely increasingly on foreign imports of oil and gas to protect her meagre reserves while at the same time meeting rising domestic demands for these commodities. Presently foreign imports of oil and gas to the United States come from essentially three regions, Venezuela, the Middle East and Canada. Of these foreign imports, Canada supplies about 25 per cent of the daily requirements of the United States. In 1969 Canada's exports to the United States stood at about 555,000 barrels per day. By 1970 this export had increased to about 670,000 barrels per day.

On August 15, President Nixon announced the by now famous 10 per cent import surcharge. This surcharge affects about one quarter of Canada's exports to United States markets. The surcharge, however, does not affect the sale of Canadian oil and gas to the American market. In fact, as the latest preliminary figures from Statistics Canada indicate, the export of petroleum in September increased 18.5 per cent and natural gas exports increased about 27.5 per cent. These very large export increases came about one month after the surcharge was imposed and probably reflect the increasing demand and dependence of the American market on Canada's energy fuels.

On October 4, 1971, the Prime Minister indicated to the House of Commons that talks between Canada and the United States on energy, which were adjourned in the spring of this year, have not been resumed this fall because—

> —at this particular point we are preoccupied with other matters, particularly economic matters, and . . . we are not in a position at the moment to sit down with United States officials and continue

these talks. But there has been no indefinite postponement of them, there is merely an inability to find the time now to proceed with them.

• (8:50 p.m.)

That is reported at page 8385 of *Hansard* for October 4.

On October 8, 1971, the Prime Minister had this to say when questioned about the resumption of energy talks between Canada and the United States:

We are not at this time prepared to continue them because we do not have the wherewithal, the time and the personnel to arrive at a decision.

Mr. Mahoney: What page is that on?

Mr. Paproski: This is on record in *Hansard* at page 8549. I wanted to make sure that I quoted the Prime Minister in the right context. The hon. member for Calgary South (Mr. Mahoney) knows that in our province oil is our lifeline and bloodline. He should keep quiet or at least get up and say something.

Canada and the United States have been holding both official and unofficial talks on energy from time to time. These talks were initiated by the Prime Minister's visit to Washington in March, 1969, and were to be consistent with responsibilities of the regulatory bodies concerned for an increasing trade in crude oil products and other fuels between the United States and Canada. The latest talks between Canada and the United States took place in the spring of this year when the then Secretary of the Interior, Walter Hickel, announced in Ottawa that the United States was considering a free access agreement for Canada's oil to the United States and that America was ready to take on more Canadian oil.

Mr. Mahoney: And he was fired.

Mr. Paproski: Canadian producers responded so vigorously during the remainder of 1971 that in September, one month after the imposition of the 10 per cent surcharge, Canadian exports of oil and gas to the United States were up 18.5 per cent and 27.5 per cent respectively. Yet despite the prospect of continued sales of more oil and gas to the United States as well as the planning for more formal, long-range agreements between Canada and the U.S. on energy matters, the Prime Minister announced that we were not prepared to continue talks because we did not have "the wherewithal, the personnel and the time to arrive at a decision".

Obviously this cannot be true, since talks between Canada and the United States have been going on for the last two years. By now Canada should have taken at least a temporary position on energy in the continental American market. Furthermore, the reluctance on the part of the Prime Minister to initiate further talks on energy with the United States at this time suggests strongly a threat by the right hon. gentleman to use Canada's energy exports as a lever to counteract the domestic effect of the 10 per cent surcharge.

Canada cannot afford to stop exporting oil and gas to the United States. However, at the same time care must be taken not to overextend domestic reserves and not to ship too much energy to the American market. What is needed now is a comprehensive Canadian energy policy, rather than the threats of our Prime Minister, if we are to stabilize our domestic industry and support better Canadian-American relationships in this vital sector. Let me say that the following points in a Canadian energy policy could help to achieve these objectives:

1. A Canadian energy resource policy should encourage a de-emphasis on any one particular energy commodity by stressing new alternative sources of energy. A better energy mix can be achieved if less reliance is placed on such commodities as oil and coal and if such new sources as tides, chemicals and wind are tapped.

2. Energy should not be treated solely as a commodity available for export but as a factor of production in the Canadian economy. Because of its unique role in our economy, better energy balances must be achieved between regional production and consumption and between domestic and foreign consumption.

3. Present thermal systems can convert fossil fuels to electricity at 40 per cent efficiency. New technologies can do the same at 55 to 60 per cent efficiency. Canada must develop these new technologies to conserve her domestic fuel supply.

4. Of the five conventional energy sources, hydro, uranium, coal, oil and gas, coal is the most abundant in Canada. Because of escalating energy demands Canada must convert more extensively to the use of coal.

5. A Canadian energy resource policy must attempt to achieve better regional and northern development. To this end attempts should be made:

a) to forbid any mineral extraction from areas north of the treeline while at the same time encouraging more exploration in these regions;

b) to develop a government assisted program for mid-Canada which will build up suitable industries in northern communities once the mineral extractive phase is over; and

c) to achieve a more balanced approach to oil and gas exploration in Canada's marine and offshore areas.

6. No attempt should be made to enter into any long-term continental energy arrangements with the United States. At the same time, no attempt should be made to exert leverage on the United States by not exporting any more oil and gas to these markets.

We in the House of Commons have had our eyes opened. We have been told by the Secretary of State for External Affairs (Mr. Sharp) that Canada-U.S. relations are on a firm and reliable basis because our grey-flannel diplomats are more on the ball than ever before. All must be well because our diplomats and our officials are talking as they have never talked before! Mr. Speaker, I am still not impressed, because I do not believe diplomats and cocktail parties have, will or can formulate constructive and self-interested foreign policy to protect and maximize Canadian-made interests within North America.

The talks and contacts the present government has had with U.S. officials over the last three years have, by and large, been ad hoc, superficial, inconsistent and indecisive. Our diplomacy with the United States is simply an extension of this government's performance at home. Now, because diplomacy cannot function in a vacuum, the real crux of the issue is the fundamental and original failure of the Trudeau government to develop a new eco-

nomic policy for the most beneficial and independent development of the Canadian economy.

While the machinery and competence of Canada's diplomatic efforts in Washington must and can be improved, it is naïve and dangerous to suggest we can construct optimum Canada-U.S. relations before we decide what are the best goals for Canada. Diplomacy is at best a servant of Canadian goals. Therefore, we cannot have an effective and coherent diplomatic strategy without an effective and coherent strategy for Canada.

Mr. Speaker, it is here that the Trudeau government has neglected my country's interests and squandered our opportunities.

Some hon. Members: Hear, hear!

Mr. Paproski: The present government is not equipped to negotiate a practical and reliable energy policy with the United States because it has failed to formulate a comprehensive energy policy for Canada. The government is not equipped to negotiate an end to the surcharge or a constructive new trade policy with the United States because it has not succeeded in formulating an industrial policy, an employment policy or a regional and national development policy for Canada.

The government has been unable to take leadership in the IMF or in the Group of Ten talks on trade and currency reform because it has formulated neither an optimum dollar nor an optimum trade strategy for Canada. Simply, it cannot reach out to the United States or to the world. It cannot bargain and it dare not bargain, because it has no policy for Canada.

If the government is to stop compromising our long-term interests and moving from crisis to crisis and inconsistency to inconsistency in its relations with the United States, it must first stop doing the same with Canada. It is of first priority that the government come clean with Parliament and the provinces of Canada and develop a new economic policy. The government must construct an industrial policy, a trade policy, a foreign investment and capital policy and an energy and human resource policy. With such new economic policy for Canada it would then be possible to achieve reliable and self-interested relations with the United States. The United States will recognize and respect the interests of Canada when Canada defines and develops her own destiny.

Mr. Kenneth Robinson (Toronto-Lakeshore): Mr. Speaker, I was surprised indeed upon reading the motion of the hon. member for Hillsborough (Mr. Macquarrie) to find it was so unclear. It was difficult to see what he was driving at. This is not like the hon. gentleman who is usually so clear and concise that there is no misunderstanding. What he means is usually what he says.

As I understand the motion, it condemns the government for failing to foster closer economic and political relations with the United States and at the same time it blames the government for failing to develop economic and political independence of the United States. This is the old story—be damned if you do, and be damned if you don't. I wonder which of the condemnations the hon. member really means.

Let us deal with the first. Canada has traditionally had close economic relations with the United States. In fact, about 70 per cent of Canada's trade is with the United States. So how much closer do hon. members want Canada to get to the United States? In effect, the United States has provided Canada with needed investment capital and expertise. It has also provided Canada with a ready market for goods and products of all kinds. As a result, Canada has had and still enjoys a standard of living considered the second highest in the world, second only to that of the United States.

• (9:00 p.m.)

It is true, as was stated in a recent study by the Ontario Federation of Labour, that 138 plants were shut down in Ontario between June, 1970, and June, 1971. It was also true that 55 per cent were foreign-owned and controlled and employed about 63 per cent of the workers who were laid off or had their jobs made redundant. However, it is to be remembered that the other 45 per cent of the plants shut down, which accounted for the 37 per cent of the employees who lost their jobs, were under Canadian ownership and control.

Can you say with any degree of certainty, Mr. Speaker, that it is United States influence that has closed these plants when there were wholly-owned Canadian plants that shut down also? Do not the percentages I have quoted merely represent the degree of United States influence in Canada's economy? Surely you would not suggest, Mr. Speaker, that when a business is not viable it should continue until bankruptcy results.

When President Nixon of the United States announced his new economic rules, the Canadian government immediately sent off a ministerial mission to see whether Canada could get an exemption. But to no avail. The United States was advised of Canada's position. It was pointed out that the 10 per cent surcharge on imports would fall particularly heavily on us because of our large volume of trade with the United States. Other countries made representations because they also are affected by the surcharge, such as Japan, France, West Germany, Italy, the United Kingdom and others. Canada was not singled out for specially tough treatment; nor was Canada singled out for special consideration, in spite of our traditional trade arrangements with the United States. Nearly every country is affected by the 10 per cent surcharge, and no special exemptions have been granted, that I know of, apart from the quota on Japanese textiles.

What about the second condemnation contained in the motion, namely, the government's failure to foster economic and political independence from the United States? Surely the hon. member is aware of the government's desire to find other markets besides the United States on whom Canada has economic dependence. Canada stands to lose its preferred position with the United Kingdom with the impending entry of the U.K. into the European Common Market. Canada now stands to lose its preferred position in the United States market due to the 10 per cent surcharge. Obviously there is a moving away by Canada from dependence to economic independence.

Since this government took office there has been a concerted effort to find new friends and new markets throughout the world. Hence the diplomatic ties with

China, the Soviet Union and many other countries where alternative markets for Canada's goods and produce can be found. If that is not tantamount to fostering economic independence, then I do not know what is.

The fact is that in political and international affairs Canada has been ahead of the United States. It is only now that the United States is following Canada's lead. For example, the U.S. is planning to send its President to China and the Soviet Union. The fact, also, is that in times of economic crises, of tremendous inflation and unemployment, this government has been far ahead of the United States in reducing the inflation spiral and in taking steps to alleviate unemployment through additional benefits by way of unemployment insurance, manpower retraining schemes and other manpower programs.

It is a fact that further government action was taken with regard to prices and incomes through the establishment of the Prices and Incomes Commission. This kind of action is only now being taken in the United States. It is also the fact that at a time when the United States is taking protectionist measures and has applied a 10 per cent surcharge on imports to achieve economic survival, Canada did not sit idly by and do nothing. Canada did not break into tears or wring its hands. No—it did none of these things; rather, it took decisive action. It provided $80 million in federal aid to surcharge-smitten industries. It provided $1 billion infusion into the economy by way of a host of programs to help the country immeasurably and to assist in warding off the effects of the United States surcharge.

This government realizes that the surcharge could be retained for a considerable period of time, that it could even be increased and that further action may be taken by the United States to bolster its ailing dollar position. This government will take positive, decisive, action as deemed necessary to protect our economy and to maintain our high standard of living.

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, the motion before us today in the name of the hon. member for Hillsborough (Mr. Macquarrie) surprised, I think, a number of us on this side of the House. It would not have surprised us had it been moved by one of a number of other members in the Conservative party, though I confess it looks more like a Liberal motion. The hon. member for Hillsborough has planted one foot firmly on each side of the fence. Looking at the motion, Mr. Speaker, I am reminded of Mackenzie King. On the one hand the hon. member is saying that we should condemn the government for failing to employ and improve firm and constructive and economic political relations with the United States; on the other hand, in the second part of his motion,—

Mr. Baldwin: A point of order, Mr. Speaker.

Mr. Speaker: Order. The hon. member for Peace River (Mr. Baldwin) is rising on a point of order.

Mr. Baldwin: Mr. Speaker, I know that the hon. member for Hillsborough (Mr. Macquarrie) is too modest to say so, but to compare his motion with one coming from the Liberal party is, I think, a very slanderous statement, which makes it contrary to the rules of the House.

[Mr. Robinson.]

Mr. Nystrom: Mr. Speaker, I am very happy that the House leader of the Conservative party has stood in his place and admitted this great error that his party has committed. He admits it is a very slanderous thing. It is also a very curious motion and I think points up some of the divisions within the Conservative party. They realize that there is a great feeling in this country of nationalism, a desire to develop an independent foreign and economic policy. Certain members of that party are also paranoiac when it comes to being anti-Communist or anti-anything that might offend the United States. In fact, one of the people very close to the nerve centre of the Conservative party told one of my colleagues that they had to include the first part in the motion to appease certain extremist elements within their party. I think perhaps this goes a long way to explain why this type of motion is before the House today.

As I said, Mr. Speaker, I am surprised that the hon. member for Hillsborough should move a motion like this because I did not think he was that sort of person. I thought he was a man who saw the world in a more global way. I thought he was a man who took a more progressive attitude to international and domestic affairs. This type of motion totally breaks with the traditions of the Conservative party, from the time of Sir John A. Macdonald to the right hon. member for Prince Albert (Mr. Diefenbaker) who has been very conspicuous by his absence.

We all remember very well the general election campaigns of 1962 and 1963 when that right hon. gentleman was accused of being anti-American. Some of my constituents who voted for the Conservative party at that time would be very curious now about this motion. One reason they voted for the Conservative party was that the leader of the party at that time was a Canadian. He was talking about Canada asserting itself and he took the odd swipe at some of the multinational corporations. Then all of a sudden something happened to that party. A fellow named Dalton Camp came along, and so did a few Bay Street Tories, and the motion now before the House proves to me and to my constituents, no doubt, the many suspicions they had about the new Tory party—a party that has changed, that is now different, a party that is continentalist, a party that now wants to cosy up even more to the United States than it has in the past.

I think this motion was moved for a number of reasons. I do not doubt the sincerity of some members of the Conservative party and I do not criticize members such as the hon. members for Peace River (Mr. Baldwin), Fundy-Royal (Mr. Fairweather) and Egmont (Mr. MacDonald). One of the bases on which the motion was moved is political opportunism. The Conservatives have sensed there is a bit of emotion in the country because of the visit of the Soviet Premier, perhaps because of the visit of the President of Yugoslavia, and other things. They are trying to play upon the emotions of a number of people who have genuine fear because of things that happened in the past.

• (9:10 p.m.)

Some people have suggested there may be an aura of McCarthyism developing in this country. This is not being helped by the motion before us today. Perhaps there is another reason for moving this motion. Perhaps the Con-

servatives are looking toward the next federal election. They will need a lot of money to finance a big campaign. Perhaps they are considering what happened in Ontario, where the money comes from for their elections. I think a motion like this may have been drafted with that in mind. Perhaps they hired a public relations man from Michigan to help them draft this motion with a view to convincing the Canadian people. This is the type of motion we often see from the Conservative party.

Mr. Paproski: What you see is what you get.

Mr. Nystrom: The hon. member for Edmonton Centre (Mr. Paproski) is making his typical remarks in a debate of this kind.

A number of things have brought about this motion. The Conservative party has been very concerned about our Prime Minister (Mr. Trudeau) visiting the Soviet Union and signing a protocol with them. People were concerned about the visit of Premier Kosygin to Canada because this might alienate us from the United States. Mr. Kosygin went to the United States, yet still people in this country are concerned about his visit here. They are also concerned about the visit of Mr. Tito. He was also in the United States a few days ago.

In this House we have some intellectual dinosaurs in the Conservative party crying about the Taiwan situation and nationalist China being seated in the United Nations. We failed to recognize the People's Republic of China for 20 years, but at least we have recognized that they are in existence. The French recognized them in 1949.

Some hon. Members: Oh, oh!

Mr. Nystrom: We have a number of critics in this House, and the one for Oxford is now interjecting. Many of the opposition members are worried about the poor people in Taiwan, but the arguments they put forward would ordinarily amaze me. Many members are laughing and using these arguments as an opportunity to be witty. It surprises me that they are so concerned about issues such as this when we have problems facing Canada which are genuinely serious.

Motions of this kind criticize the government for taking direct action to build bridges to ease world tensions. The extreme element of the Conservative party is very much worried about this. The young people in this country—I suggest, the overwhelming majority—are happy that Canada has now recognized China and that China is now seated in the United Nations. We now have a Conservative party that is paranoiac through worry about some of these things. They suggest we are out of touch with reality. That is a sad commentary on this Parliament of Canada.

The hon. member for Oxford (Mr. Nesbitt) is very worried about why we protested with such vigour the nuclear bomb test at Amchitka. Members of this party have protested nuclear blasts participated in by the Soviet Union, China and France. I am very proud of this country and the people here for protesting the blast at Amchitka which will probably go off on Saturday. If we have not stopped that blast by our protests, perhaps we will have stopped a future blast by the Soviet Union, the United States, China or France. This is a step in the right direction. I do not care a damn whose bomb it is, but perhaps the hon. member for Oxford does. If it is a Russian or an American or a French bomb, it is a bomb. We must do all we can to promote disarmament in the world and to stop nuclear tests in the atmosphere or underground.

It is very interesting that we should be concerned about this matter at this time. Mr. Nixon and Mr. Kosygin, as well as the leaders of other countries, are carrying out these tests but the only people who seem to be concerned are the reactionaries—

Mr. Nesbitt: Mr. Speaker, I rise on a point of order. I am very much afraid that my friend who is making these remarks has the advantage over me. I am much too old to know everything.

Mr. Nystrom: Mr. Speaker, the hon. member should be old enough to know better, but apparently he does not. He has sat in this House for a long time and I am astonished that he would utter some of the statements he did tonight.

Mr. Nesbitt: I have sat here much longer than you will.

Mr. Nystrom: If I am in the House as long as the hon. member for Oxford and begin to support the suggestions and policies he supports, I shall be glad to leave. We must continue in the direction of improving our foreign affairs. We must try to make the United Nations a universal body, giving it more power and sovereignty. We must continue in that direction. I commend the government of Canada and members of my party as well as others who have tried to convince governments for years to move in that direction.

There are a number of other things that might be said in this debate. The second part of the motion does raise some concern regarding the economic policy of Canada. It is about time we in Canada developed an economy which is independent in order that we can make our own decisions, provide more jobs and not be a branch plant of another country, or a multinational corporation. This is the direction in which we must move and we must do so soon if Canada is to continue as a nation.

The only industries we actually control in Canada are the broadcasting industry, the banking industry and the booze industry. That is a sad commentary on the well-being of this country. The sad thing is that the Americans do not come in with only their money. The United States department of commerce has issued a statement to the effect that over 90 per cent of foreign investment by multinational companies in Canada have used Canadian money generated in Canada by plants operated here or generated on the Canadian financial market, so they are buying us out with our own money. We are losing jobs and a lot of our political sovereignty, and we are exporting more wealth than we are importing from the United States.

It is about time we in this country woke up and devised policies whereby Canadians can control their won destinies. That should be the main thrust of this debate. That is what the Conservative member for Fundy-Royal is concerned about and that is the concern of most Canadians from coast to coast. They are more concerned with this than with the phony issues dragged out by some of the more reactionary Tories in this House.

Economic Relations with United States

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I should like first of all to say a few words about the amendment proposed by the hon. member for Selkirk (Mr. Rowland). My party cannot support it, because we believe to do so would be to condone the government for what it has done and we feel what has been done has not been adequate.

In any debate such as this we must take a serious look at the point of view held by the United States and decide whether or not we agree or disagree with its position. We must remember, I believe, that before World War II the Americans were isolationist and were soundly denounced by many people in the western world, including Canadians. Since the end of World War II they have taken a most active part in the world and at the present time they feel they have ended up with fewer friends and find themselves disliked intensely in many parts of the world.

• (9:20 p.m.)

In their opinion they have aided the world a good deal since World War II. I think we can say that Germany and Japan, which were bankrupt, benefited a great deal from the Marshall aid plan which went a long way toward making those countries very aggressive in a commercial sense. The United States has carried the burden of an enormous defence in a nuclear world with little or no help from Germany, Japan, Canada and the western European countries. The United States has followed a policy of containment of Communism in the Viet Nam war. In the minds of historians, the Viet Nam war may well be viewed as the war that contained the Chinese communists until the red regime of Mao Tse-tung quieted down and lost some of its aggressiveness. Almost certainly, without the Viet Nam war Chinese Communism would be extending far into the South Pacific and most likely would have overwhelmed the Philippines and be lapping at the shores of Australia.

What has all this effort brought to the American nation from their own viewpoint? It has brought the United States into the situation of seriously reassessing its position. It is faced with a trade deficit of $13 billion. It is reassessing its position of defending for free the western world. It is increasingly aware of so-called interference by United States companies in the commercial world and the accusation that they are trying to buy up the world. As to the trading position of the United States, perhaps this can best be illustrated in the words of Maurice H. Stans, United States Secretary of Commerce who on October 27, 1971, said:

> Our share of the world's international trade dropped from approximately 21 per cent to about 18 per cent within a decade.
>
> In 1970 Germany replaced the United States as the world's leading exporter of manufactured goods.
>
> Our trade in minerals and fuels and low technology goods are steadily moving deeper into very severe deficits.
>
> Even our traditional dominance in high technology trade has begun to be challenged by a number of countries in a number of items, including electronics, computers and aircraft.
>
> Other countries have begun investing relatively more than we are doing in plant assets, in research and development, and in incentives for technological achievements, and they enjoy substantially lower wage levels.
>
> Over the past five years productivity in American industry has had the smallest increase of any industrial nation in the free world—far slower than our major competitors.

[Mr. Nystrom.]

> Finally, competing countries have confronted us with a large and growing array of trade barriers, investment restrictions and various violations of accepted international rules and agreements—all of which severely jeopardized our competitive position in the world, and undermined the strength of the dollar.

He continued:

> Out of all these individual problems, several conclusions have become very clear! For one, the United States cannot go on absorbing the goods of the world, unless we are able to compete equally and fairly in the markets of the world. Secondly, the time has come for new international agreements on tariffs and trade, on the protection of foreign investment, on the elimination of non-tariff barriers, on uniform technical standards, and so on.

Whether we agree with this or not, these are the words of a responsible member of the United States government. But what has happened? During the last decade the foreign policy of Canada has shown a tendency to diverge from the United States. Since the advent of this administration the government of Canda has moved a remarkably long way in its difference of opinion with its American neighbour. The present administration has acted very much as if Canada were in orbit, spinning around sometimes very close to the Soviet Union.

In April, 1969, the Prime Minister (Mr. Trudeau) downgraded Canada's role in the western collective security system and put stress on "protection of our sovereignty." By making a distinction between collective security arrangements and protection of our sovereignty, the Prime Minister revealed his ignorance of Canada's defence problems. Due to Canada's position, and especially since the advent of the nuclear era, we have to rely on the collective protection of other people. Since 1940 the mainstay of our security has been the North Atlantic Treaty Organization whose backbone has been the might of the United States. Had the United States wanted to do so, it could have swallowed us decades ago, the same as Russia has done with the Baltic states. The only real protection we have to our sovereignty is collective defence, and for self-evident reasons our well-being depends entirely on western collective security.

The white paper on defence states:

> It is highly unlikely Canada would be attacked by a foreign power other than as a result of a strategic nuclear strike directed at the U.S. . . . Canada's overriding defence objective must therefore be the prevention of nuclear war . . . Because of Canada's obvious inability to deter major nuclear war unilaterally, we can best contribute to peace by participating in collective security arrangements.

The reduction of Canada's participation in NATO is well known and has made us suspect in all of western Europe. But as if this were not enough, in Singapore the Prime Minister next turned his attention to the British Commonwealth of Nations. There the Prime Minister effectively sided with the forces of India, Tanzania, Zambia and Uganda, all of whom are intimately connected with communist China against Great Britain.

Then in respect of the enormous Soviet menace in the Indian Ocean it was said that the Canadian delegates could care less if somebody pulled the plug from the Indian Ocean. Canada sided with those countries that were against the sale of British arms to South Africa, arms which could be used in the naval defence of the Indian Ocean, while at the same time it made little com-

ment on the sale of arms by France and Italy which could be directly used against villages and their inhabitants.

Then in May of this year the Prime Minister made a visit to the Soviet Union. The western world had too late prevented the communist enslavement of eastern and central Europe but had stopped Soviet expansion in the heart of the continent and stabilized a line of armed coexistence. It was not the western world but the communists who turned the dividing line into an ideological as well as a physical iron curtain with electrified barbed wire and machine-gun towers. It has turned the whole Soviet Union into a huge concentration camp. In his report to the Twenty-fourth Congress of the Soviet communist party on March 30 this year, Leonid Brezhnev said:

The full triumph of the socialist cause all over the world is inevitable. And we shall not spare ourselves in the fight for this triumph—

And what did the Prime Minister say about this? In a communiqué he issued the following astounding statement:

The discussions revealed that Canada and the U.S.S.R. hold similar views on a number of international problems.

Then there was his assertion in Kiev that Soviet and Canadian citizens were living under similar federal systems of government. Then there was his repeated allegation of acute United States "danger to our identity from the cultural, economic and perhaps even military point of view". The visit of Premier Kosygin, which might have been turned into a reasonable exchange between countries of different ideologies, was made the occasion to launch an attack by Mr. Kosygin on the economic policies of the United States.

Now we have the surcharge of August 15. For many years economic nationalists in Canada have been busily claiming that the Americans are making us hewers of wood and drawers of water. This has been the cry in many quarters of central Canada. It has been the cry of the hon. member for Duvernay (Mr. Kierans)—and I do not put any more stock in what he said about this than I do in his running of the Post Office. The Prime Minister recently said that if the Americans do realize what they are doing, and if it becomes apparent that they want us to be just "sellers of natural resources to them and buyers of their manufactured goods, we will have to reassess fundamentally our relations with them, trading, political and otherwise".

The Minister of Finance (Mr. Benson), on September 7 while speaking in the House of Commons on President Nixon's surcharge, said that 85 per cent of exports of Canadian finished goods are sold in the United States. Surely this rejects the Prime Minister's view that Canadians are treated as hewers of wood and drawers of water. Our export statistics show that in 1969 Canada sold abroad highly-finished industrial products worth $5,630 million. Of this total, 86.8 per cent went to the United States, 1.78 per cent to the European Common Market and 1.4 per cent to the United Kingdom. Excluding the United States market, we have sold only 13.2 per cent of our export manufactured goods to other countries. In 1969 the export total of $14.87 billion bears the classification of processed industrial materials. Here the labour content is lower but it is still substantial. We sold $5,251 million worth of processed industrial materials abroad. Of this total, 69.5 per cent went to the United States, 10.2 per cent to the United Kingdom and 6 per cent to the European Common Market. Canada's exports now total $17.5 billion, of which 75 per cent goes to the United States.

• (9:30 p.m.)

Those who say, including the Prime Minister, that the Americans just want us to be "sellers of natural resources to them and buyers of their manufactured products" must realize, surely, that this does not bear up under examination. The United Kingdom, the European Common Market and Japan have been getting raw materials from Canada without providing any substantial outlet for any industrial goods. Indeed, Japan is noted for this. If Washington had always had its own interest at heart, why would it have signed the auto pact agreement when the United States had $704 million surplus in 1965 which has been turned into $1,200 million in favour of Canada this year?

If it is true that the government hopes to replace the United States in exports to the Soviet Union, let us take a look at trade last year. We sold $128 million to the Soviet Union, mostly in wheat, and took back $8 million. The energy talks which have been suspended by the United States after the outburst of the Minister of Energy, Mines and Resources (Mr. Greene) have not been resumed. Communications between Washington and Ottawa are at a low ebb. Apparently the Prime Minister has forgotten that Washington has an enormous political and economic clout and that their influence could have a severe impact on the Canadian economy.

No one knows what the new measures of phase 2 in the Nixon administration will be, but it is likely that they will be no less severe than the surcharge. This may well require some hard bargaining over the auto pact. There may have to be bargaining over the sale of energy, and if so what will the amounts be? We have energy for sale but it is high-priced energy and the only buyers can be the Americans. We will have to decide whether or not we will sell them any more.

With regard to the larger issues, Canadians will have to do some deciding with regard to their future course of action. Almost certainly the United States is entering a period of trade protectionism and is withdrawing within its own borders. The United States has the resources to provide its people with a reasonable standard of living. We must decide if Canada wishes to accept the premise of Economic nationalism with restrictions on foreign capital and with the consequent restriction in job expansion in the immediate future.

The reports would indicate that the unpublished Gray report pursues a policy of restrictions on foreign capital. We will have the fastest growing labour force in the western world in the next decade. We have built up the most comprehensive welfare system, in its broadest sense, in the western world which is still increasing its share of the take of the gross national product. The Unemployment Insurance Act goes a long way toward guaranteed income and provides 44 weeks of benefit for eight weeks of work. The tax bill presently before the House will restrict the development of the resource industries and channel investment money to manufacturing. That area will

increasingly feel shut out from its only real market by the action of the United States.

It is widely stated that the new competition act and the labour act will restrict business growth. These will have to be considered extremely carefully. Canada will have to assess whether it wishes to have closer trading arrangements with the United States or revert to a more independent status. If the United Kingdom, with its population of 55 million, feels it has to join the Common Market, surely the importance of trade with the U.S. and whatever results it might have will require considerable debate by Canadians.

Under the present administration there will be no meaningful dialogue between Canada and the United States regarding these problems. Dialogue with the United States will be at a relative standstill until this government is replaced.

Mr. Jerry Pringle (Fraser Valley East): Mr. Speaker, I welcome the opportunity provided by the opposition motion to comment on what I deem to be a deliberate attempt to weaken the natural and proper bond which has for many decades existed between Canada and our neighbour to the south. I do not know how many hon. members live as close to the border as I do, that is, two or three miles. I live in a great area where tourism is important. I live in an area where we mingle with our friends from the south. They come to our area and we travel back and forth. We have learned to understand each other.

I would like to say at the outset that I do not know of any man who has received as many compliments for being an out-and-out courageous individual, one who is really intent on being a statesman in our country. These are the statements that have been made to me by our American friends, statements directed at our Prime Minister (Mr. Trudeau).

Some hon. Members: Hooray!

Mr. Howard (Skeena): He is not only a statesman, he is a United Statesman.

Mr. Pringle: This gentleman has not only received the admiration of the United States people but he has also received their respect.

I do not know how many members in the opposition are in business. The young gentleman from Yorkton-Melville (Mr. Nystrom), of the NDP, has said, I do not know how many times, "We shall do this and we shall do that for the good of Canada". I do not know how many payrolls he had had to meet and how much he has contributed to the gross national product of Canada. I do not know how much he has added to the gross national product, to something that can be used and can create prosperity or at least some cash flow to the country. If he has been doing this, if he is really interested in the future of Canada, then for heaven's sake let him find out what is needed and what has to be done in order to create prosperity.

Mr. Baldwin: Vote Conservative.

Mr. Pringle: You do not create it with words or with rhetoric. You create it with hard work to contribute to the gross national product with something that you can sell.

[Mr. Ritchie.]

We have not yet found a way to provide the standard of living which we have in Canada without selling something, without trading with people, without initiating a manufactured product or at least a type of product. True, our natural resources are basic. We know that mining, lumbering and farming are our basic industries. Out of this grows our gross national product, the service industries and everything else. This is all very well, but first we must have markets and, as we know, our problem in agriculture has never been production. We have in Canada the most efficient agricultural industry in the world, but our problem is markets. We must realize that without the United States we are confined so far as our markets are concerned.

I agree that a minority element in Canada is attempting to drive a wedge between us but I submit that they are not impressing our American friends, although they are treading a dangerous path, apparently supported by the NDP. The vast majority of Canadians and Americans who pass freely across the forty-ninth parallel know that the bond of friendship is strong and shall not be broken.

Some hon. Members: Hear, hear!

Mr. Pringle: The opposition, through the speech of my very good friend, the hon. member for Hillsborough (Mr. Macquarrie), say that our Prime Minister, the first minister of Canada, should attempt to govern the U.S. from Ottawa.

Mr. Baldwin: He should try to govern Canada first.

Mr. Pringle: What they say is utter nonsense. Now they attempt to condemn us for acting responsibly. They keep jumping from one side of the fence to the other, hoping the political climate will somehow improve and assist the lost cause of their party which has been searching in vain for ten years to find anything on which to hang a hope.

Of course, the Americans are tough traders. Those of us who have been involved in doing business with our American friends know full well that when one deals with an American one had better be careful, because they are pastmasters in the art of making a buck. That is what has made them great. This is not confined to Canada. Those who would suggest to the Canadian people that the Americans are simply interested in making investments in Canada for the purpose of taking it over should consider the fact that 52 per cent of the assets of the world are at least partly owned by the United States of America.

• (9:40 p.m.)

I can recall reading in history books of the time when England, that small island, sent out her merchant ships all over the world to take the products of the rest of the world back to England, from where they were traded to the nations of the world. They did a fine, a fantastic job. They opened the trade routes of the world. They created the necessary basis for trade, which is so essential to all of us. I wonder how many of us really know how much British investment there still is in Canada. Just a year or two ago the Hudson Bay Company decided it was time to transfer its head office to Canada, where the company's principal operation has always been and where its money has been made. I can recall that when I worked in the Bank of Montreal, every Thursday I had to send a state-

ment to Threadneedle Street in London. I know that the CPR did not do that well just on Canadian investment; it needed the help of British investment.

Suddenly it is now suggested by the opposition, I believe for purely political expediency, that we are taking a whack at the United States of America. In reply I say that suddenly we have been confronted with a problem. Every day businessmen are confronted with these problems. Suddenly a good customer decides that he is too good a customer, or he is actually in trouble. He decides that maybe he has overextended. Anybody in business who has been in a position of overextension knows how difficult this can be.

I suggest that the Americans today could be rather overextended in their investments throughout the world and that their money is having a little problem because of that fact. They have been going out into the nations of the world investing their money, not entirely because they want to assist the rest of the world but because by investing in other areas they may find labour that is cheaper and raw materials which are easier to obtain. Any sound businessman investing in anything is not doing it for others, but for himself.

[*Translation*]

The Acting Speaker (Mr. Laniel): Order, please. It being 9.45 p.m., it is my duty, pursuant to Standing Order 58(9), to interrupt these proceedings and forthwith put every question in respect of the motion before the House.

[*English*]

The House divided on the amendment (Mr. Rowland), which was negatived on the following division:

• (9:50 p.m.)

Division

YEAS

Messrs:

Barnett
Blackburn
Brewin
Broadbent
Dionne
Douglas
Gauthier
Gilbert
Gleave
Godin
Harding
Howard (Skeena)
Knowles (Winnipeg North Centre)
Laprise
Latulippe
MacInnis (Mrs.)
Mather
Matte
Nystrom
Orlikow
Peters
Rodrigue
Rondeau
Rowland
Tétrault
Winch—26.

NAYS

Messrs:

Aiken
Alexander
Alkenbrack
Allmand
Anderson
Andras
Asselin
Badanai
Baldwin
Barrett
Beer
Bell
Benson
Bigg
Blair
Blouin
Boulanger
Breau
Cafik
Cantin
Carter
Chappell
Chrétien
Clermont
Coates
Code
Comtois
Corbin
Corriveau
Côté (Richelieu)
Côté (Longueuil)
Crossman
Cullen
Danforth
Danson
Davis
Deachman
Deakon
De Bané
Downey
Drury
Dubé
Dupras
Duquet
Éthier
Fairweather
Faulkner
Flemming
Forest
Forget
Forrestall
Foster
Francis
Gendron
Gervais
Gibson
Gillespie
Goyer
Gray
Grills
Guay (St. Boniface)
Guilbault
Haidasz
Harkness
Hellyer
Hopkins
Horner
Howard (Okanagan Boundary)
Howe
Hymmen
Jerome
Kaplan
Lajoie
Lambert (Edmonton West)
Langlois
Laniel
La Salle
Leblanc (Laurier)
LeBlanc (Rimouski)
Lefebvre
Legault
Lessard (LaSalle)
Lessard (Lac-Saint-Jean)
L'Heureux
Lind
Loiselle
Lundrigan
MacDonald (Egmont)
Macdonald (Rosedale)
MacEachen
MacGuigan
MacInnis (Cape Breton-East Richmond)
Mackasey
MacKay
Macquarrie
McCleave
McCutcheon
McGrath
McIlraith
McIntosh
McKinley
McNulty
Mahoney
Marceau
Marchand (Langelier)
Marshall
Mazankowski
Monteith
Moore
Munro
Murphy
Murta
Nesbitt
Noble
Noël
O'Connell
Olson
Orange
Otto
Ouellet
Paproski
Peddle
Pelletier
Penner
Pepin
Perrault
Portelance
Pringle
Prud'homme
Reid
Ricard
Richard
Richardson
Ritchie
Roberts
Robinson
Rochon
Rock
Roy (Laval)
Schumacher
Serré
Sharp
Simpson
Skoreyko
Smith (Northumberland-Miramichi)
Smith (Saint-Jean)
Southam
Stafford
Stewart (Cochrane)
Stewart (Marquette)

Division

Messrs:

Stewart (Okanagan-Kootenay)
St. Pierre
Sulatycky
Sullivan
Thomas (Maisonneuve-Rosemont)
Thomas (Moncton)
Trudeau
Trudel
Valade
Wahn
Watson
Weatherhead
Whelan
Whicher
Whiting
Woolliams
Yanakis
Yewchuk—168.

Mr. Speaker: I declare the amendment lost.

The House divided on the main motion (Mr. Macquarrie), which was negatived on the following division:

YEAS

Messrs:

Aiken
Alexander
Alkenbrack
Asselin
Baldwin
Bell
Bigg
Carter
Coates
Code
Danforth
Dionne
Downey
Fairweather
Flemming
Forrestall
Gauthier
Godin
Grills
Harkness
Hellyer
Horner
Howe
Lambert (Edmonton West)
Laprise
Latulippe
Lundrigan
MacDonald (Egmont)
MacInnis (Cape Breton-East Richmond)
MacKay
Macquarrie
McCleave
McCutcheon
McGrath
McIntosh
McKinley
Marshall
Matte
Mazankowski
Monteith
Moore
Murta
Nesbitt
Noble
Paproski
Peddle
Ricard
Ritchie
Rodrigue
Rondeau
Schumacher
Simpson
Skoreyko
Southam
Stewart (Marquette)
Tétrault
Thomas (Moncton)
Valade
Woolliams
Yewchuk—60.

NAYS

Messrs:

Allmand
Anderson
Andras
Badanai
Barnett
Barrett
Beer
Benson
Blackburn
Blair
Blouin
Boulanger
Breau
Brewin
Broadbent
Cafik
Cantin
Chappell
Chrétien
Clermont
Comtois
Corbin
Corriveau
Côté (Richelieu)
Côté (Longueuil)
Crossman
Cullen
Danson
Davis
Deachman
Deakon
De Bané,
Douglas
Drury
Dubé
Dupras
Duquet
Éthier
Faulkner
Forest
Forget
Foster
Francis
Gendron
Gervais
Gibson
Gilbert
Gillespie
Gleave
Goyer
Gray
Guay (St. Boniface)
Guilbault
Haidasz
Harding
Hopkins
Howard (Okanagan Boundary)
Howard (Skeena)
Hymmen
Jerome
Kaplan
Knowles (Winnipeg North Centre)
Lajoie
Langlois
Laniel
La Salle
Leblanc (Laurier)
LeBlanc (Rimouski)
Lefebvre
Legault
Lessard (LaSalle)
Lessard (Lac-Saint-Jean)
L'Heureux
Lind
Loiselle
Macdonald (Rosedale)
MacEachen
MacGuigan
MacInnis (Mrs.)
Mackasey
McIlraith
McNulty
Mahoney
Marceau
Marchand (Langelier)
Mather
Munro
Murphy,
Noël
Nystrom
O'Connell
Olson
Orange
Orlikow
Otto
Ouellet
Pelletier
Penner
Pepin
Perrault
Peters
Portelance
Pringle
Prud'homme
Reid
Richard
Richardson
Roberts
Robinson
Rochon
Rock
Rowland
Roy (Laval)
Serré
Sharp
Smith (Northumberland-Miramichi)
Smith (Saint-Jean)
Stafford
Stewart (Cochrane)
Stewart (Okanagan-Kootenay)
St. Pierre
Sulatycky
Sullivan
Thomas (Maisonneuve-Rosemont)
Trudeau
Trudel
Wahn
Watson
Weatherhead
Whelan
Whicher
Whiting
Winch
Yanakis—134.

• (10:10 p.m.)

Mr. Speaker: I declare the motion lost. It being after ten o'clock, this House stands adjourned until 11 o'clock tomorrow morning.

At 10.16 p.m. the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Friday, November 5, 1971

The House met at 11 a.m.

ROUTINE PROCEEDINGS

HOUSE OF COMMONS

HOURS OF SITTING NEXT WEEK

Hon. Allan J. MacEachen (President of the Privy Council): Mr. Speaker, there have been some discussions about the hours of sitting for next week, especially in respect of an arrangement that might make it possible for Members of Parliament to be present in their constituencies on Remembrance Day to attend ceremonies to which they have been invited without the necessity of making extraordinary efforts to be back in the House on the following day. I have been attempting to meet that favourable objective and at the same time save the hours that might be lost as a result of not sitting on Friday.

If it is agreeable to the House I would suggest that we pick up the hours lost on Friday, a week today, by sitting an additional hour on Monday from 10 p.m. to 11 p.m., and an additional two hours on Tuesday from 11 a.m. until one o'clock on government business. This time would be equivalent to the time lost on the succeeding Friday. If that is acceptable, the House will rise on Wednesday, November 10, and stand adjourned until November 15, 1971. If I have the unanimous consent of the House I should like to move a motion to that effect.

Mr. G. W. Baldwin (Peace River): Mr. Speaker, we in this party are quite agreeable, although it should be understood that the normal routine proceedings and the question period will be at two o'clock on Tuesday rather than at eleven so that government business will not be interrupted by nasty questions.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, the proposal made by the President of the Privy Council is in accordance with our discussions and we are happy to give our agreement.

[*Translation*]

Mr. Gérard Laprise (Abitibi): Mr. Speaker, we are also in agreement with those proposals.

[*English*]

Mr. Speaker: Is there agreement for the President of the Privy Council to propose a motion?

Some hon. Members: Agreed.

Mr. MacEachen: I move:

That, on Monday, November 8, 1971, the time of adjournment of the House shall be 11 p.m., provided that proceedings pursuant to Standing Order 40 shall be taken up at that time;

That, on Tuesday, November 9, 1971, the House shall meet at 11 a.m., rise at 1 p.m. and resume its ordinary hours of daily sitting at 2 p.m., provided that Government Orders shall be taken up between 11 a.m. and 1 p.m., and that the daily routine of business shall be taken at 2 p.m. in that sitting;

And that, when the House adjourns on Wednesday, November 10, 1971, it shall stand adjourned until Monday, November 15, 1971.

Mr. Speaker: Hon. members have heard the motion. Is it the pleasure of the House to adopt the said motion?

Some hon. Members: Agreed.

Motion agreed to.

* * *

EXTERNAL AFFAIRS

NUCLEAR TESTING—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. David MacDonald (Egmont): Mr. Speaker, under Standing Order 43, in view of the obvious imminence of tomorrow's five-megaton blast, and in light of the recent events involving the excavation of a second hole on Amchitka Island for a possible further detonation of a nuclear device, and because of the announced atmospheric nuclear explosion by the government of France and the likelihood of other countries continuing their own tests, I move, seconded by the hon. member for St. John's East (Mr. McGrath):

That the government of Canada immediately request the Secretary General of the United Nations to immediately declare a one-year moratorium on all nuclear tests, so that the United Nations during that period might complete a permanent agreement to end all nuclear testing.

• (11:10 a.m.)

In view of earlier representations by this House and the nature of the motion, I feel the House might be disposed to pass the motion without debate and I urge the House to do so.

Mr. Speaker: Hon. members have heard the motion proposed by the hon. member for Egmont. Is there unanimous consent?

Some hon. Members: Agreed.

An hon. Member: No.

Mr. Speaker: There is not unanimous consent.

Mr. MacDonald (Egmont): Mr. Speaker, on a matter as important to the people of this country and the members of this House as this is I believe we should have some explanation. I was unable from my seat to hear any objection.

Mr. Speaker: Had the hon. member been sitting in the Speaker's Chair he would have determined that there was objection.

AMCHITKA NUCLEAR TEST—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Frank Howard (Skeena): Mr. Speaker, because of the unanimous decision a moment ago I think my chances might be equal to those of the President of the Privy Council. I should like to seek the consent of the House under Standing Order 43 to move a motion, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles). The urgent and pressing necessity is apparent in the following motion:

In view of the spontaneous and massive objections and protests that have been developing in Canada from all areas since the United States announcement to proceed with the Amchitka bomb test and inasmuch as there is an overriding need for the Prime Minister, even at this late moment, to communicate directly with the President of the United States of America expressing the concern, dismay and objections of all Canadians about the proposed Amchitka blast, with the hope that the bomb test will be cancelled, this House urges upon the Prime Minister that he immediately communicate with President Nixon and so express that concern, dismay and objection.

Mr. Speaker: The motion proposed under the terms of Standing Order 43 requires unanimous consent. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity.

Mr. Howard (Skeena): Mr. Speaker, I wonder if we might have some explanation from the government benches as to why they object to this course of action?

Mr. Speaker: Order, please. The hon. member knows this is debate and that this is not provided for under the terms of Standing Order 43.

ORAL QUESTION PERIOD

TRADE

POSSIBLE U.S. EXCISE TAX ON AUTOMOBILES IMPORTED FROM CANADA, INCREASE IN SURTAX AND IMPLEMENTATION OF DISC—CANADIAN COUNTER-MEASURES

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is addressed to the Minister of Finance. In light of the decision of the United States Senate finance committee to authorize additional powers to the President with regard to the imposition of an excise tax on automobiles imported from Canada and an additional surcharge, as well as its recommendations regarding DISC, could the minister now expand upon his statement yesterday that the Canadian government could be in a position to take appropriate counter-measures in the event that such action might be taken by the government of the United States?

[Mr. MacDonald (Egmont).]

Hon. E. J. Benson (Minister of Finance): First of all, Mr. Speaker, I think it very unlikely that the President will take action with regard to changing the level of the surtax or imposing an excise tax. As a matter of fact, the United States administration have indicated several times that they would like to get rid of the surtax as soon as possible when stability of world currencies can be established and some other trading guidelines given. However, if they were to take such action we could take action in respect of taxes very quickly in this House. Of more concern to the government is the DISC program which was recommended in an amended form by a committee of the Senate. Of course this proposal has to go to a joint meeting of the two committees of the House of Representatives and the Senate and then the legislation has to go through both chambers. However, we are watching very closely to see what kind of DISC proposal ultimately comes out, if one does emerge from these consultations between the two Houses, and are considering what action we would take in that case.

Mr. Lambert (Edmonton West): Does the minister agree that this is a dangerous escalation, and is the Canadian government taking further initiatives both in regard to this move and also with regard to settling the international exchange situation which seems to underly the whole problem of the surcharge and our relationship with the United States?

Mr. Benson: First of all, Mr. Speaker, I do not consider it an escalation. They have simply granted authority to the President. In the United States the President has to have underlying authority in order that he may take action, whereas in Canada action on taxation under any circumstances can be taken by an announcement in this place. With respect to the DISC program, the announcement would indicate that it is in a much modified form from the form put forward by the administration, but if passed as recommended by the Senate committee it would still be very damaging to Canada, and we have protested officially with regard to the DISC program.

With regard to the underlying situation, talks took place in Ottawa yesterday and there will be further meetings. The next meeting of the Group of Ten is to be held later this month in Rome.

UNITED STATES IMPORT SURTAX—PRESENTATION BY AMERICAN OFFICIALS OF LIST OF GRIEVANCES AT MEETING IN OTTAWA

Mr. Edward Broadbent (Oshawa-Whitby): In the discussions which took place yesterday in Ottawa on the United States surtax, did the American officials present to the government of Canada their list of so-called grievances?

Hon. E. J. Benson: (Minister of Finance): No, Mr. Speaker, there is no list of grievances on either side. What took place yesterday was a discussion of various problems on both sides. Such talks have been going on for quite a long time in an effort to work toward a solution on both sides of matters that are annoying each country.

Mr. Broadbent: Was the Canada-U.S. automotive agreement specifically discussed and, if so, what particular changes were recommended by the Americans and what

response to these proposals did the Canadian government make?

Mr. Benson: I would rather not disclose the individual items that were discussed.

REVIEW OF INCOME TAX BILL PROVISIONS AFFECTING INDUSTRY IN LIGHT OF POSSIBLE U.S. ECONOMIC ACTION AND REPORT BY CANADIAN SENATE

Mr. G. W. Baldwin (Peace River): In light of the potential or proposed United States action and the urgent need to take every possible move to strengthen Canadian industry, as indicated in the interim report of the Senate Finance Committee, will the government even at this late date review its position on the tax bill and delay implementing those provisions which have an unsettling and deteriorating effect on the Canadian economy?

Hon. E. J. Benson (Minister of Finance): That is the hon. member's opinion. We intend to proceed with the tax bill.

[*Translation*]

Mr. Speaker: Does the hon. member for Shefford have a supplementary?

Mr. Gilbert Rondeau (Shefford): No, Mr. Speaker.

Mr. Speaker: I shall give him the floor in a few minutes. We will carry on with supplementary questions on the present subject and I shall call on the hon. member for Shefford as soon as possible.

[*English*]

UNITED STATES DISC PROPOSAL—CONTINGENCY PLAN—CONSULTATION WITH PROVINCES, BUSINESS, LABOUR AND ECONOMIC EXPERTS

Mr. James A. McGrath (St. John's East): I have a question for the Minister of Finance. In view of the enormous potential threat to the Canadian economy posed by the DISC plan, is the government formulating any contingency plan to meet the situation and does the government propose to hold some sort of hearings or consultations with business, labour and economic experts as well as the provinces to meet the threat posed by this program?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, first of all we have to see how the DISC plan emerges. As I have indicated, we are quite a long way from that and it will not be too late then. That is the only time at which we would take action.

AUTOMOBILES—POSSIBLE EXCISE TAX ON CANADIAN AUTOMOBILE IMPORTS IF UNITED STATES TAX IMPOSED

Mr. Robert P. Kaplan (Don Valley): My question also is for the Minister of Finance. With reference to the possible automobile excise tax in the United States, is the government prepared to impose an excise tax on Canadian imports of automobiles from the United States to produce an equal countervailing against American protectionism?

• (11:20 a.m.)

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I consider that to be a hypothetical question.

UNITED STATES DISC PROPOSAL—PUBLICATION OF PART OF FOREIGN OWNERSHIP REPORT TO CABINET DEALING WITH OPERATIONS OF AMERICAN MULTINATIONAL CORPORATIONS

Mr. R. Gordon L. Fairweather (Fundy-Royal): Mr. Speaker, in light of the DISC threat will those sections of the Gray Report dealing with the behavior and operations of United States multinational corporations be made public? I asked this question of the Prime Minister the other day, and I hope that we now can have an answer.

Hon. E. J. Benson (Minister of Finance): I would have to take that question as notice, Mr. Speaker.

Mr. Thomas M. Bell (Saint John-Lancaster): As a final supplementary question, Mr. Speaker, is it a fact, because the Minister of Finance has come into the chamber today on a day he should not be here, thus incurring the wrath of the Prime Minister, and has given all these meaningless answers, that finally he is desperately worried about the United States economic measures?

Some hon. Members: Oh, oh!

* * *

EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—PARTICIPATION BY PRIME MINISTER IN MEMBERS' PROTEST TO PRESIDENT NIXON—FORMAL COMMUNICATION OF HOUSE RESOLUTION TO PRESIDENT

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I had a question I wanted to put to the Prime Minister. I assume his absence is due to the departure from Ottawa of President Tito, so may I put the question to the Acting Prime Minister. I believe my hon. friend, the President of the Privy Council, would like to enjoy notoriety for a moment or two. Now that 119 members of the House have wired President Nixon reminding him of the opposition of this House to the Amchitka test, will the Acting Prime Minister take up with the Prime Minister the possibility, even at this late date, of his joining with us in expressing the hope that this blast will be cancelled by President Nixon?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, I do not think I need to take the point up with the Prime Minister because I have already discussed the matter with him. He, of course, joined with other members of the House in the formal resolution passed by the House of Commons indicating the view of the House with respect to this test. It was his view that it was entirely up to other hon. members whether they wished to sign this telegram, and that a further signature would not add anything to what had already been done by the House in a formal resolution.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, as a supplementary question I wonder if the Acting Prime Minister can tell us whether the resolution passed by the House on October 15 was actually communicated to the President and, if so, by what method?

Mr. MacEachen: Mr. Speaker, I am not in a position to tell the hon. gentleman exactly what procedure was followed, but I understand it was communicated to the government of the United States by the Department of External Affairs, as it was to other governments.

Mr. Knowles (Winnipeg North Centre): I have a further supplementary question, Mr. Speaker. In view of reports from the United States that Canada is not among the countries that formally protested, will the Acting Prime Minister look into this, and if the resolution was not formally communicated to the President will he see that this is done?

Mr. MacEachen: Mr. Speaker, I will look into it. I feel certain that the resolution was communicated to the government of the United States but I will find out, if possible, whether the resolution was actually put in front of the President. I cannot answer that question now.

NUCLEAR TESTING—SUGGESTED HOUSE MOTION REQUESTING U.N. SECRETARY GENERAL TO CALL FOR MORATORIUM

Mr. David MacDonald (Egmont): Mr. Speaker, I wish to direct a supplementary question to the President of the Privy Council in his dual capacity as House leader and Acting Prime Minister. In view of the motion I presented this morning, would he be willing to confer with the House leaders of the other parties to determine if there would be general agreement to pass it, or a similar motion, without debate in order that the Secretary General of the United Nations might call for a one-year moratorium on nuclear testing by all nations, thus eliminating what seems to be a major barrier to the United States preventing them from not going on with their test, namely, concern for their own defence and security?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, I take it that the hon. member is properly bringing this matter before the House because he does express, I think, the sentiments of all hon. members. I think what separates us at the moment is the question of whether a further resolution will add to the strength of what has already been done by the House of Commons. We take the view that what has already been done is strong evidence of the feelings of this House and that any further action by the House would serve to weaken what has already been done.

Mr. MacDonald (Egmont): A supplementary question.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Egmont on a supplementary and then the hon. member for Shefford.

Mr. MacDonald (Egmont): I think the minister has not really answered the question. My motion was a good deal different. Would the minister indicate whether he would not consider seriously with the other House leaders a motion that could be passed unanimously and directed to the Secretary General of the United Nations? Second, are any steps being taken to determine whether a second test is being planned for Amchitka Island as was reported yesterday and again today?

[Mr. Knowles (Winnipeg North Centre).]

Mr. Guay (St. Boniface): Question your own party for the solution.

Mr. MacEachen: Mr. Speaker, I want to be courteous to the hon. member and I will not refuse to give further consideration to the possibility of talking to the other House leaders about this matter. However, I would be dishonest if I indicated to him that there would be any change in attitude on the part of the government in joining at this time in passing a further resolution. I think my hon. friend appreciates that. On the second question I really cannot provide an up-to-date answer.

* * *

[*Translation*]

NATIONAL DEFENCE

PARITY OF REMUNERATION BETWEEN ARMED FORCES AND PUBLIC SERVICE

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I should like to put a question to the Minister of National Defence.

Further to his statement this morning with regard to pay increases in the Armed Forces in order to establish pay parity between the Armed Forces and the Civil Service of Canada within the next two years, would the minister say whether he intends to announce that his department will soon reassess the necessity and the role of the Canadian Armed Forces so as to be able to meet adequately the needs of Canada in 1971?

Hon. Donald S. MacDonald (Minister of National Defence): Mr. Speaker, I already made such an announcement in the White Paper on National Defence.

[*English*]

ASSURANCE RESPECTING NO INCREASE IN RENT AND OTHER COSTS OF PERSONNEL FOLLOWING PAY RAISE

Mr. J. M. Forrestall (Dartmouth-Halifax East): I have a supplementary for Santa Claus too. On behalf of the 85,000 or 90,000 people in the Canadian Armed Forces I wonder if the minister could give some assurance to members of the forces that he will not increase rents or the costs of meals and other recoverable cost items within the defence structure?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, as the hon. member knows, there have been long-term policy announcements with regard to bringing into balance rents for permanent married quarters. Therefore I cannot give the undertaking that the policies under way will not be carried out as needed. Where certain payments have been based on income, of course where income has gone up payments will have to go up too. In general terms we are trying to arrive at the basis that, if compensation is to be on the same basis as the civil community, services to be paid for will of course have to be on the same basis.

[*Later:*]

POSSIBLE ADJUSTMENT OF ARMED FORCES RETIREMENT AGES AND PENSION RIGHTS FOLLOWING PAY INCREASES

Mr. David Anderson (Esquimalt-Saanich): Mr. Speaker, my question is supplementary to previous questions asked of the Minister of National Defence. Will the changes in pay outlined in his press release today lead to further changes in the retirement ages of our forces personnel and their pension rights? In other words, by bringing their pay more in line with the civil service will we be making other adjustments as well?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, if the hon. member is referring to the age of retirement, of course very different factors apply to members of the Canadian Armed Forces and of the Mounted Police than apply to other members of the civilian community. I do not anticipate any changes there. With regard to pensions, of course the pay increases also carry with them a requirement incumbent on the government to make further contributions to the pension fund. I must confess that I really do not understand the full import of the hon. member's question.

* * *

[*Translation*]

THE CANADIAN ECONOMY

WAGE AND PRICE FREEZE—DISCUSSION WITH PROVINCES RESPECTING JURISDICTION

Hon. Martial Asselin (Charlevoix): Mr. Speaker, I have a question for the Minister of Finance.

I would like to know if, in his meetings with provincial finance ministers, a wage and price freeze was considered and in the affirmative, if provinces indicated to the minister that they would agree to waive their jurisdiction in that field supposing the federal government would decide to implement this policy in order to fight inflation.

[*English*]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, as I recall, this question did not arise.

* * *

CANADIAN NATIONAL RAILWAYS

LAY-OFF OF DOCKYARD EMPLOYEES, ST. JOHN'S, NFLD.—GOVERNMENT ACTION

Mr. Walter C. Carter (St. John's West): Mr. Speaker, my question is directed to the Parliamentary Secretary to the Minister of Transport. Does he have an answer to the question I posed yesterday concerning the lay-offs at the Canadian National dock in St. John's?

[*Translation*]

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, we are advised by the Canadian National that at first they thought employment could be found for these employees. This is why the lay-off notices were rescinded. But as they failed to obtain contracts, they re-issued the notices. This is the only explanation for their decision. CN usually get their contracts through public tenders, and they are now seeking new ones in order to re-hire their employees.

• (11:30 a.m.)

[*English*]

INVESTIGATION OF UNION CHARGES THAT ST. JOHN'S DOCKYARD INEFFICIENTLY OPERATED

Mr. James A. McGrath (St. John's East): Mr. Speaker, may I direct a supplementary question to the parliamentary secretary in the absence of the minister who is supposed to be here today, according to the roster. Since the pending lay-offs are an urgent matter, will the parliamentary secretary communicate with the minister and undertake to investigate charges made by the unions that this Canadian National dockyard in St. John's, Newfoundland, is inefficiently operated and hence unable to compete with other docks?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, I will certainly transmit the remarks of the hon. member to the minister.

* * *

SCIENCE

RESULTS OF STUDIES OF SCIENTIFIC DATA ON NUCLEAR TESTING

Mr. Frank Howard (Skeena): Mr. Speaker, may I direct a question to the Minister of State for Science and Technology. Will the hon. gentleman convey to the House the results of the studies by scientists working for the Canadian government of the large amount of detailed scientific data and studies on nuclear bomb testing that has been received from the United States over the last couple of years, with reference particularly to the proposed bomb test that is to take place tomorrow at Amchitka?

Hon. Alastair Gillespie (Minister of State for Science and Technology): Mr. Speaker, I appreciate the representation of the hon. member. I cannot give him the undertaking he seeks.

Mr. Howard (Skeena): Mr. Speaker, I rise on a question of privilege. Surely this is a preposterous situation. This was a matter of such concern that it prompted the government to act in the first instance and now it does not know what happened to the resolution that the House passed on this matter. The Minister of State for Science and Technology has completely evaded the question about the evaluation of existing studies.

Mr. Speaker: Order, please. That is debate and not a question of privilege.

* * *

TRANSPORT

POSSIBLE COMBINING OF OFF-SEASON TRANSCONTINENTAL RAILWAY PASSENGER SERVICES—CONSULTATION WITH ALBERTA GOVERNMENT

Mr. Cliff Downey (Battle River): Mr. Speaker, in view of the suggestion by the Canadian Transport Commission

that Canada's two major railways should combine their off-season transcontinental passenger services, may I ask the Minister of Transport—in this case I direct the question to his parliamentary secretary—whether the minister can assure us that the government of Alberta will be consulted on any transport changes, as has been requested by the premier of the province, since Alberta is one of the two landlocked provinces of Canada?

[*Translation*]

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, the Canadian Transport Commission made their suggestion only recently, and I can say on behalf of the minister that such a suggestion was at first approved. I understand very well and I hope that hon. members will understand also that this matter is most important; it requires a thorough study and certainly consultations.

[*English*]

ALLEGED INADEQUATE TRANSPORTATION AND TERMINAL FACILITIES FOR GRAIN

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, in the absence of the Minister of Transport may I ask his parliamentary secretary whether, in view of the statement by Mr. Gibbings of the Saskatchewan Wheat Pool that transportation provided for grain is inadequate, that terminal facilities need to be reviewed to see if they cannot be made adequate for the handling of our grain, and that we have lost sales and have had to turn down sales because of this inadequacy, there has been any consultation between the minister of Transport and the minister in charge of the Wheat Board to see if this situation can be improved?

Mr. Speaker: Order, please. I hope the question has now been asked, and I hope the parliamentary secretary can reply briefly. I suggest to hon. members that an attempt should be made to shorten questions. If each question takes more than a minute and the answer is just as long, the number of questions that can be asked is cut down.

[*Translation*]

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Mr. Speaker, I share your point of view, but I would prefer to consider the matter further before giving an answer.

* * *

INDUSTRY

SHOES—REPORT OF INVESTIGATION BY ANTI-DUMPING TRIBUNAL

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I have a question for the Minister of Industry, Trade and Commerce, following his statement that the government had established an inquiry commission to examine the Anti-dumping act.

Considering that the opposition has made many representations in favour of shoe manufacturers, could the minister tell us when he expects a report on this matter and what the government intends to do with regard to the many lay-offs in that industry, at the Red Carpet Shoe Company, for example, where they have dismissed—

[Mr. Downey.]

Mr. Speaker: Order.

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, first of all I should like to set the facts straight. The problem of leather shoe imports has been submitted to the anti-dumping court so as to get from it, under section 16, a ruling on the prejudice suffered by this industry.

So, before taking or considering the possibility of taking unilateral measures, this government, under that section of the act, must obtain the views of the anti-dumping court.

Mr. Valade: Mr. Speaker, I should like to put a question which is not supplementary but which is intended to clarify my first question. When does the government expect to receive a report on the results of this investigation carried out by the anti-dumping court?

Mr. Pepin: The anti-dumping court is carrying out this type of investigation for the first time, because it is under a recent amendment that it now has this capacity. We do not know exactly how long this will take. Normally, the anti-dumping court, so I am told, makes its rulings within 90 days, more or less, in a matter of dumping.

I hope that it will also be possible then to assess the prejudice, but the investigation will have to be quite exhaustive. How long it lasts will depend on the evidence which is heard and on the quality of information presented to the anti-dumping court.

Mr. Speaker: Order.

Hon. Théogène Ricard (Saint-Hyacinthe): Mr. Speaker, does the minister mean that the advocated steps will compel manufacturers to reopen, after they had to close as a result of heavy shoe imports?

Mr. Pepin: Mr. Speaker, since I do not know what will be the opinion of the anti-dumping court, it is difficult for me to comment on that.

Mr. Jacques-L. Trudel (Montréal-Bourassa): Mr. Speaker, I rise on a point of order.

Mr. Speaker: Order. The member for Montréal-Bourassa on a point of order.

Mr. Trudel: Mr. Speaker, I think that the answer of the Minister of Industry, Trade and Commerce has not been given through the interpretation system. There has been a delay and we have been unable to hear what the minister had to say.

* * *

[*English*]

PARLIAMENT HILL

SECURITY MEASURES DURING VISIT OF PRESIDENT TITO—ABILITY OF MEMBERS TO PROCEED TO OFFICES

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, my question is directed to the Acting Prime

Minister and arises out of the security measures that were implemented on Parliament Hill during the last several days as well as the apparent lack of communication or co-operation between the Royal Canadian Mounted Police and the security staff of the House of Commons. What were the special instructions issued to the RCMP on this occasion and, in particular, were any special instructions issued that would prevent members of this House from proceeding to their offices on any of those days—

Some hon. Members: Oh, oh!

Mr. McIntosh: —or is this the first indication of a police state?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, I can assure the hon. member that there is no indication of a police state in anything that has happened on the bill. As my hon. friend knows, the building and the security staff of the House are not matters for the government. However, I will make inquiries with respect to that part of the question having to do with the RCMP.

Mr. Donald MacInnis (Cape Breton-The Sydneys): A supplementary question, Mr. Speaker. While the minister is making those inquiries will he assure the members of the House that on future occasions such as the last two we have experienced—the hon. member for St. Boniface is shooting off his face again—

Mr. Speaker: Order, please. The hon. member who has the floor should be allowed to ask his question.

Mr. MacInnis: On a question of privilege, Mr. Speaker, I have the floor and I am asking a question. I would, ask the Chair to pay special attention to the member who used to come from St. Boniface. If he has anything to say, he should have the guts to get up and say it.

Mr. Speaker: Order, please. Perhaps the hon. member might ask the question he wanted to ask. Then we will proceed because there are just about five minutes left before the end of the question period.

• (11:40 a.m.)

Mr. Guay: I rise on a question of privilege, Mr. Speaker. It is twofold. First, I wish to advise Your Honour that I would like to ask a question today. Second, I would like to advise Your Honour that we would like to keep the hon. member healthy and alive for a long, long time.

Mr. Speaker: Order, please. I suggest to the hon. member that this kind of question of privilege is not very helpful if we are to proceed effectively before the end of the question period. Will the hon. member for Cape Breton-East Richmond kindly ask his question and we will then proceed to the next subject.

Mr. MacInnis: Briefly on the question of privilege, Mr. Speaker, I think thehon. member should acknowledge—

Mr. Speaker: Order, please. I seek the hon. member's co-operation. I do not think the matter should be proceeded with further by way of a question of privilege. I appreciate the hon. member has a supplementary to the question asked by the hon. member for Swift Current-Maple Creek.

Mr. MacInnis: I just thought I should be thanked for giving the hon. member an opportunity to open his mouth and get to his feet. Will the minister ensure that on future occasions, such as the state visits that have taken place in the last few weeks, any security measures will be properly co-ordinated with the security staff of the House of Commons so that the situations that developed will not be repeated?

Mr. MacEachen: Mr. Speaker, the hon. member's suggestion seems to be reasonable and I will investigate whether it is possible to do that.

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INDIAN AFFAIRS

LEGISLATION TO PROTECT STATUS OF WOMEN WHO MARRY NON-INDIANS

Mrs. Grace MacInnis (Vancouver-Kingsway): My question is for the Minister of Indian Affairs and Northern Development. In view of the recent Supreme Court decision that a native Indian woman should not have been deprived of her Indian status by reason of her marriage to a non-Indian, is the minister now preparing amendments to the Indian Act to give effect to this decision?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, we are now in the process of deciding whether to refer the ruling of the federal court to the Supreme Court of Canada; when the court has reached a final decision, we will act accordingly.

[*English*]

Mrs. MacInnis: In the meantime is the minister taking steps to see that no other native Indian women are deprived of their Indian status for this reason?

[*Translation*]

Mr. Chrétien: Mr. Speaker, statements were made in this House to this effect, but as long as the matter is before the courts, the registrar of my department is not performing the same duties as before in connection with newly-weds.

[*English*]

EDUCATIONAL FACILITIES IN NORTHEASTERN ALBERTA—STEPS TO SOLVE PROBLEM—SUGGESTED VISIT BY MINISTER

Mr. Don Mazankowski (Vegreville): I wish to direct my question to the Minister of Indian Affairs and Northern Development. Can the minister advise the House whether any new initiatives have been taken with a view to overcoming the impasse caused by the developments that have taken place on the reserves in northeastern Alberta and, if so, will he undertake to inform the House what steps are being taken to ameliorate the situation in northeastern Alberta?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I am doing everything possible to solve the problem. I am constantly in

touch with everyone who can help us. The hon. member might contact the new premier of Alberta. In fact, when I suggested discussing the problem with him, he refused.

[*English*]

[*Later:*]

Mr. Speaker: Order, please. The hon. member for Vegreville has a supplementary. I suggest to hon. members that we should try to limit the supplementaries in the remaining three or four minutes.

Mr. Mazankowski: Has the minister had a change of mind with regard to visiting the reserves in northeastern Alberta, which would do a lot to overcome the problem and give the minister an opportunity to view the situation at first hand and particularly—

Mr. Speaker: Order, please. The hon. member has asked the question.

[*Later*]

[*Translation*]

Mr. Chrétien: Mr. Speaker, I am willing to visit the northern Alberta reservations as soon as the children are back in school. I do not think that the situation could be improved by my visiting at an earlier stage.

* * *

[*English*]

ROYAL CANADIAN MOUNTED POLICE

PROVISION OF OVERTIME PAY

Mr. Robert McCleave (Halifax-East Hants): My question is to the Solicitor General. It is a hardy perennial. Can the minister advise where the case now stands with regard to overtime pay for members of the Royal Canadian Mounted Police?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): If the hon. member goes on, he will have me working overtime.

* * *

[*English*]

NATIONAL DEFENCE

DECISION NOT TO SELL CANADIAN ARSENALS PLANT

Mr. Colin D. Gibson (Hamilton-Wentworth): Mr. Speaker, I have a question for the Minister of Supply and Services. As tenders on the Canadian Arsenals plant in Toronto were due two months ago, can the Minister of Supply and Services please inform the House whether he has reached any decision on the sale of the plant and, particularly, how the employees will be affected in view of the unemployment situation?

Hon. James Richardson (Minister of Supply and Services): Mr. Speaker, the government was prepared to sell the Long Branch plant of Canadian Arsenals but none of the bids that we received was satisfactory either in amount or, particularly, concerning our terms about continuing employment of present employees. Therefore our decision is to keep the plant in operation and to do everything possible to increase the work load. I am pleased to say to the hon. member that this decision means there are no lay-offs contemplated at the Long Branch plant of Canadian Arsenals.

Some hon. Members: Hear, hear!

* * *

COMMUNICATIONS

ALLEGED RACIAL DISCRIMINATION IN MASS MEDIA ADVERTISING—REVIEW OF GOVERNMENT CONTRACTS WITH AGENCIES

Mr. Lincoln M. Alexander (Hamilton West): I wish to direct a very important question to the Acting Prime Minister. In light of the fact the Elkin report to the Ontario Human Rights Commission on visible minority performers in advertising concludes there is little doubt that racial discrimination occurs in mass media advertising, in that the image of the Canadian population reflected in Canadian advertisements is biased in the sense that we tend to see a country made up of whites with very few Asians, Indians, Eskimos or blacks, and in light of the fact that this is a multicultural society emphasizing, among other things,—

Mr. Speaker: Order, please. I am sure the hon. member realizes that according to the rules a question cannot be asked in those terms. The matter raised by the hon. member is important. The question, however, should be asked in a more direct way. It seems to me that the hon. member is now making a speech.

Mr. Alexander: I will get right to the point, Mr. Speaker. Will the minister review all government let contracts from this point of view, hopefully to deal only with firms and advertising agencies which actively adhere to the general principle of Canada being a multicultural society, and will he ensure that all government publications and advertisements demonstrate the ethnic and racial diversity of Canada?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, the question raised by the hon. member is important, complicated and comprehensive. With regard to his over-all objective, I am sure we share his point of view, but how it can be done is a matter that will have to be looked into.

Mr. McGrath: Paul Martin would be proud of you.

Some hon. Members: Hear, hear!

* * *

EXTERNAL AFFAIRS

VISIT BY PREMIER KOSYGIN TO VANCOUVER—REQUEST BY CITY FOR PAYMENT OF EXTRA POLICE COSTS

Mr. Barry Mather (Surrey-White Rock): I have a question for the Acting Prime Minister. Has a request been received from the city of Vancouver for payment of approximately $30,000 for extra police costs reportedly incurred during the visit of Premier Kosygin to Vancou-

ver and, if such a request has been received, will favourable consideration be given to it?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, I do not know whether any such request has been received. I will make inquiries and hopefully an answer will be given to the hon. member later.

* * *

HOUSING

ACCELERATED PROGRAM—CONSULTATION WITH PROVINCES ON PROVISION OF HOMES FOR POVERTY-STRICKEN

Mr. Jack Marshall (Humber-St. George's-St. Barbe): My question is for the Minister of State for Urban Affairs. Under the local initiatives program and particularly the accelerated housing program, can the minister advise if he has had any consultation with the provinces with a view to putting some impetus into projects that will provide homes for those who are poverty-stricken and cannot take advantage of low-cost housing because of the down payments and rates of interest?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, this kind of consultation between officials of Central Mortgage and Housing Corporation and the provincial housing authorities is taking place all the time. It has again been accelerated in the face of the $113 million that is being brought forward from next year to accelerate employment as well as low-cost housing during the next few months.

* * *

NATIONAL DEFENCE

AJUSTMENT OF ARMED FORCES PAY TO REFLECT HIGHER VALUE OF GERMAN MARK

Mr. Joseph-Philippe Guay (St. Boniface): My question is directed to the Minister of National Defence. Is any consideration being given to adjusting the Armed Forces wages to reflect the higher value of the German mark which has the effect of reducing living standards for our troops and their families stationed in Germany?

• (11:50 a.m.)

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the answer to this question is yes, this is being considered. This problem has arisen from a number of quarters so far as it affects the Canadian Armed Forces in Europe. The difficulty, of course, is to try to find some permanent basis on which to adjust pay in view of the rapid changes that are taking place in international currencies. At the moment the matter is under investigation.

Mr. Speaker: The hon. member for Athabasca.

INDIAN AFFAIRS

IMPLEMENTATION OF RECOMMENDATIONS ON EDUCATION IN FIFTH REPORT OF COMMITTEE—OPPORTUNITY FOR DEBATE

Mr. Paul Yewchuk (Athabasca): Thank you, Mr. Speaker, I am glad you have finally recognized me; I was beginning to feel that my ability to speak in this House on behalf of the constituents of Athabasca was being curtailed. May I ask the Minister of Indian Affairs and Northern Development a question. A few days ago I asked him whether he had had a chance to review the fifth committee report dealing with Indian education and he said he was studying it. Would he now indicate to the House whether he intends to implement any of the recommendations in this report and, second, whether he intends to bring this report forward for debate in the House in the near future?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I have studied that report and we are presently considering what recommendations could be accepted. There is however a very difficult problem: I promised the Indians that they would be consulted on the development of any new policy. I discussed that on several occasions with the president of the Canadian Federation of Indians who are not in a position presently to submit their own recommendations on this very important problem.

* * *

[*English*]

NATIONAL DEFENCE

INCREASE IN ARMED FORCES PAY—POSSIBLE REALLOCATION OF FUNDS—PROVISION OF SEAGOING ALLOWANCE TO RESERVE PERSONNEL

Mr. Doug Rowland (Selkirk): Mr. Speaker, my question is for the minister of National Defence and is supplementary to the earlier questions regarding the welcome announcement that armed forces' pay will be brought more into line with civilian scales. Can the minister indicate whether or not the increases in salaries will result in a significant reallocation of funds as between personnel, maintenance and the purchase of new equipment?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, it will, of course, have that effect since the amounts paid to personnel will be going up. However, I should make it clear that at least part of the sums will not be found in the current budget and there will be a supplementary estimate for this purpose. To the extent that the pay increase relates to increases for the current fiscal year, this is, of course, contemplated in the present budget. To the extent that there is a pay parity element involved, this will be the subject matter of a supplementary estimate.

Mr. Rowland: May I ask the Minister of National Defence whether, in the adjustments made for special pay, reserve force personnel will now receive a seagoing allowance just as they receive flying pay, submarine pay and diving pay?

Inquiries of the Ministry

Mr. Macdonald (Rosedale): Mr. Speaker, I shall have to inquire and I will report to the hon. member on that point.

* * *

INCOME TAX

REVIEW OF PROVISIONS OF BILL CONCERNING INTERNATIONAL COMPANY OPERATIONS

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I have a question for the Minister of Finance. In view of the decision by International Utilities to relocate its head office in the United States as a result, in part, of the anticipated tax changes, and in view of the contents of the interim report of the committee on banking, trade and commerce of the other place dealing with international investment, is the minister now going to make a review of the provisions of Bill C-259 to see whether he can bring in some modifications in regard to it?

Hon. E. J. Benson (Minister of Finance): First of all, Mr. Speaker, this company has been in touch with us and Bill C-259 is not the basic reason for their move. The difficulty was that being a United States company they had to live under two sets of laws and regulations, both United States and Canadian, and that was the main reason for their attempt to come under only one set of tax laws.

Second, I have already indicated that the sections regarding international operations will be reviewed. Most of them do not come into effect until 1976, though the passive income provision does come into effect in 1973. In view of the Senate committee report and other representations that have been made, we are taking another look at these sections, as I have indicated before.

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EDUCATION

DECREASE IN NUMBER OF GRADUATE STUDENTS FROM UNDERDEVELOPED COUNTRIES FOLLOWING CHANGES IN RULES RESPECTING CERTAIN GRANTS

Mr. D. Gordon Blair (Grenville-Carleton): Mr. Speaker, my question is for the Acting Prime Minister. I put this question forward as one which might form the basis for a discussion at ten o'clock. Is the Acting Prime Minister aware that as a result of recent changes in rules respecting grants made by the National Research Council, the Canada Council and other agencies of the government of Canada there has been a drastic reduction in the number of graduate students in Canadian universities from underdeveloped countries? If he and his government are aware of this, are they prepared to take measures that will ameliorate this rather serious situation?

Mr. Speaker: Order. I gather from the hon. member's introductory remarks that he has made his own ruling and wishes to come back at ten o'clock.

[Mr. Rowland.]

TAXATION

REQUEST BY PULP AND PAPER ASSOCIATION FOR RELIEF TO MAKE INDUSTRY MORE COMPETITIVE

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, I have a question for the Minister of Finance. Would he advise the House what action he intends to take on the suggestion made by the Pulp and Paper Association that they be given tax relief in order to make the paper industry more competitive?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, we have been studying this matter and have asked the association, which made representations in many areas much earlier in the year, to submit to us additional information. We are gathering this information from them particularly to compare their tax position in Canada with the tax position of their competitors in other countries.

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EXTERNAL AFFAIRS

AMCHITKA NUCLEAR TEST—SUGGESTED SPECIAL APPROACH TO PRESIDENT NIXON BY CANADIAN AMBASSADOR IN WASHINGTON

Mr. Randolph Harding (Kootenay West): Mr. Speaker, I have a question that is really a supplementary question to the Acting Prime Minister. In view of the fact that Japan has officially protested the proposed Amchitka test three times in the past few days, including a final attempt by their ambassador today, I would ask the Acting Prime Minister, since personal intervention will apparently not be made by the Prime Minister, whether the government would consider making a special approach through our ambassador in Washington to President Nixon to express our concern over the coming test and to request that it be cancelled?

Hon. Allan J. MacEachen (Acting Prime Minister): Mr. Speaker, I will convey the hon. member's representations to the Secretary of State for External Affairs whom I shall be seeing later in the day.

Mr. Speaker: Orders of the day.

GOVERNMENT ORDERS

INCOME TAX ACT

[*Translation*]

The House resumed, from Tuesday, November 2, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

[*English*]

The Deputy Chairman: When the committee rose on Tuesday, November 2, 1971, section 18 and an amendment proposed by the Minister of National Revenue were

before the committee. Sections 9, 10, 11, 12, 13, 15, 18 and 20 has been grouped for the purpose of debate. Sections 9, 10, 11, 12, 13 and 15 were agreed to. The question is on section 18.

On clause 1—Section 18: *General Limitations.*

Mr. McCleave: Mr. Chairman, I want to ask a technical question that arises out the wording to be found on page 56 of the bill, in subsection (4) of this section, which deals with the limitation of deduction of interest by certain corporations. I gather that the purpose of this subsection is to ensure that a foreign owned corporation does not skim off money from its Canadian subsidiary operations by means of some dodge involving interest rates or charges. The minister and the department are making an attempt, with which I must say I agree, to see that any such practice is stopped. The technical problem that I should like to raise relates to paragraph (A) which uses the phrase "the corporation's paid-up capital limit". I wonder if that wording is sufficiently precise to achieve what the minister hopes to achieve, or whether it might be better to use simply the words "paid up capital"?

• (12 noon)

Mr. Mahoney: I cannot put my finger on it immediately, but I am advised there is a definition of the term elsewhere in the act and I will endeavour to find it for the hon. member.

Mr. McCleave: There is a definition elsewhere. It is referred to in section 89(1). I have read that section as well, but I still think it would be worth while for the parliamentary secretary to look at this in order to determine whether the government is achieving what it has set out to achieve. I do not want to hold up the subsection because of that point, but the government advisers might take a second look at this. They can always re-open the matter later.

Mr. Lambert (Edmonton West): Mr. Chairman, I should like to return to the point I was making the other night regarding section 18(1)(a). I realize there are other sections which deal with business expenses, but I am not at all satisfied with the suggestion of the minister, and I feel that the parliamentary secretary has completely misunderstood my idea. I do not intend that members of the House who are professionals should have an additional advantage, but they should be allowed to deduct the legitimate expenses of attending professional conferences. I have in mind lawyers attending the Canadian Bar convention or the Canadian tax convention, or doctors attending a convention of the Canadian Medical Association. I should like to have the ear of the parliamentary secretary in order that he might understand this point.

Mr. Mahoney: You are plugged into this system.

Mr. Lambert (Edmonton West): The system may be plugged into your ear but I want it plugged into the grey matter, and that is something different.

I should like to have the disability in respect of the interpretation of the statute removed so that the fact a Member of Parliament draws a stipend here, which is likely greater than his professional income, does not bar him from claiming that legitimate expense. A professional who is a member here and attends a professional conference should be entitled by law to deduct those expenses. That is to say, a lawyer or a doctor in practice should be able to claim these expenses, although only at a marginal rate. This is not a claim for total expenses, compensation or reimbursement, but he should be entitled to put this in as a deduction, thereby reducing his taxable income, to gain the benefit of that fractional, marginal rate. That is all a lawyer in practice is able to do, and that is the limit of my representation which I hope will find a reasonable reception.

Let me suggest to the parliamentary secretary that if an hon. member attends the Canadian Tax conference he might improve his personal knowledge, and thereby be of assistance to this House. A lawyer attending the Canadian Bar Association conference on a specific segment of criminal law or perhaps constitutional law, would improve his knowledge as a Member of Parliament and he should be legitimately entitled to that allowance. All this means is that if I earn $1, $200 or $300 as a lawyer, and the rest of my income is my parliamentary stipend, I should not be barred from claiming these expenses to the same extent allowed a full-time practitioner.

Mr. Mahoney: It is my understanding of the law that the hon. member can claim these expenses against his professional income. He cannot reduce his parliamentary stipend by claiming such expenses, but if he has a professional income as a lawyer, an accountant or a doctor, as the case may be, the expenses connected with earning that income, including the cost of attending certain conferences and so on, are allowed as an offset against that part of his income. He cannot get his parliamentary salary or wage reduced, because that is not professional income or wage. This is the purpose of the tax free expense allowance an hon. member is entitled to, if he feels he must incur that expense to carry out his duty as a member.

Mr. Lambert (Edmonton West): The interpretation placed on this subsection is that your major income must come from your profession, and that is quite impossible under our circumstances. This is what I wanted to change; that 50 per cent bar.

Mr. Mahoney: I will certainly take the question under advisement. I will read *Hansard* and have the officials read *Hansard* as well, because we may be misunderstanding the hon. member's point.

The Deputy Chairman: The committee has been considering the amendments moved by the Minister of National Revenue on October 22, which may be found at pages 8934 and 8935. Does the committee wish me to dispense with the reading of the amendment?

Mr. Lambert (Edmonton West): Mr. Chairman, the reference you have made to certain pages in *Hansard* may be correct, but if you referred to the particular subsections it would be helpful. I have them before me and do not need to read *Hansard*, but your reference would require us to scurry back through the pages of *Hansard.*

The Deputy Chairman: If I understand the hon. member correctly, he wishes me to relate the amendments to the particular sections.

Mr. Lambert (Edmonton West): That is right.

The Deputy Chairman: The amendment by the Minister of National Revenue relating to section 18 of the bill is to be found at pages 55 to 58. Does the committee wish the Chair to read it?

Mr. Knowles (Winnipeg North Centre): I do not think it should be read, but I think it should be included in *Hansard* at this point as if it had been read.

The Deputy Chairman: Does the committee agree that the amendment be included in *Hansard* as though it had been read at this time? I could read it if hon. members so desire.

Mr. Mahoney: I think the hon. member for Edmonton West has made a helpful suggestion. Some of these subsections we are dealing with run on for several pages and it would be helpful to have them enumerated more specifically. The first amendment is to section 18(2)(a); the second is to 18(4); the third is to 18(5) and a further one is to 18(7).

Mr. Lambert (Edmonton West): And 18(2)(b) as well.

Mr. Mahoney: Yes, section 18(2)(b) as well. You are correct, Sir.

[*Editors' Note: The amendment referred to follows:*]

That section 18 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 13 to 18 on page 55 and substituting the following:

'(*a*) interest on borrowed money used to acquire land, or on an amount payable by him for land, or

(*b*) property taxes (not including income or profits taxes or taxes computed by reference to the transfer of property) paid or payable by him in respect of land to a province or a Canadian municipality,'

(*b*) by striking out lines 14 and 15 on page 56 and substituting the following:

'in computing its income for the year in respect of interest paid or payable by it on outstanding debts to specified non-residents that'

(*c*) by striking out lines 8 to 19 on page 57 and substituting the following:

'(*a*) that was payable by the corporation to a person who was, at any time in the year,

(i) a shareholder of the corporation who, either alone or together with persons with whom the shareholder was not dealing at arm's length, owned 25% or more of the issued shares of any class of the corporation and who was

(A) a person not resident in Canada, or

(B) a non-resident-owned investment corporation, or

(ii) a person described in clause (i)(A) or (B) who was not dealing at arm's length with a shareholder described in subparagraph (i), and'

(*d*) by striking out lines 39 to 46 on page 57 and lines 1 to 21 on page 58 and substituting the following:

'Limitation on application of section 21 where ss. (4) applicable

(7) Where

(*a*) section 21 is applicable in respect of an amount or a part of an amount specified by a corporation resident in Canada in its election under that section that, but for that section, would have been deductible in computing its income for a taxation year,

(*b*) a portion of the amount or of the part of the amount described in paragraph (*a*) may reasonably be considered to be an amount that, but for section 21, would have been deductible in computing the income of the corporation for the year in respect of interest paid or payable by it on outstanding debts to specified non-residents, and

(*c*) subsection (4) is or would be, if this Act were read without reference to section 21, applicable in computing the income of the corporation for the year,

notwithstanding section 21, that proportion of the portion described in paragraph (*b*) that, but for this subsection, would

(*d*) be added by virtue of section 21 to the capital cost to the corporation of depreciable property acquired by it, or

(*e*) be deemed by section 21 to be exploration, prospecting and development expenses incurred by it in the year,

as the case may be, that the amount determined under paragraph (4)(*a*) in respect of the corporation for the year is of the amount determined under paragraph (4)(*b*) in respect of the corporation for the year shall not be so added or be so deemed, as the case may be.'

• (12:10 p.m.)

The Deputy Chairman: Is the House satisfied?

Mr. Lambert (Edmonton West): We are on the same wave length for once.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Deputy Chairman: Shall section 18 as amended carry?

Some hon. Members: Agreed.

Clause 1, Section 18, as amended, agreed to.

On Clause 1—Section 20: *Deductions permitted in computing income from business or property.*

The Deputy Chairman: Now, the committee will proceed to section 20 at page 61 of the bill. There is also an amendment by the Minister of National Revenue which appears in *Hansard* for October 22, at page 8935. The amendment reads as follows:

That section 20 as set forth in clause 1 of the said bill be amended

(*a*) by striking out line 26 on page 63 and substituting the following:

'Discount on certain obligations

(*f*) an amount paid in the year in satisfaction of the'

(*b*) by striking out lines 16 to 23 on page 64 and substituting the following:

'the amount by which the lesser of the principal amount of the obligation and the amount so paid in satisfaction of

the principal amount thereof exceeds the amount for which the obligation was issued, and

(ii) in any other case, half of the amount by which the lesser of the principal amount of the obligation and the amount so paid in satisfaction of the principal amount thereof exceeds the amount for which the obligation was issued.'

Mr. McCleave: Mr. Chairman, my question on section 20 will be brief. Your reading of the amendment points up the fact that, substantially, the new provisions here as compared to the old Income Tax law involve subsection 1(f) of section 20 dealing with the discount on certain obligations. I think perhaps it would be helpful if the parliamentary secretary could briefly tell us why this change has been presented in this bill.

Mr. Mahoney: Well, Mr. Chairman, the basic concept here of course, is that certain types of payments, while perhaps technically of a capital nature, are really indistinguishable from income. For example, if a bond sells at a discount, at 97 per cent of the principal amount, in addition to the interest on the bond that 3 per cent, when the bond is retired or matured, would be considered as income.

Mr. McCleave: I take it that would be regarded as income in the year in which the bond was redeemed and not averaged out over the intervening period. Am I correct in that?

Mr. Mahoney: Yes, Mr. Chairman.

Mr. Lambert (Edmonton West): Mr. Chairman, I do not know that there is anything particularly new or contentious in these subsections. However, I should like to point out that it seems they are almost incidental within the confines of personal income. As a matter of fact this section deals with expenses which may be deducted from gross income to arrive at the taxable income. In fact most of the subsection deals with corporate income, for instance, the cost of issuing shares, the cost of issuing other obligations, the discounts on the issuance of a commercial bill and matters of this kind which certainly are not personal income. This is a sort of omnibus catch-all type of section. To that extent, I do not find there is anything particularly wrong with it except that when we get to subsection 11 we get into the computation of foreign taxes on income from property exceeding 15 per cent and foreign state income tax. There is a point here on which I would like to make a certain comment.

I think there has been some advantage in this, although I do not know quite how it is covered under the treaty—and this matter is covered by a treaty. This particular provision under subsection 12 of section 20 as it appears at page 74, I suppose one could call the "Windsor clause". No doubt the Minister of National Revenue had something to do with this particular clause. If a state adjoining Canada should impose a state income tax, and there are a number of Canadians working in that state, hitherto the state income tax was not allowable as, shall we say, an offset on the Canadian income tax that would be payable by a resident of Canada on income earned abroad. I think if we can be satisfied that the United States has extended reciprocal provisions to Americans working in Canada, we should do the same for our citizens working in the United States. I am much happier seeing Canadians working in Canada if they are living in Canada, but I think this is a reasonable and just provision. After all, it is pretty tough if you have a legitimate income tax rebate against your income or part of your income and are not able to get appropriate adjustment for it.

With regard to subsection 13, I would suggest that again is much more a corporate matter. As a matter of fact, this is one of the propositions relating to transfers of foreign income where you can have a dividend declared by an affiliate—and we will come later on to the definition of what is a foreign affiliate—and then transfer it to another affiliate, have a tax exempt surplus and then transfer it into Canada. I would like to have an explanation concerning why this subject is dealt with under this particular section which deals primarily with expenses, and yet concerns a declaration of exemption from income or a tax exempt status of a dividend received from a foreign affiliate with a tax exempt surplus.

Mr. Mahoney: Mr. Chairman, this whole section 20 of course deals with deductions from income generally. Detailed provisions regarding tax treatment of dividends of foreign affiliates are dealt with in sections 90 to 95 inclusive. This is merely the superstructure and declares that that type of payment is an allowable deduction from income. On the question the hon. member raised regarding subsection 12, yes, the United States does recognize in its tax laws provincial income tax paid in Canada.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Deputy Chairman: Shall section 20, as amended, carry?

Some hon. Members: Agreed.

Clause 1, Section 20, as amended, agreed to.

The Deputy Chairman: The Committee will now proceed to a group of sections that were identified as cleanup sections by the President of the Privy Council.

• (12:20 p.m.)

Mr. McCleave: Mr. Chairman, may I raise a point of order? I understood that, first of all, we were to complete section 8 and then, as you said, we were to deal with a number of sections. I believe that if the government is ready to dispose of section 8, it would perhaps provide us with a few interesting moments before we get involved in a lengthy bit of housecleaning.

Mr. Mahoney: I had spoken privately to the hon. member whose amendment to section 8 is before the committee, and I regret not having anticipated this question. The cabinet did not have the opportunity yesterday to consider the possible amendment to that section, that might be agreeable, and accordingly, with the indulgence of the committee, I would ask that that section continue to stand. I am not too sure what the timing will be in view of the fact that next Thursday is a holiday, but I assume that

at some point next week the cabinet will be meeting, so I hope that we can deal with this some time next week.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, we were so advised, and I may say that we are quite prepared to let section 8 stand until we have word from the government that it has decided to do something about it, hopefully in the right way.

[*Translation*]

Mr. Rodrigue: Mr. Chairman, having listened to the Parliamentary Secretary, we are prepared to let section 8 stand until the cabinet can discuss the possibility of bringing in amendments. I hope that there will be further consultations between the House leaders of the various parties and that hon. members will be told when that section is to be dealt with here.

[*English*]

The Deputy Chairman: Is it agreed that section 8 shall stand?

Mr. Mahoney: If I understand the import of the suggestion of the hon. member for Beauce, I would be quite prepared to undertake to give, say, two days' notice of when we would be ready to call section 8 again.

Some hon. Members: Agreed.

The Deputy Chairman: As I was saying, the committee will proceed with the consideration of an important group of sections which are related to the main sections that have been studied up to this time. The list is as follows: 16, 67, 69, 70, 72, 74 to 78 inclusive, 81, 126, 144, 145, 148, 149, 198, 199, 200 to 207 inclusive, 248 to 252 inclusive and 254. As was done previously, all these sections will be open to discussion, but the Chair will call the first one for the purpose of obtaining approval to the consideration of this group of sections. Shall section 16 carry?

On clause 1—Section 16: *Income and capital combined.*

Mr. McCleave: I think the committee will be thrilled to know that I do not intend to make a general speech on our housecleaning operation, but I have a brief question with regard to section 16. Since subsection (3) of section 16 is new, may I ask the parliamentary secretary to report briefly why this subsection has been put in the bill?

Mr. Mahoney: Is the hon. member referring to subsection (2) or to the whole of the section?

Mr. McCleave: Simply to the addition that is made to the present law.

Mr. Mahoney: Subsection (1) is a continuation of the present law, and subsections (2) and (3) carry forward, with some slight modification, the rules of the present law concerning the treatment of bonds under bonds issued at a substantial discount by tax exempt organizations. Under these rules, the discount may be treated as income in the hands of the first taxable Canadian holder. The treatment of discounts on bonds issued by taxable organizations has already been discussed under section 20. That is the big change in the section.

Subsection (4) is a continuation of the existing one, and subsection (5) is a technical provision that makes it clear that the blended payment rule in section 16(1) does not apply in cases where this discount is regarded as income.

Mr. Knowles (Winnipeg North Centre): I merely rise to say what I think is in the minds of all of us, that it would take more ingenuity than most members in the House possess to make a general speech on this collection of sections. So, I suggest that we take them seriatim.

The Deputy Chairman: Does the committee accept the suggestion of the hon. member for Winnipeg North Centre that we call every section one after the other and allow discussion on each of them as they come? Shall section 16 carry?

Some hon. Members: Agreed.

Clause 1, section 16 agreed to.

On clause 1—Section 67: *General Limitation re Expenses.*

Mr. Lambert (Edmonton West): This is one of the sections that can be readily missed by a taxpayer because, notwithstanding the fact that in certain areas or certain sections of the bill stated expenses are allowed to be deducted, this is the little door right down in that back corner which gives the assessor a way to disallow deductions by simply quoting the following:

> In computing income, no deduction shall be made in respect of an outlay or expense in respect of which any amount is otherwise deductible under this Act, except to the extent that the outlay or expense was reasonable in the circumstances.

This provision gives the assessor a straight discretion and it leads in so many instances to the biggest hassle between the taxpayer and the assessor. The parliamentary secretary might wish to consult the Minister of National Revenue as to where the balance lies. Perhaps the assistant deputy minister in the Finance Department who deals with taxation could also say from his experience in the tax field where the balance lies. I know that you can make a statute so rigid that you cannot get a break from the assessor now and then. On the other hand, what I do not like to see are funk holes whereby a taxpayer reading a section wherein it is stated that he shall be allowed certain expenses in relation to earned income, and then when he makes his claim, finds that under section 67 the assessor says "I do not think the expenses are reasonable under the circumstances".

• (12:30 p.m.)

We all know that if there is a serious question about an item it can go further up the line, and ultimately to a court. This is one of those sections under which neither the Tax Review Board nor the Federal Court of Appeals would substitute their discretion for that of the assessors. They will say it is not a matter of law. The Tax Review Board might, however, but certainly no member of what had been the Exchequer Court, and which will now be the appropriate division of the Federal Court, will substitute the court's discretion for that of the assessor which, by the time the case gets to the court, is the opinion of the minister. Who says they are not reasonable under the circumstances? These statutes cannot be written merely for administrative convenience. This is one point where I will stop, right there and then, if the criterion is to be always the administrative advantage. The taxpayer has a

tough enough fight as it is without our loading the dice against him all the time. This is one of those sections that, if it were in a contract, would be in superfine print. I want to get a full explanation.

Mr. Mahoney: Mr. Chairman, as the hon. member noted, this does continue a provision that is in the present act. It is basically to provide that an outlay or an expense is deductible only to the extent that it is reasonable.

Mr. Lambert (Edmonton West): Why don't you say so?

Mr. Mahoney: The words "in respect of which any amount is otherwise deductible," that appear in this section are there to make it clear that the limit also applies where the deduction is indirect rather than direct. An example of that might be where a person paid an exorbitant amount of money for a capital asset, which he then depreciates, and the depreciation, an indirect deduction from income in this sense, would have to be reasonable and be related to a reasonable capital cost.

On the basic question of jurisprudence, Mr. Chairman, I can only say that I do not think the courts have ever been particularly shy in accepting the responsibility of determining what is or is not reasonable. It is a mixed question of law and fact. Usually, when it comes under a taxing statute more often it is a question of fact, and they will exercise their jurisdiction and discretion in determining whether the taxpayer has been reasonable and perhaps whether the tax assessor has been unreasonable in his interpretation of the transaction.

Mr. Lambert (Edmonton West): I hate to disagree with the parliamentary secretary's opinion, but if there is an indication that there is an appeal on a point of law to a particular court—and we must remember that in many instances on this point appeals only lie on a point of law—the matter of reasonable interpretation gets terribly short shrift on application to the court. This is what I am questioning all along the line. This is why I feel there are some difficulties here.

It would be better with respect to this question of reasonableness if a direct indication were given in bold letters in conjunction with the main section dealing with expenses, rather than having it tucked away in the position that I have described of being in very fine print. I say this because when we come to consider sections 66, 69 and so forth, the subject matters are entirely different.

Mr. Blair: Mr. Chairman, I am interested in the comments which are being made by the hon. member for Edmonton West. I wonder if I correctly understood what he has said. If I have not correctly understood, then I am sure he will appreciate that my difficulty in following him lies in my being this far away from him in the chamber at the present time. Does the hon. member suggest that the present test of reasonableness for this type of expense should be replaced by some codified, arbitrarily defined one outlining the categories of expense? Is he suggesting that?

Mr. Lambert (Edmonton West): Mr. Chairman, I am sure that in that outer-limits post which he occupies the hon. member missed what I was trying to say. This subsection deals with expenses required to earn an income, from a business or otherwise. There are various sections in which these things are determined. For instance, we have considered them under section 18. I ask the hon. member to look at section 18(1)(*a*) which reads:

> In computing the income of a taxpayer from a business or property no deduction shall be made in respect of
>
> (*a*) an outlay or expense except to the extent that it was made or incurred by the taxpayer for the purpose of gaining or producing income from the business or property;

But, on the other hand, section 67 reads:

> In computing income, no deduction shall be made in respect of an outlay or expense in respect of which any amount is otherwise deductible under this Act,—
>
> An amount that would be deductible under section 18(1)(*a*).
>
> —except to the extent that the outlay or expense was reasonable in the circumstances.

Section 18(1)(*a*) does not say anything about reasonableness, and there is a flat indication that in many instances section 18 does not speak of any limitations. It is related to the earning of income from the business or property.

Using the example given by the parliamentary secretary about indirectly controlling the nature of the expenditure, whether it is reasonable or not, let us say that the proprietors of a high rise apartment, a high class one, instal some equipment in the lobby which is of a particularly high quality. This, of course, affects the level of depreciation, and I think the hon. member for Grenville-Carleton will agree with me that it affects the quantum of depreciation. If on the one hand the assessor, and through him, the minister, says, "No, this is far too elaborate; this is not reasonable with regard to this particular building," I point out that section 18(1)(*a*), and section 16 and section 67 are in conflict. Is it the taxpayer or is it the assessor who is going to determine what is reasonable? I would go further; would the court at the appropriate level, exercise its views or its discretion and decide whether that particular type of capital expenditure was reasonable under the circumstances?

• (12:40 p.m.)

Mr. Blair: Now that the hon. member has explained his point more fully, I feel it is possible for me to make one or two comments on it. The first thing that I think should be said is that there is no conflict between sections of this kind but they impose different tests for different purposes. So far as an expense of this kind is concerned, the first and absolute test is that it must be made in order to earn income and not for some other purpose, such as to provide clothes for the proprietor of the business. The second test is that it must be reasonable in relation to the nature of the enterprise and so on.

I do not profess to have had complete experience in the field of tax law, but I have never heard people object to the concept that expenses of this type must be reasonably related in the circumstances to the condition of the taxpayer and the type of business conducted. In saying all this, I make no comment at all on the example given by the hon. member for Edmonton West because, as he pointed out, he was talking about capital expense and capital cost allowance which may fail to be determined under different principles.

Mr. Lambert (Edmonton West): No, they don't.

Mr. Yewchuk: Mr. Chairman, I am a little intrigued by the last portion of this clause which reads "except to the extent that the outlay or expense was reasonable in the circumstances". I think it is very easy to understand that what one person considers reasonable another person may consider completely unreasonable. It seems to me that there could be a lot of confusion as a result of this provision unless the government is prepared to present a series of guidelines as to what would be reasonable in the circumstances. Under the present situation, I suppose what they have in mind is an arbitrary power given to somebody to review what the person filing the income tax return believes to be reasonable. Who would make the original judgment of what is reasonable? Would it be some bureaucrat who could then force court action? Is some sort of appeal board being established? I wonder if the parliamentary secretary could clarify these points?

Mr. Mahoney: Mr. Speaker, I would refer the hon. member to section 169 and following with regard to appeal provisions. When he has had an opportunity to peruse them, I will be glad to deal with any questions on what the appeal rights are. However, I understand that there is a possibility we will be dealing with these sections later today.

I really do not believe that the hon. member is serious in suggesting that the government should arbitrarily establish guidelines in this area rather than leave the test of reasonableness to be determined in the courts. Of course, the initial dealings between the taxpayer and the Department of Revenue are through a tax assessor, but if the taxpayer disputes the ruling of the tax assessor he has the right of judicial appeal. So far in our society we have not devised a more ingenious way or a more satisfactory one of arbitrating disputes between the government and citizen than through the courts. I think the courts are generally regarded as being impartial and performing well. When the hon. member looks at section 169 and following, he will note that there are tribunals available which would allow a speedy and inexpensive determination of the matter before it gets to the federal court and the Supreme Court of Canada.

Mr. Yewchuk: I realize that section 169 deals with that, Mr. Chairman, but in view of the tremendous authority which seems to be given to the tax assessor in this case, I was wondering what guidelines he has to follow and who sets them in determining reasonableness?

Mr. Mahoney: It is just a question of fact, Mr. Chairman, in each case. If somebody claims that he should be able to write off $20,000 for a Rolls Royce because he is a shoe salesman, the assessor might decide that was a questionable expenditure and that a Chev would do just as well. This is the problem. I could spend all afternoon, I suppose, reciting a litany of examples but when you get down to it, these things arise when there is a disagreement between the taxpayer and the tax assessor as to what expenses are reasonably incurred in earning income. So far at least we, as a government, feel, and I think most Canadians would agree, that the test of reasonableness is not an unreasonable test and that in fact the courts function rather well in determining it.

[Mr. Lambert (Edmonton West).]

Mr. McCleave: I should like to enter this discussion, Mr. Chairman. I think it is important because if one examines the bible, and I use the Canadian Master Tax Guide, the CCH publication, there are pages dealing with the question raised by the hon. member for Edmonton West, followed by the hon. member for Grenville-Carleton and the hon. member for Athabasca. Some of the litigation has been extraordinarily expensive and sometimes the Supreme Court of Canada comes into the field very late, after taxpayers have been subjected to certain procedures and practices and the ultimate court that we have overturns the decision of the lower court. It is at least a fruitful field for the lawyer and the chartered accountant, if a somewhat puzzling field for the taxpayer.

I think I would have to agree that the courts should be given pretty wide latitude to determine the meaning of what is reasonable in the circumstances. We can never really get away from that. However, I would point out to the parliamentary secretary that when taxpayers are left in doubt and when they have to incur vast legal expenses to solve the problem, some day perhaps section 67 could be redrafted in better language.

I shall not go through the cases I have read, but I would note that a large number of them seem to be trying to draw that subtle line between what are the expenses of earning an income and those expenses which are more likely of a capital nature. Perhaps I can illustrate it with one case from the CCH report. A heavy storm created considerable damage to a cottage which was used by its owner for rental purposes. He put the roof back on the cottage and carried out repairs to bring it back to its former condition. These were held to be expenses properly incurred and reasonable in the circumstances to earned income. Being a sensible fellow, he decided that the next storm was not going to do that type of damage if it could be prevented. He extended and strengthened the retaining walls, taking an ounce of prevention to head off a ton of headaches. It was held by the courts that the retaining wall was a capital expense and was not reasonable in the circumstances for earning an income.

When you get into that sort of situation, and the tax returns are filled with that sort of thing, then you realize that more precise lines should be drawn for the guidance of those people in Canada who pay taxes.

• (12:50 p.m.)

Mr. Blair: Mr. Chairman, may I intervene again for a few minutes. It seems to me that the Jonathan opposite has made some deluded comments. Exception has been taken to the use of the word "reasonable" in the language of the section. Actually, the example the hon. member for Halifax-East Hants gave us relates to something else, namely, the test whether or not the expense was necessary for the earning of income. I think one would look in vain for cases in which the question of whether expenses are reasonable was brought up in court and for cases in which expenses had been challenged. On the other hand, one would find many cases in which the test was whether the expense was necessary to earn income. That is the question tested in many cases.

I make this suggestion. It would be a somewhat dramatic departure if this House were to consider interfering too much with language like this which has been in the stat-

utes for many years and is well understood in industry, in the accounting and legal professions. Language such as this, or a provision such as this, is only exercised in exceptional cases in which new situations arise. I also suggest this: neither this House nor any other house can attempt to foresee, in advance, all such detailed problems which may arise and we cannot make provision to cover them.

Mr. McCleave: Mr. Chairman, again, I hate to quarrel with as distinguished a member of the House as the hon. member for Grenville-Carleton. If he looks at the cases he will find that battles have been fought over the reasonableness of expenses, as opposed to battles fought about expenses incurred under capital expenditures and expenses incurred for the earning of income. For example, there is a delightful case in which a company sponsoring a baseball team for purposes of advertising and promotion asked the court to determine that this was a reasonable expense.

The Deputy Chairman: Is the committee ready for the question? Shall section 67 carry?

Some hon. Members: Agreed.

Clause 1—section 67—Agreed to.

On clause 1—section 69—*Inadequate considerations*

Mr. McCleave: Mr. Chairman, I rise again. I will call this the Aunt Minnie and the white elephant section, to identify it, for members of the committee. The Aunt Minnie provision of course is suggested but not spelled out in section 69(1)(c), which reads:

> (c) where a taxpayer has acquired property by way of gift, bequest or inheritance, he shall be deemed to have acquired the property at its fair market value at the time he so acquired it.

I suppose that there are Canadians who find themselves in a strange position by having gifts thrust upon them that they could not possibly want, gifts like old antiques, say, or Aunt Minnie's white elephant or pink elephant. If she leaves it to you, you are stuck with the beast and stuck with the possible tax you may pay with regard to this elephant or other gifts of a similar, unwanted nature. I wonder if the parliamentary secretary could reassure us by saying that people are entitled to refuse bequests or gifts which put them in a somewhat outlandish position with the income tax department.

Mr. Mahoney: Mr. Chairman, it is my understanding that a person is entitled to refuse a gift, just as one is entitled to refuse other property. I do not think the Income Tax Act affects this right in any way. I suppose that if this did happen, a person could always re-transmit the gift to a charitable institution like a university which is willing to accept almost anything. I do not think there is any practical problem here.

Mr. Lambert (Edmonton West): Mr. Chairman, contrary to what the hon. member for Grenville-Carleton would expect, perhaps, I think that this provision which is new, and particularly section 69(1)(c), is there to protect the taxpayer from the clutches of the capital gains tax, which we will come to in due course. Here we have at least a base for the establishment of the value of something received by way of gift, bequest or inheritance. A person shall be deemed to have acquired the property at its fair market value. Of course, there may be some argument as to what is fair market value. However, the recipient of a bequest will not suddenly find himself facing a demand which is based on the amount of the original cost to the original owner. This section says that the individual shall be deemed to have acquired the gift or bequest at its fair market value, and that value is a matter for circumstances to decide. I think that is the only way to protect the taxpayer from, shall we say, difficulties which might arise under the capital gains tax provision to which we shall come. That is the only new portion in the whole of section 69, and I think it is quite appropriate that it be included here. May I call it one o'clock?

The Deputy Chairman: It being one o'clock, I do now leave the Chair.

At one o'clock the committee took recess.

AFTER RECESS

The Committee resumed at 2 p.m.

Mr. Yewchuk: Mr. Chairman, I am certainly no expert on taxation.

An hon. Member: Agreed.

Mr. Yewchuk: I have no background to indicate that I should be an expert. There are some phrases, words or terminology in this bill of which I, as an ordinary citizen, would like to know the meaning. In several subsections there is reference to "arm's length". Can the parliamentary secretary give us an official definition of the words "arm's length"?

Mr. Mahoney: Mr. Chairman, "arm's length" is the concept where a person is dealing with someone other than a member of his immediate family, for example. If my recollection is correct, there is no specific definition of "arm's length". There is a statement that certain relationships are deemed not to be arm's length, such as a deal between yourself and your wife or yourself and your mother. On the other hand, there may be transactions between people who do not fall within the defined relationship which might also be non-arm's length, as a result, for example, of a transaction between you and a company that your father controls. These are again questions of fact which are subject to the statutory definition that certain relationships are deemed not to be arm's length. This would be decided in the courts if the dispute arises.

Mr. Yewchuk: Mr. Chairman, I wonder whether or not one's first cousin is at arm's length?

Mr. Pepin: What about your mother-in-law?

Mr. Mahoney: If the hon. member wants to look at section 251, he will find the definitions. I wonder if the purposes of the committee are going to be served by questions dealing with the existing law. I put this very politely and calmly. We are dealing with a tax reform bill. There are many sections in which there are no significant

changes. I am happy to provide answers. The officials of the Department of Finance will be happy to satisfy members inquiries on situations of this nature, but I wonder if the committee is the place to do this or whether specific questions which involve the application of the existing tax law and so on might not be dealt with privately. We will be delighted to answer these questions, but as one member of the committee to other members of the committee, perhaps the committee of the whole might better use its time than dealing with matters like this.

Mr. McCleave: Mr. Chairman, I think the parliamentary secretary has raised a very important question, but he may have opened up the largest can of worms in his parliamentary career. We are dealing with taxation reform with a remarkably limited number of members. This has been the experience so far. I wonder whether this is a bad way of proceeding with perhaps the most important measure this Parliament is going to be asked to enact. Your Honour should have ruled the parliamentary secretary out of order and should probably rule me out of order before we get into a debate that goes far beyond the particular subsection we are being asked to consider.

In defence of my colleague, the hon. member for Athabasca asked a question that really deals with the techniques that have existed up to this time. I have been in charge of looking after the first sections of this measure. I hope that by four o'clock I will be discharged of my responsibility so that I can go home and live happily ever after. I have concentrated on the new provisions in the law so that those people who are interested in income tax reform or changes will be able to find out from reading *Hansard* on Monday where the changes are actually taking place. The hon. member for Edmonton West, who cannot exactly be regarded as a tax novice, raised a question this morning about the operation of a particular section which the committee passed a short while ago. I am not going into that debate again.

• (2:10 p.m.)

The hon. member for Athabasca, I think very properly, is at least interested enough to attend this afternoon, and he wants to find out what an arm's length transaction is. The parliamentary secretary has kind of sloughed him off by saying that this is something that is well known in the law. The parliamentary secretary is probably quite right about that, but the hon. member for Athabasca also has a responsibility. He has to decide whether he will give his approval to this income tax measure or will not, and in that sense he is living up to his responsibility in a very fine way.

I think we are straying from the point, but if the parliamentary secretary wants to open up cans he should be prepared to see what is within them. I conclude by saying that I do not think it serves the purposes of a very important measure to start questioning whether people should ask about existing law. I had always thought the purpose of change was to examine everything and to make observations about everything, and this the hon. member for Athabasca has done.

The Deputy Chairman: Order, please. I think I should, as Chairman of the committee, make a statement at this time. I feel that the hon. member for Athabasca was completely right in asking his question. I am not going to intervene in this debate, except to say that as Chairman of the committee I am here to apply the rules. The question as put by the hon. member for Athabasca was within the four corners of the rules and was relevant. It is for the committee to decide how it will operate. I think up to now it has done a good job with the co-operation of all hon. members and I think that, as far as possible, we should follow the pattern that has been established.

[Mr. Mahoney.]

Mr. Yewchuk: Mr. Chairman, I rise briefly to indicate my resentment of the implication of the parliamentary secretary that only lawyers and accountants should participate in the debate on this tax bill.

Some hon. Members: Oh, oh!

Mr. Yewchuk: That is what he is saying, and I place the Minister of National Defence in the same category. He thinks only he has the right to speak on this bill. As I said this morning, I am no tax expert but I do represent the riding of Athabasca which is populated by all sorts of people, not only lawyers and tax experts. If we were to carry through the suggestion of the parliamentary secretary and the Minister of National Defence, it would mean that we would have nothing but lawyers and tax accountants in the House of Commons.

The Deputy Chairman: Order. The committee should return to subsection 69. If the hon. member has a question to raise, he may do so, but I do not think the committee will gain anything by pursuing this kind of exchange.

Mr. Yewchuk: In that case, Mr. Chairman, may I place my question again before the parliamentary secretary to see whether I can get a decent answer. Would he give me a definition of the expression "arm's length"?

Mr. Mahoney: Mr. Chairman, I regret that the hon. member misinterpreted the intent of my remarks. I shall read section 251 into the record:

(1) For the purposes of this Act,

(*a*) related persons shall be deemed not to deal with each other at arm's length; and

(*b*) it is a question of fact whether persons not related to each other were at a particular time dealing with each other at arm's length.

(2) For the purpose of this act "related persons", or persons related to each other, are

(*a*) individuals connected by blood relationship, marriage or adoption;

(*b*) a corporation and

(i) a person who controls the corporation, if it is controlled by one person,

(ii) a person who is a member of a related group that controls the corporation, or

(iii) any person related to a person described by subparagraph (i) or (ii);

(*c*) any two corporations

(i) if they are controlled by the same person or group of persons,

(ii) if each of the corporations is controlled by one person and the person who controls one of the corporations is related to the person who controls the other corporation,

(iii) if one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation,

(iv) if one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation,

(v) if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation, or

(vi) if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation.

(3) Where two corporations are related to the same corporation within the meaning of subsection (2), they shall, for the purposes of subsections (1) and (2), be deemed to be related to each other.

I am sure the hon. member will not be able to understand that unless I read the definition of "related group", "unrelated group" and so on. I shall be glad to do that if that is the wish of the hon. member.

Mr. McGrath: Mr. Chairman, I find it a little difficult to follow the parliamentary secretary. I wonder whether he would repeat what he has read a little more slowly and also repeat the definition. Perhaps then we might be able to understand the definition of "arm's length". What we are asking for is a simple definition of the term "arm's length", not what is provided in the act. We want to know how the parliamentary secretary and his officials understand that term.

Mr. Mahoney: Mr. Chairman, there is no simple definition of "arm's length" or "non-arm's length" transactions. I must apologize to the hon. member for that simple fact.

Mr. Downey: Mr. Chairman, for purposes of clarification, since today's *Hansard* will be providing information for many taxpayers, I think we should ask the parliamentary secretary to carry on with his reading so that those of us who are not lawyers will have a clearer grasp of the situation that exists in the expression "arm's length".

Mr. Mahoney: To continue my reading, Mr. Chairman, section 251(4), which deals with groups, provides as follows:

In this act,

(*a*) "related group" means a group of persons each member of which is related to every other member of the group; and

(*b*) "unrelated group" means a group of persons that is not a related group.

(5) For the purpose of subsection (2),

(*a*) where a related group is in a position to control a corporation, it shall be deemed to be a related group that controls the corporation whether or not it is part of a larger group by whom the corporation is in fact controlled;

(*b*) a person who had a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently, to, or to acquire, shares in a corporation, or to control the voting rights of shares in a corporation, shall, except where the contract provided that the right is not exercisable until the death of an individual designated therein, be deemed to have had the same position in relation to the control of the corporation as if he owned the shares; and

(*c*) where a person owns shares in two or more corporations, he shall as shareholder of one of the corporations be deemed to be related to himself as shareholder of each of the other corporations.

(6) For the purpose of this act,

(*a*) persons are connected by blood relationship if one is the child or other descendant of the other or one is the brother or sister of the other;

(*b*) persons are connected by marriage if one is married to the other or to a person who is so connected by blood relationship to the other; and

(*c*) persons are connected by adoption if one has been adopted, either legally or in fact, as the child of the other or as the child of a person who is so connected by blood relationship (otherwise than as a brother or sister) to the other.

Mr. Yewchuk: Mr. Chairman, may I take a moment to thank the parliamentary secretary for his comprehensive answer, which is just what I wanted, and this whole kafuffle would have been avoided had he paid serious attention to my question in the first place.

• (2:20 p.m.)

Mr. Downey: After listening to the definition of "at arm's length" I am convinced that the point raised by the hon. member for Halifax-East Hants has some validity. It had reference to common-law relationships, and I should like to know how such a common-law relationship, as well as other relationships of this kind, fit into the "arm's length" section of the bill.

Mr. Mahoney: The matter of a common-law relationship does not come into this, because the people are not married and therefore are not involved. As to the other relationships, I will leave this to the hon. member. If he would care to list them rather than leave me to speculate, I would be pleased to attempt an answer.

Mr. Downey: If two people were living under the same roof in the same house, and for all practical purposes seemed to be man and wife, could we say that dealings between them involving the transfer of shares or property might be considered to be a transaction at arm's length?

Mr. Mahoney: This involves a question of fact. If they are married, obviously this is not at arm's length. Are they married?

Mr. Downey: They are not married.

An hon. Member: For all other purposes they are.

Mr. Mahoney: I suppose I should read section 251 into the record again. It states in part:

For the purposes of this act,

(*a*) related persons shall be deemed not to deal with each other at arm's length; and

(*b*) it is a question of fact whether persons not related to each other were at a particular time dealing with each other at arm's length.

Mr. Yewchuk: Mr. Chairman, I am still not clear as to whether two people living in the same household, not having a legal marriage contract, but dealing with each other, are considered to be dealing at arm's length.

Mr. Mahoney: The hon. member must simply take the act as it is. It depends on the facts. I could re-read the section if Your Honour does not think I would be repeating myself.

Mr. Yewchuk: This is very important to my constituents, as it is to the constituents of many other members, since a variety of situations exist in this country. People are living together without the benefit, or detriment, whichever way you look at it, of a marriage contract, and they want to know what is the legal position in this case.

Mr. Mahoney: I am afraid I am not able to give a legal opinion on hypothetical situations. If the hon. member would give me the facts of the situation he has in mind I would be delighted to attempt to give an opinion.

Mr. Downey: Is the parliamentary secretary, with his knowledge of the law and his experience, aware of any cases in the past which have been contested on the basis of this type of situation?

Mr. Schumacher: Mr. Speaker, I should like to ask the Parliamentary Secretary if this section is new or carried over from the old Income Tax Act?

Mr. Mahoney: This is carried over from the previous act, Mr. Chairman.

Mr. Yewchuk: If the parliamentary secretary refuses to answer my question, perhaps we should ask the minister to come in to carry on with this debate.

Mr. Mahoney: Mr. Chairman, my obligation here is to answer questions, and there is no way I can force the hon. members to understand the answers.

Mr. Downey: The answers we have received relate to one of the vital matters in this bill which contains 707 pages, and 99.9 per cent of the people in Canada cannot understand what is encompassed in these pages. They will be taxed in such a way that the bulk of them will have no knowledge of what is happening. It may be all right to give these smart aleck answers to members of this House—

Mr. Mahoney: Don't assume they are all as stupid as you are.

Mr. Downey: They may be stupid for not understanding what is encompassed in this 707 page bill, but it is very vital to parliamentarians to know what this bill is about, and to have a clear understanding of what is being done. Those people in the gallery should also understand so they can relate to the average taxpayer what is taking place. I cannot go along with the attitude of the parliamentary secretary, and I do not believe any member sitting in this House exhibits that type of attitude. We cannot accept this concept of pushing bills through which we do not understand and the significance of which we have not been told.

[Mr. Mahoney.]

Mr. Bigg: I do not expect to be considered an expert in the law on taxation, but I should like to ask a direct question. Is a common-law marriage a marriage for the purpose of this act, or is it not?

Mr. Mahoney: I think it would be fair to say that if a couple were living under the same roof as man and wife it would be presumed they were not dealing with each other at arm's length, but there may be exceptions.

Mr. Downey: With some embarrassment I should like to ask a question regarding the relationship of homosexuals. This matter has been debated in the House and I am wondering whether there is anything in this bill that applies to this relationship. Is there anything in the bill that suggests this type of relationship is to be considered as dealing at arm's length?

Mr. Mahoney: I am not aware of anything in this particular section that would apply. However, the hon. member might have some particular qualification for identifying this.

Some hon. Members: Oh, oh!

The Deputy Chairman: Order, please.

Mr. Downey: I do not know what the hon. member for Calgary South was implying by that remark, but it was in tune with some of his other remarks this afternoon. He is taking a smart aleck attitude toward this whole situation. I asked whether this situation has been considered. Is there anything in this 707 page document to cover this situation? There must be something there in relation to this matter, particularly since this Parliament has taken action in relation to this matter.

Mr. Mahoney: In view of the depth of the hon. member's concern, I will inquire to see whether this matter has been studied. I am not aware of any studies into it.

Mr. Downey: Perhaps we could stand this section until the parliamentary secretary makes inquiries of some of his colleagues who must be aware of this situation.

Mr. Mahoney: I am afraid we cannot agree to that very serious suggestion by the hon. member.

The Deputy Chairman: Shall section 69 carry?

Some hon. Members: Agreed.

Clause 1, Section 69 agreed to.

The Deputy Chairman: The committee will now consider section 70 to which there has been an amendment moved by the Minister of National Revenue, which is to be found at page 8940 of *Hansard* of October 22.

On clause 1—Section 70—*Death of a taxpayer.*

• (2:30 p.m.)

Mr. McCleave: Mr. Chairman, I realize the amendment is properly before us and I thank you for the identification of it. However, on page 172 of the bill there is a

substantial change in the existing income tax law, as well as on page 173. In accordance with the practice I have followed so far, I should like to have a statement from the parliamentary secretary on the record so that people who read the proceedings of this debate will understand what is intended to be done by the government.

Mr. Mahoney: Mr. Chairman, if I understand him correctly I believe the hon. member is asking for the explanation of the section and not simply of the amendments before us.

Mr. McCleave: Yes.

Mr. Mahoney: This section provides special rules for computing the income of the taxpayer in the year in which he died. It contains most of the present rules and provides new ones for the taxpayer's depreciable and other capital property. It also provides rules for the evaluation of the property both in his hand, or of the estate or of the beneficiary, as well as special rules for such property when passed to his spouse.

Subsection (1) is the same as the existing law. Subsection 2 also continues the existing law. Subsections 3 and 4 are the same. Subsection 5 provides rules regarding depreciable and other capital property of the deceased taxpayer and deems him to have disposed of all that property immediately before his death, and to have received the proceeds equal to the value established by the subsection. paragraph (*a*) of that subsection deals specifically with capital property other than depreciable property and provides as a general rule that the fair market value at the time of death is the deemed proceeds of the disposition. Paragraph (*b*) covers depreciable property and provides similar treatment to that given non-depreciable property. Paragraph (*c*) provides that the taxpayer's estate or the beneficiary are deemed to have acquired this property. Paragraph (*d*) covers the case where the estate of the beneficiary has acquired a particular depreciated asset. At death an allowance is attributable to a portion of the proceeds of the distribution pro rated to all assets deemed to have been acquired at that time.

In respect of the specific amendments before us, one is to 7(6)(b) and deletes the words "other than taxable capital gains". This is a technical amendment and is related to a further amendment which will be moved when we reach section 108. It is proposed to add a definition of income of a trust to section 108, which will apply not only to this section but to several other sections which occur throughout the bill.

Mr. McCleave: Mr. Chairman, I think I should like to make one other point briefly because we are wandering into the twilight zone which involves the question of appreciation and capital gains. I would hope that if we give our assent to this section—and I have no reason not to—that when we deal with the capital gains sections, if there should be substantial changes there, at least we would have the common sense to review this, too.

Mr. Mahoney: Yes, of course.

Mr. Lambert (Edmonton West): At the bottom of page 173 in subsection 6(b) an amendement was introduced the other day to the effect that the taxpayer, the spouse and the trust had to reside in Canada. This was not a provision in the original instance but has now been introduced. Why is there this particular limitation in respect of the exemption, that all the parties and the trust must be resident in Canada simultaneously.

Mr. Mahoney: The underlined words in the amendment to this section have been added to provide that the rules set forth in the paragraph apply only where the taxpayer and the spouse or the trust are resident in Canada at the time of the taxpayer's death. Without this addition, the roll-over could apply to non-residents and that is not the normal way of handling transfer to non-residents.

Mr. Lambert (Edmonton West): If I may say so with respect, I am wondering why it is absolutely essential that all concerned must be residents of Canada at the time in order that there be a roll-over. I can think of cases where the husband, the taxpayer, is a non-resident but is the owner of property here in Canada. The devolution is to his spouse who is resident in Canada and the trust could be here in Canada. Why in such circumstances should the spouse be disentitled to the benefit of the roll-over? She is a Canadian resident in Canada. The trust is here in Canada and the property is here in Canada. He might happen to be resident somewhere else, perhaps for reasons of health or otherwise. The state says that it should not get into the bedrooms of the nation, so let us not become involved in an investigation, in respect of the Income Tax Act, concerning why the parties are not living together. The husband bequeaths the property to his wife who remains in Canada and sets up a trust with a Canadian executor or trust company. Here, we have a completely Canadian situation. But you say that in those circumstances they are tainted with some foreignness and therefore may not qualify. I do not understand it.

Mr. Mahoney: I think the hon. member has raised a set of circumstances which merit some looking into. Of course, the section is drawn with the idea that the property might roll-over out of Canada and thus be put beyond the writ of the Minister of National Revenue. However, I would be pleased to take a look at this particular set of facts which the hon. member has suggested in relation to this section. If indeed some change is indicated, we would be most pleased to bring it in at a later date.

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Assistant Deputy Chairman: Shall section 70 as amended carry?

Some hon. Members: Agreed.

Clause 1, section 70 as amended agreed to.

Mr. Lambert (Edmonton West): Conditionally.

The Assistant Deputy Chairman: We now have before us section 72. This section is amended and the text of the amendment is to be found at page 8940 of *Hansard* for October 22. Shall I read it?

Mr. McCleave: Please do not read it.

On Clause 1—Section 72—*Reserves, etc. for year of Death*

Mr. Lambert (Edmonton West): Here again, Mr. Chairman, the same situation applies. I ask why must the transferor and the transferee be resident in Canada. Why must it be conjunctive, particularly if the transferee is resident in Canada and the property is in Canada.

Mr. McCleave: Mr. Chairman, while the parliamentary secretary is pondering his reply to that very important point, could I also suggest, since this is a new provision, that we have a brief explanation for the record concerning why this is being proposed. I ask this because many people in an affluent society may leave very vast estates and perhaps not realize all the implications for those who will succeed to those estates.

Mr. Mahoney: Mr. Chairman, this section provides a special rule for the taxation year in which the taxpayer dies. It denies him the deduction in respect of certain reserves that he would normally be permitted, but it also provides an exception to this special rule for property of this kind which he leaves to his spouse or to a trust for his spouse if she and his executors elect to take advantage of it. If they do, the general rule is that deductions shall be made in computing the taxpayer's income for the year in which he died and corresponding amounts included in the income of the spouse or the trust. The amendment provides that the special rule covering such items of income as accounts receivable and the business carried on by the taxpayer in the year he died will apply only if the taxpayer and the transferee are resident in Canada at the time of the taxpayer's death. It is not intended that the rule apply where one or the other or both are non-resident.

• (2:40 p.m.)

Mr. Lambert (Edmonton West): I am sorry, I may be a little dense on this, but it seems to me that this section specifies when there shall be a denial of the setting up of the reserve. There is a denial of the setting up of the reserve. Why do you insist, in denying what you might say is a privilege to a taxpayer, that both the taxpayer and his wife be resident in Canada? I cannot understand the idea in this context of insisting that both be resident in Canada. Let us put the shoe on the other foot. The provision will not apply if either of the transferor or transferee is not resident in Canada, and presumably there would be an entitlement to a reserve.

Mr. Mahoney: The amendment does not go to the denial, it goes to the carrying forward, the election in the option, as I understand it. The amendment would come into play in section 72(2).

Mr. Lambert (Edmonton West): I may have to ask someone to give me a private briefing session because I still do not get it. The conclusion which the parliamentary secretary has indicated in this section or elsewhere is the greatest breach of logic and development in the whole of section 72. We start out in section 72 by setting up exclusions of reserves. Does he mean to tell me that we have switched to the other side of the medal and are now granting a right in that section?

[The Assistant Deputy Chairman.]

Mr. Mahoney: Yes, Mr. Chairman.

Mr. Lambert (Edmonton West): Surely to goodness, something is going wrong in that kind of drafting. This only leads to confusion. I am looking at a section which I deem to be an enumeration of exclusions of reserves, and yet half way through we come to just the reverse. Is that the explanation? I think it is nonsensical.

Mr. Mahoney: Subsection (1) is the denial and subsection (2) is an exception to that denial. It seems to me that this is a rather logical place to put it. The continuity is there, and it is better to place it right there than elsewhere in the bill.

Mr. Lambert (Edmonton West): Now, the parliamentary secretary has said that this is an exception to the denial, but the exception to the denial seems to be based on the fact that both parties must be resident in Canada, so that if one of the parties is non-resident in Canada the exception would be granted.

Mr. Mahoney: Yes, the denial of the right would apply if either or both parties are non-resident. That is the result.

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Assistant Deputy Chairman: Shall section 72 as amended carry?

Some hon. Members: Agreed.

Clause 1, section 72, as amended, agreed to.

The Assistant Deputy Chairman (Mr. Boulanger): Now, we will go to section 74 as amended, and the text of that amendment will be found at page 8941 of *Hansard* for October 22.

On clause 1—Section 74: *Transfers to Spouse.*

Mr. McCleave: I have two questions arising out of section 74. The first one is that while the side note on page 177 reads, "gain or loss deemed that of transferor", the fact is that there is no specific provision within the act dealing with loss, but certainly there is with regard to gain. So, I think we should have an explanation of this omission.

The other question concerns something which has not been changed at all, that is section 74(5) which I call the "Mama and Papa" clause. We have had at least some contributions to the debate in that regard, although not much of a change in the law which would help good old Mama and Papa. The section about which I am really curious is the old one. It is the last part of section 74(5) which reads:

> Where a husband and wife were partners in a business, the income of one spouse from the business for a taxation year may, in the discretion of the Minister, be deemed to belong to the other spouse.

For curiosity's sake I went to the bible that I have been using, the Canadian Master Tax Guide, to see whether there was much litigation or disputation between government and taxpayer with regard to the Mama and Papa

section. I find that there is almost none, which suggests to me one thing, not that there is no room for improvement there but rather than the Mama and Papa type of business is apt to be run on such lines that there is not much profit from it, that Mama and Papa simply cannot afford the expensive litigation in the courts to determine their rights. I have made the point before that we have not made a proper examination of the provisions in the Income Tax Act relating to the small family business in this country operated by Mama and Papa as we have done in other areas.

When there are hundreds of millions of dollars involved, do we not all get excited in this parliament? But when there are cases of husbands and wives living on very submarginal incomes, operating small grocery stores, small garages or any small business that you would like to name, we simply have not given their problems close examination. I hope the parliamentary secretary will indicate that these provisions—admittedly we are dealing with piggy bank type operations—have received some examination by the department before we were presented with this large catalogue of tax changes.

Mr. Mahoney: The first point with which the hon. member dealt was the marginal note. In the section as it is, and particularly as it will be amended, there is a netting out of gains and losses to arrive at this end, and I believe that is the explanation.

As to the other question, I believe it goes back to the general area which was covered before. I am afraid that no satisfactory solution to the matter of the Mamma and Papa store has been advanced. We are still in the position where, as the hon. member has noted, some hardship may indeed fall where the husband and wife relationship is in this context a bona fide business relationship.

• (2:50 p.m.)

Mr. Lambert (Edmonton West): Mr. Chairman, I want to take up the cudgels along with the hon. member for Halifax-East Hants to try to defeat this old rule that identifies as one a husband and wife participating in the same business, and which says that the spouse cannot be an employee of the other. The consequence of this provision will be that no child care allowance is claimable by the spouse if she has to go and work in her husband's business unless, of course, it is incorporated. This is where the nonsensical position comes about.

It may be a small business to which the total applicable tax rate might be 21 per cent, and for the individual paying on marginal rates this is not a very high income. But if the husband incorporates the corner grocery store, as the sole proprietor he may put a share in trust with his lawyer and that makes it a Limited company, but with no greater investment in it, except that now it has "Ltd." added to the name. The wife may now be hired as a clerk, and they may have to pay some unemployment insurance premiums for her. They will have to pay Canada Pension Plan contributions for her. That is one way in which they can be covered by the Canada Pension Plan. She in turn, will be able to claim the worker's allowance, and she would also be able to claim the child care allowance. But where there is no "Ltd." she will not get the child care allowance or worker's allowance. She is not able to contribute to the Canada Pension Plan, and of course there would be no further point in paying insurance contributions on her behalf. That is the consequence of continuing section 74(3) in effect. And, of course, the same remarks apply to section 74(5), where the husband is a partner in a firm.

I have gone through this time and time again, yet there is a persistence on the government side in refusing to effect change, unless the store is incorporated. In fact, with a small business of that nature incorporation is a pure sham. I wonder why the government insists on the fiction and the sham of incorporation under these circumstances. I have heard it said that administratively it would be difficult for the Tax Department to keep track of these individuals if this change were made. That is founded on a lack of understanding of how much track the government does keep of individuals. It might have been valid 20 years ago, but today all the people involved here have social security numbers. If they file under unemployment insurance that will be another place where track of them will be kept. If they file under the Canada Pension Plan, that will be another place where track of them will be kept. And I am sure that we will see regulations with respect to worker's allowance and child care allowance. You can bet your bottom dollar that there will be regulations with respect to identification. Yet here, we persist in what I say is a nineteenth century concept of the relationship between taxpayer and spouse in matters of this kind.

Mr. Howe: Mr. Chairman, when the hon. member for Halifax-East Hants raised this question originally I participated in the debate, and the parliamentary secretary did explain why husband and wife were being treated this way. But, Mr. Chairman, there are many people affected. You only need to walk around this city and you will see many small food stores that remain open in the evening. Probably the wife opens the store at eight o'clock in the morning and runs it until noon, then her husband takes over and later their children help. These people are earning a livelihood by providing a service to the citizens. They are not going on relief. Businesses of this type are being operated in all towns and villages in Ontario and throughout this great dominion in which husbands and wives work as partners.

If the husband hires somebody else to do the work that his wife might do in the store, a deduction can be made for that as an expense. But for the life of me, I cannot understand why it is not possible for the husband to hire his own wife to work in the store and get a deduction for that. The wife contributes to the success of the business. He should have a right to make deductions for her wages in the same way he would if he were hiring somebody else to do the work. Can the parliamentary secretary explain why this has to be made so tangled, why a man cannot hire his wife, pay her wages, and charge them off to the business? Is there any particular, definite reason? Will it cost the national treasury a lot of money if we allow this? Is there any estimate of that cost?

Mr. Mahoney: Mr. Chairman, the matter is purely one of trying to avoid leaving gaping loopholes in the law for people to take advantage of in order to avoid taxation. As I admitted in answering the hon. member for Halifax-East Hants, there is a hardship worked on husband and wife

situations where there is in fact a bona fide commercial relationship. However, so far no alternative has suggested itself that would allow us to resolve both problems satisfactorily, that is the one that the law, as it presently is, does resolve, plus the problem which hon. members have raised on two or three occasions during this debate.

Mr. Howe: Mr. Chairman, the parliamentary secretary talks about a gaping hole. Again I ask how much will it cost the treasury of Canada to allow what we are seeking? We are told that this bill is tax reform. We are asking for a minor change that could help small businessmen to be more successful. Why not make the change we suggest, and then see whether any loopholes appear? The parliamentary secretary cannot say there will be a gaping hole until we do this and see what happens. If one appears, it can be taken care of by an amendment to the Income Tax Act next year. This act can be amended next year if you find a lot of people are bilking the government out of taxes that it thought it was going to get.

Mr. Mahoney: It is not a matter of revenue. It is a matter of equity, and the government simply does not see why small businessmen should be given the option of an income split when wage and salary earners are not going to have that option.

Mr. Bigg: Mr. Chairman, sections 72, 73 and 74 are all intertwined, but they have to be considered individually. There is a tremendous mixup here, and that has been demonstrated to us by the parliamentary secretary. It is suggested that there is some loophole in the government's right to take everything we own. Surely, this is a complete reversal of logical thinking. Throughout the history of the British parliamentary system, the onus has been placed on governments to prove to the taxpayers why governments should take money from them. It is not a question of whether or not a taxpayer is taking advantage of a loophole, but a question of whether a government has justification for taking away the money that the taxpayer has earned. We have gone around in a complete circle when we say it is up to the taxpayer to prove in a court of law, or even in this chamber, that he has a right to escape taxation. It is true that once the law is there, he cannot avoid taxation. That is why it is incumbent upon us as the only voice of the taxpayer to make sure that the law with which the government intends to strangle the citizen does leave some outlet for his private enterprise.

• (3:00 p.m.)

It seems to me that over the centuries the married woman has been a neglected person, a second-class citizen. There are many ways in which women's rights are shouted from the housetops today. We hear about abortions and equal pay, but here is something equally important—the right of a woman to help her husband earn a living. As I read this section, there is very little relief for the family type of project. We will talk about the family farm later; but today in many small businesses the little woman comes in from watching her children and runs the grocery store.

I take great exception to the fact that the government thinks it has some God-given right to take every cent from our citizens unless they can prove they do not have a right to the money. They only have a right to it, apparently, when the Income Tax Act says they have. I shall fight to the best of my ability in order to see that the law of Canada never gets to the point where we take over all the means of production for the family farm and the family business to the point where the individual has no rights.

I am worried about the Carter report. I am worried about the government taking the view that because a royal commission was established to look into our taxation system and some well known egghead has proposed an answer to all our problems, we should bow down and worship the written word. True, we paid for that report—but the Carter report is not the law of the Medes and the Persians which alters not. It is our duty to alter it, to amend this act which nobody seems to understand. I am supposed to be trained in the law and I flatter myself that I am as subtle as most ordinary people, but I find it difficult to understand this bill. There is no security whatsoever for the housewife in the small, unincorporated business. She has no real rights under the Canada Pension Plan and if her husband were allowed to pay for her, the competition from the large corporations—for whom I have very little sympathy—the chain stores, the great combines, the international corporations which are as dangerous as some governments—

Mr. McIntosh: Oh, hardly.

Mr. Bigg: Not quite, but nearly.

Mr. Mahoney: Keep him on the party line, Jack.

Mr. Bigg: Yes, Mr. Chairman, I would expect the things I am saying to be said by any real Liberal. I suppose you could classify me as a left wing Conservative. There are no real Liberals in this country. I have not heard real liberalism coming from the other side of this House for the last 14 years.

Mr. Bell: Paul Hellyer is the only one.

Mr. Bigg: I admit I am speaking Gladstone Liberalism. A square deal for the little people, not backed up by land and estates or large holdings in India, and foreign domination, that has all gone by the board. Let us not have the class war any more. In Canada an individual still has the right to earn a living and his wife has the right to help him. I am opposed to the many sections of this act which threaten that right.

Some hon. Members: Hear, hear!

Mr. Bigg: I think we should expect the Liberal government to be the champions of the little people.

Mr. Mahoney: We are.

Mr. Bigg: I do not see it in this legislation. I do not see anything in this bill to protect the little businesses which are failing at the rate of some 3,000 a year. This cannot be blamed on the Leader of the Opposition because, if my memory serves me correctly, there has been a Liberal government in this country for five-sixths of the time.

Some hon. Members: Hear, hear!

Mr. Bigg: Cheer—but the people of Canada have their eyes on you. You can beat on your desks, but they want to

know what you are going to do. This bill is not giving them the comfort and protection they deserve.

Mr. Gibson: It takes a million people off the tax rolls.

Mr. Bigg: Yes, and puts a million people on the unemployment rolls.

Some hon. Members: Oh, oh!

Mr. Bigg: They would not be there but for the delinquency of your party. I would like to see you get to your feet and tell us what your plans are to give security to the small business people of this country. Mr. Chairman, may I have a little order?

The Assistant Deputy Chairman: I was going to call for order. I admit I cannot hear the hon. member.

Mr. Mahoney: When you do hear him you might try and relate it to the bill.

Mr. Bigg: I have been waiting for 14 years for these gentlemen to get to their feet and give us the benefit or some of their views. I would ask them for the courtesy of being heard for a few minutes in this chamber to see whether I have not some liberal views which they might adopt.

It is a very sad day for the people of Canada if their capital is to be diminished by taxation. This is one country where individuals still have some vestige of right to earn a living.

Some hon. Members: Hear, hear!

Mr. Bigg: I beg hon. members in this chamber, through you, Mr. Chairman, to make sure that such a thing as good will which is built up through a lifetime of hard work is not taken away because of an unfair fiscal policy or a greedy government. I do not care how well thought-out are these plans for spending other people's money. I think there is still a place in Canada for leaving some small part of the income in the family.

I should like to have a better answer for taking it away than merely saying these individuals have found a loophole in the law. That is an insult to them. I want to know why any government can think it has a right to my private property. I am a free enterpriser, but whenever I have had a chance I have voted for the social security which is needed for our older people who have worked all their lives. Under this so-called free, democratic system they have a right to the benefits. I believe they are entitled to the old age pension and to fair prices on the farm and in the store that they helped to build up.

I see in the Carter report a sinister attempt to do legally things that the people of Canada do not want. That is the only reason why a document such as this would be presented to an unsuspecting public. It is obvious that members of this House do not understand the legislation, so how can we expect the taxpayer on the farm or in the small store to have any respect for us if we pass a bill which we do not understand ourselves.

Mr. Mahoney: That is not the Carter report.

Mr. Bigg: I agree that we have not gone as far in this bill as the Carter report, but we have gone as far as the Canadian people will stomach. We have gone as far as we can bamboozle them, as far as can be crammed into 707 pages of closely written claptrap. This afternoon I asked a simple question, was a common law marriage a marriage, or was it not? I wanted an answer, yes or no. It is simple. Everybody understands what we are talking about. The answers I want are not to be found by perusing these sections.

• (3:10 p.m.)

Say a man starts out when he is 21 and spends all his life building up a family business. When he retired, will he, his wife or his children be allowed to benefit from that business, or will some greedy government take away what he has built up and say, "What we are doing is legal. Back in 1971 we gave you a chance to make your representations through your member. We amended the act. The benevolent government brought in 101 amendments in one afternoon." Mr. Chairman, merely because we do not pass them all in half an hour we are accused of filibustering.

Mr. Mahoney: No, no.

Mr. Bigg: And I am accused of being delinquent.

An hon. Member: No, no.

Mr. Bigg: Oh, yes, that is what it has come to. The delay will be said to be the fault of the Leader of the Opposition. It will be the fault of the opposition itself; all 70 members of the Official Opposition will be lumped together in this regard and 150-off members will say that they were held up because the Leader of the Opposition was not here to pass the bill for them. That is the sort of slippery attitude that we see exhibited on the other side of the House, and it is absolutely revolting for anybody who believes in the democratic process.

An hon. Member: Filibustering will get you nowhere.

An hon. Member: If the hon. member is having a hard time, why is his leader not here to help him?

The Assistant Deputy Chairman: Order, please. The hon. member is having a hard time keeping to the amendment because of remarks from hon. members on the other side of the chamber. I wish hon. members would remain quiet.

Some hon. Members: Hear, hear!

Mr. Bigg: Mr. Chairman, I am flattered by the attempts of the rabbits to get me off the bear tracks. I want some answers from the parliamentary secretary. A simple reading of this bill will not give me answers. The bill is not simple. The only thing that is simple and plain to understand is that: we are moving in on the free enterprise system. We are moving in on the family business unit and attempting to grind it down under the juggernaut wheels of Pharaoh.

If you introduce another four or five valuation days and another four five versions of the capital gains tax, you will destroy the whole free enterprise system of this country, as the Carter report suggested should be done. I have read the Carter report carefully and understand it, and it

recommends socialism by legislation. This is the old, creeping game of trying to do legally and by subterfuge what you know perfectly well the Canadian people do not want. The first thing done by parties that openly espouse socialism is to claim they are democrats. Yet what is democratic about expropriating all the small businesses in Canada? Whether you do it at the rate of 10 per cent a year now, 20 per cent per year in two years or 25 per cent per year in five years makes no difference.

What is the rationale behind taking away all private property in Canada and using it for the purposes the government may think are good? I do not happen to think those purposes are good. I think that a man knows better what he needs and what is good for him than any government, no matter how beneficial it may think it is. That is where I stand and those are the principles on which I was elected.

Some hon. Members: Oh, oh!

Mr. Bigg: I hear boos and catcalls and talk about success. I suppose I have been successful in presenting the facts as I see them. As I say, I have no quarrel with the concept of social security and no quarrel with the taxing of large corporations which have made unconscionable profits. I find nothing wrong with that. There is nothing extremely socialistic about that. When companies pile up excess profits in our cities, by all means tax them.

If companies hold to ransom young people who want to build homes, and if those companies charge exorbitant rates, we should look at them, tax the excess profits and allow the treasury to use such money for purposes of sewage disposal and cleaning up the air. Use that money to clean up the environment. Take it away from the people who are openly robbing the families of this country of their just right to a lot 50 feet in frontage and 100 feet in depth on which they can build a home. That our young people are so robbed is a disgrace in this country. I think all governments should look at all sources of revenue, but they should not raise it by taxing exorbitantly the small businessman and making it impossible for him to allow his wife and children that degree of reasonable comfort which even people on relief and others who are contributing nothing to the welfare of the country are enjoying.

People will not be interested in free enterprise if they are so heavily taxed. People will not be interested in opening the small store and giving the kind of service which only a small store or business unit can give if after 40 years of hard work they are not able to take care of their children and if the widowed spouse cannot enjoy the benefits of that hard work. Taxes which will dissipate such property are to be levied. This is wrong. When the tax becomes due, the property must be disposed of immediately, within six months, and consideration must be given to deemed profits.

The government will not even give the family unit time to make any money because someone in the Department of National Revenue will say, "We think you ought to have made "X" dollars in a certain period." These people would expect the women or children to dispose of their property quickly and pay to a greedy government "X" dollars immediately or suffer the consequences. Why cannot the department wait until prices go up, say, or the time for selling is better? But no, the people concerned must sell the property now. We want the same deal for everybody; no one should be dealt with overly severely.

Mr. Chairman, after reading this bill very carefully and after hearing what I heard this afternoon, I am not sure that if I were left, say, $10 million I would not go to Nassau and see if I could not escape some of these provisions. I know that many people in this country are earning good fees by helping others to evade some of these laws which are supposed to be foolproof.

An hon. Member: People like lawyers.

Mr. Bigg: Some people hire experts and accountants to help them evade the law, yet the small businessman who has built a family business must look ahead to the day when his family may have to sell the business.

The Assistant Deputy Chairman: Order, please. I regret to interrupt the hon. member, but his time has expired.

Some hon. Members: Carry on.

The Assistant Deputy Chairman: The hon. member for Battle River.

Mr. Downey: Mr. Chairman, since this is a most important section, and since the remarks of the hon. member for Pembina have been most relevant, I think he ought to be allowed to continue.

Some hon. Members: Hear, hear!

The Assistant Deputy Chairman: Order, please. I must ask the unanimous consent of the committee to do that. Is there such consent?

An hon. Member: No.

Mr. McCleave: Mr. Chairman, I rise on a point of order. I believe the hon. member for Pembina may make further remarks because there were several interventions during his speech.

The Assistant Deputy Chairman: Yes. The Chair will recognize the hon. member for Pembina.

Mr. Bigg: Mr. Chairman, I will not take up too much of the committee's time. If I have not made my point clear in the last few minutes, I will never make it clear. I hope it is clear. We should all take a good look at the principle behind the expropriating of family businesses. As I say, if I have not made my point understood in the last 15 minutes I do not think I could make it understood if I spoke for 15 hours on the subject. If I have not been understood, I am sorry and I feel sorry for the members of this chamber. It is a very, very important point and I am sure most hon. members know exactly what I am getting at. If they do not, I suggest that they read the Carter report again, thoroughly.

I admit that in the Carter report there are fine suggestions on how to stop those who are fleecing the Canadian people through escaping the payment of taxes due in legitimate fields of taxation. One of those taxation fields is that of excess profits. But when you get to the point of taxing every profit made, of taxing every benefit that

comes from free enterprise or family co-operation, I think you have reached the point of no return.

• (3:20 p.m.)

Mr. Bell: Mr. Chairman, I bring to the attention of hon. members that we have had a very good debate this afternoon. The Parliamentary Secretary to the Minister of Finance has admitted that some important points have been raised. I hope the chief government whip will retract the press release in which he said that the House of Commons is no good, we have to do away with it and close it down. This report was contained in an article in the *Citizen* this afternoon.

Mr. Downey: Mr. Chairman, section 74(5) provides:

> Where a husband and wife were partners in a business, the income of one spouse from the business for a taxation year may, in the discretion of the minister, be deemed to belong to the other spouse.

As with other taxation matters, the onus of proof lies on the individual taxpayer. This reminds me of a story that is going around. The Minister of Finance was driving along the highway in a big, black Cadillac. He was driving too fast and attracted the attention of an officer of the RCMP. The officer stopped the minister, went over to the big, black Cadillac and opened the door. Naturally, he was surprised to see the Minister of Finance. His only comment was "Oh, my God!" The Minister of Finance replied, "And don't you forget it."

Some hon. Members: Hear, hear!

Mr. Downey: Sections such as this, where something is at the discretion of the minister, amply bear this out. The hon. member for Pembina has very ably pointed out the troubles that can arise from sections such as this. Why can we not allow a husband and wife team to arrange their income for taxation purposes to their best advantage? For the most part they do not do this. A husband and wife operating a small business do not have the finances to hire the best accountants and lawyers to look after their situation as do large corporations which have full-time staffs of tax consultants. We are trying to close a small loophole. It is as though there were something wicked about a married couple arranging their affairs to pay the least possible tax.

We can only assume that this government is trying to encourage immorality. If two people who are not married decide to live together under the same roof, they are able to arrange their affairs. One can work for the other. In this situation, they could arrange the best tax advantage. A taxation law such as this encourages immorality.

Some hon. Members: Hear, hear!

Mr. Downey: This important concept should be discussed and amended. Our party will propose an amendment in this regard. I hope the amendment will be accepted. It may not be acceptable to this government, but I know it will be acceptable to the people of Canada.

Some hon. Members: Hear, hear!

Mr. Baldwin: The opposition always stands for morality.

Mr. Downey: We should be considering taxation policies that will encourage and increase the Canadian businessmen, not take away their piddling incomes and make them all slaves of the state. We should encourage small business. In the majority of small businesses, farms for example, the wife works side by side with her husband 16 hours per day year in and year out. Sometimes they work for 20 or 30 years without even a holiday until they retire. This is the loophole which the government is trying to close. The government says it wants to make them equitable, on a tax basis, with the employee. This is what they are doing. The man and wife team working 16 hours per day, bucking the prairie wind or operating a small grocery store from 8 a.m. until midnight, are the people who will be affected by section 75. I will not go any further at this point because we will be moving an amendment in order to try to rectify this situation.

Mr. McCleave: Mr. Chairman, the amendment which will be moved shortly by the hon. member for Edmonton West has just been drafted. It might be called something that was inspired by the ill-considered intervention, not in debate but outside this House, of the chief government whip, the member for Vancouver Quadra. I always felt that if you had something you really wanted to pursue vigorously, you should have the guts to stand up and face your peers in the House of Commons and not do it by the backdoor route of assassination, the back alley route to the parliamentary press gallery.

If the Prime Minister and other top people on the government side ask what, for heaven's sake, went wrong in the House of Commons on a Friday afternoon, when all was supposed to be sweetness and good housekeeping on the provisions of the Income Tax Act which have existed for many years, they will get the answer from the chief government whip, "Mea culpa". It is a villainous attack on Members of Parliament in very serious deliberation to use the route which he did.

Some members, including myself, have questioned the method we are using to bring about tax reform in this country. At least it can be said to our credit that we are here sweating, struggling and straining while working on very complex and tough issues. We are trying to do it in a spirit of exchange with the parliamentary secretary. At least there is dialogue, however imperfect, in the people's forum. That is important. For the chief government whip to issue his attack upon all of us and our methods, which can only denigrate Parliament, it is a great disservice to this institution.

That comment having been made, I want to reinforce what I said previously about the portion of the act we are dealing with and the amendment that will be moved by the hon. member for Edmonton West. The problem we are dealing with is large to people with a very small income. it is of no consequence to people who have no problems in this world. This problem really concerns people whose joint income is below $3,650 a year. In this area it does not pay people to incorporate. By that simple action they will lose approximately $500. What advantages will flow from it in the long run?

We are dealing with two people with an income of less than $3,650 a year. They may be operating a small grocery store, a mamma and papa garage or a mamma and papa

boutique. If we cannot look after people like that we must consider our attempts in the field of tax reform to be unworthy. We are certainly going to do something for mining companies and for the "big guys". But if we cannot deal with two people who are trying to be good Canadians and raise a family on a small income, then none of us deserves to come back here. Accordingly, the hon. member for Edmonton West has written out his amendment and it will be presented as soon as Your Honour sees fit to recognize it.

• (3:30 p.m.)

Mr. Yewchuk: Mr. Chairman, I want to make a brief commentary on this section since I find it a very unsetting one. This is in keeping with the theme of Liberal government policy for the past 3½ years, namely to wipe out small entities to destroy family units. Certainly that is happening under this provision. I want the parliamentary secretary to explain why it is such a big sin for a husband to want to employ his wife in a small business and be so heavily penalized by our taxation laws.

A similar situation prevails with a husband and wife who set up a small company and she is a partner in the company, not an employee. Why should they be penalized by the provision that the income of the company is considered the income of one person? I think both of these provisions are destructive of the family unit, of family businesses such as small farms, corner stores, and so on. This kind of provision should be amended in order to promote small business.

We all know very well that most of the job opportunities in this country are provided not only by the huge corporations, which the government put forward as examples of the nth degree of efficiency; we must also realize that in the long run the family farm and the family business is still the backbone of society and the way its people earn their living. When we bracket sections such as this with the estate tax proposal of a year or two ago we see at once almost no hope for the family business to survive and to be passed on to the heirs and successors. It is a very bad principle to destroy units of this sort.

I think it is fair to say that many of the people who came to Canada during the last 50 or 100 years did so in the knowledge that in this country any individual with initiative should be able without too much difficulty to establish and to run successfully a business or a farming operation of his own. In view of this we must not allow this kind of destructive legislation to go forward.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I do not want to delay the well heralded amendment that is coming from my hon. friend for Edmonton West, but perhaps he would be grateful for another moment or two in which to draft it.

Mr. Lambert (Edmonton West): No, I have it ready.

Mr. Knowles (Winnipeg North Centre): In any case, some of the things that have been said during the last half hour prompt me to get briefly to my feet. I know some of the conditions that have been described by my hon. friends to my right do exist; there are cases where married couples have to work all kinds of hours to maintain their livelihood. Some of the stories have been pretty heart-rending. Some people work 16 hours a day almost every day of the week and go 20 years without a holiday. I do not deny that this happens, but I suggest that these situations call for far more than simply adjustments in income tax; they call for a guaranteed annual income, for other means of recognizing the sanctity of family life in this country than simply acknowledging that it is all right for people to slave like this if they get an income tax adjustment. I hope that the government will respond to the arguments that have been presented this afternoon in a far more positive way than simply changing the Income Tax Act, important as that may be.

Mr. Lambert (Edmonton West): Mr. Chairman, notwithstanding the fact that the other day we passed a subsection (6) which included a subparagraph (viii) which is related to section 74, the really operative clause dealing with this situation is the one before us. Subsection (3) provides:

> Where a person has received remuneration as an employee of his spouse—

I suppose the masculine includes the feminine in the interpretation of statutes.

> —the amount thereof shall not be deducted in computing the spouse's income and shall not be included in computing the employee's income.

Then subsection (5) provides:

> Where a husband and wife were partners in a business, the income of one spouse from the business for a taxation year may, in the discretion of the minister, be deemed to belong to the other spouse.

We have the same principle here, though in the second instance this is discretionary. It will be interesting to see what criteria will be used by the minister to lump, within his discretion, the income of the two into the pocket of the one. I suppose there was a time when it was felt when this was income splitting and that there would be a reduction in the marginal rates; but it seems to me that this is secondary to the principle that we must now recognize, that we are in a different age. We now have far more women working. If women are working for their husbands, as I have pointed out and as I shall continue to point out ad nauseam if need be, if the husband is the principal owner of a limited company the wife can claim workers allowance or child care allowance in an appropriate case. She is also covered by unemployment insurance and comes within the Canada Pension Plan.

However, as long as such spouses are covered by section 74(3), and discretionarily so under section 74(5), they are not able to avail themselves of workers allowance and child care allowance and are not covered under the Canada Pension Plan or eligible for unemployment insurance. Therefore, it seems to me that since we are trying to urge women to work, including married women, they should not suffer from this disability.

Someone was talking about encouraging immorality. Certainly a man could pay his mistress to work for him, in which case she would get the advantage of child care allowance, workers allowance, and qualify for the Canada Pension Plan and unemployment insurance. Her husband doing the same work should be entitled to the same benefits, but in fact he is not entitled to any of them. This might be a very favourable incentive to men to take up

that type of casual relationship. In this way they could avail themselves of these benefits under the Income Tax Act.

• (3:40 p.m.)

We know there are other sections that define an illegitimate child as a child within the meaning of the act. There are all sorts of provisions in the act which remove what formerly were moral bars. If you adopt that stand in spite of those positions, then I must say you cannot now impose an artificial provision in respect of a husband and his spouse. For that reason I would move:

That section 74 be amended by deleting therefrom subsections (3) and (5), and renumbering subsection (4) in consequence thereto.

The Chairman: Order, please. Hon. members have heard the motion moved by the hon. member for Edmonton West. Without accepting the motion procedurally, I invite hon. members to assist the Chair on the procedural aspect. I am sure the hon. member for Edmonton West and others will help me in this regard. I have some concern in respect of the deletion of two subsections in that this would change or shift the incidence of taxation. That is a preliminary thought but I ask hon. members to assist me if they wish.

Mr. Lambert (Edmonton West): I have a little difficulty following the views of the Chair, in that amendments from both sides of the House have been accepted and denied although many of them have had the same effect; they have disturbed the balance of ways and means. An amendment accepted by Your Honour the other day, moved by the hon. member for Winnipeg North Centre, as well as one moved by the hon. member for Regina East, certainly disturbed the balance of ways and means; however, they were accepted.

This amendment does not pick on any particular class of taxpayer. It merely deletes certain subsections of this section which relate to separate taxes for spouses, either male or female. The wording of the section is that a person receiving remuneration as an employee of a spouse is entitled to certain things. This does not exclusively relate to a wife who receives remuneration from her husband; it also involves a husband who receives remuneration from his wife. A hotel business owned by a wife, of which the husband is an employee, should fall into this category. Unless the hotel is incorporated, the husband's salary is treated as part of the income of the wife. Therefore there is no more benefit to a so-called shareholder. All we are attempting to do is remove this discrimination. One person is an employee and the other is the employer. Either one could be the spouse and this is true in respect of a husband and wife operating as partners.

It seems to me that my amendment does not disturb ways and means to a greater extent than the motion of the hon. member for Winnipeg North Centre which the Chair accepted. The same is true of the motion put forward by the hon. member for Regina East. All I can say is that those two amendments were acceptable. I am not using them as examples and I am not taking into account any specific class of taxpayer. All I am saying is that people should be treated as individuals. Whether they are married or not should not have a bearing on the fact that they are to be treated as individuals. Keeping in mind the Chair has accepted other amendments of this kind in the course of this debate, I suggest my amendment is in order.

The Chairman: I direct one point to the hon. member's attention and I do so in order to indicate my concern in this matter. My concern is not directed to a disturbance of ways and means. I make this comment so hon. members can direct their remarks to it. My concern is related to the fact that a private member cannot do something which can only be done by the Crown.

There is a citation in Beauchesne which would appear to be the authority for a private member to move to reduce taxes. The view I have taken throughout this debate is that while such a motion is in order, it must be an across-the-board reduction and it cannot shift the burden of taxation from one taxpayer to another. That is the consistent view I have taken on other occasions when I have made rulings. It seems to me that if subections (3) and (5) are deleted, one taxpayer or another will pay more or less. That is my real concern.

Mr. Baldwin: Mr. Chairman, anticipating that you might say what you have said, I prepared a few remarks on this point of order. Let us consider subsection (5) first. in light of the fact that there may not be any alteration at all, or a shifting of tax burden, we must consider the amendment on its own merits. We must assume that the minister is concerned and that the Chair is governed by a principle of equity. That being so, we must assume that only the minister in exercising his discretion will make a change shifting the incidence of taxation. I think there is no arithmetical means of deciding now whether there is likely to be or will be any shift in the incidence of taxation, particularly with regard to subsection (5). The subection provides:

• (3:50 p.m.)

—the income of one spouse from the business for a taxation year may, in the discretion of the minister, be deemed to belong to the other spouse.

The word "may" is permissive. I would suggest, therefore, that the hon. member for Edmonton West is just taking away that permissive discretion which is otherwise granted to the minister. There is no firm means of determining there is any shift in the incidence. It is only a very slight walk to take us to subection (3). Is it not within the realm of possibility, or what we consider to be possibility—because there is not before the Chair any means by which to determine precisely what is going to be the change—that a husband and wife, working together in the circumstances which have been so eloquently portrayed by my hon. friends, could in fact create a larger income? There might be no shift at all.

These are all possibilities which we are examining here. May I say, with respect, that I challenge the Chair or anyone else to look at those two subsections and say there will be, there can be or is likely to be any shift in the incidence of taxation. It remains a possibility, but only a possibility. I say to the Chair that I believe the standard rule is that if the Chair approaches a question of the propriety of any motion and whether or not it is in order, then the onus falls upon those who say it is not in order—

and if Your Honour has any doubt I suggest it must be resolved in favour of the propriety of the motion.

Mr. Lambert (Edmonton West): Due to the invitation of Your Honour to address myself to the question of shifting the incidence of tax, I would point out that this problem has been debated to a considerable extent in the past and in no case more extensively than on the basis of an amendment I moved when a bill was being considered arising out of the budget of 1970. The government at that time was proposing a 5 per cent excise tax on airline tickets. I proposed an amendment that would not change the balance of ways and means. With the greatest respect, I would put to the Chair that the question of balance of ways and means is the operative point and that the incidence of tax is of no consequence.

My motion finally was ruled out, based upon a citation in May's sevententh edition. I researched the citation and found that the editors of May's misreported the case, giving it a completely reverse meaning to what was the result. This meaning had been inferred from a decision of the chairman of the committee of the whole in the British House during World War I on a matter that was not debated. This is the sole citation that was used against the principle I invoked so far as the incidence of taxation is concerned.

No question has been raised concerning the balance of ways and means, but a decision of Your Honour has been given on two occasions accepting amendments which disturb the balance of ways and means. I will admit this does disturb the balance of ways and means, but so far as the question of incidence is concerned I say simply that the disability with regard to certain taxpayers will be removed and they will be treated as individuals. There will be no forceful pairing.

Under the circumstances I would invite Your Honour, now that it is four o'clock, to look at the judgment of His Honour Mr. Speaker in regard to the incidence of tax and the arguments I advanced on that occasion, basing myself on May's authority and the subsequent correspondence which ensued between the Clerk of the House and the editors of May's because I called into question the authorities that were cited against me.

I would call it four o'clock, Mr. Chairman.

The Chairman: Does any hon. member wish to direct argument on the procedural points of this motion? I have had very forceful arguments from the hon. member for Peace River and the hon. member for Edmonton West and I should like to look into the matter. Particularly I wish to look carefully at the section and the proposed amendment because I do not want to make a decision until I am absolutely sure of the effect of the amendment if allowed.

Progress reported.

Mr. Deputy Speaker: Order, please. It being four o'clock, the House will now proceed to the consideration of private member's business as listed on today's order paper, namely, notices of motions, public bills, private bills.

Mr. MacDonald (Egmont): On a point of order, Mr. Speaker, I am sorry that the President of the Privy Council (Mr. MacEachen) has just left the chamber, because I am not sure whether he can be called back. Earlier today he indicated he would take an opportunity during the day to confer with the House leaders and members of the administration concerning the possible acceptance, unanimously and without debate by this House, of a resolution with regard to a direct appeal to the Secretary General of the United Nations.

I wonder if it is possible, in view of the immediate need, to have a determination from the President of the Privy Council on this question. I am not sure whether he is still in the government lobby. If he is, I know that members on both sides of the House would be happy to hear from him. Earlier I had an opportunity to confer with the Secretary of State for External Affairs (Mr. Sharp) as well as the government House leader and I think they might be able to add some useful information at this point.

Mr. Deputy Speaker: Order.

Mr. MacDonald (Egmont): On a further point of order, Mr. Speaker, I note that the Minister of National Defence (Mr. Macdonald) and the Minister of State for Science and Technology (Mr. Gillespie) are here. I wonder whether either of them could speak on this matter or whether they have had an opportunity to speak to their colleagues about it, because i am sure the House would wish this question to be resolved this afternoon before we adjourn.

Mr. Macdonald (Rosedale): Mr. Speaker, I apologize to my honourable clansman. I was paying close attention to the material on my desk and did not hear what he said.

Mr. MacDonald (Egmont): Mr. Speaker, I wonder whether the minister or his colleague has had an opportunity to confer on the matter of an appeal to the Secretary General of the United Nations about a one-year moratorium on nuclear tests. I know that the Secretary of State for External Affairs at noon today appeared to be interested in this suggestion. I think it would be helpful if a statement on this important question were made on the floor of the House. We will not be meeting before the contemplated blast tomorrow at five o'clock and I think it would be helpful to have a statement today.

• (4:00 p.m.)

Mr. Macdonald (Rosedale): I do not have an answer but I will go out and inquire.

Mr. Deputy Speaker: Is the hon. member rising on a point of order?

* * *

PRIVILEGE

MR. MACINNIS—REPORTED WISH OF GOVERNMENT MEMBER TO CLOSE PARLIAMENT

Mr. Donald MacInnis (Cape Breton-East Richmond): I rise on a question of privilege, Mr. Speaker. It arises from an article in this afternoon's newspaper in which the Liberal whip is reported as indicating a wish to close Parliament. As an employee of this House in so doing he cast a direct reflection on the Chair, and not only on Your Honour's position but on that of every member of this

House. The following statement appeared in this afternoon's newspaper:

Mr. Deachman acknowledged his proposal to shut down the Commons from time to time would elicit outraged protests from some traditionalists. In particular he noted some would complain that shutting down the Commons would mean the loss on occasion of the daily question period.

"That wouldn't be the end of the world," he observed. "As it is, two thirds of the questions are irrelevant, out-dated or out-of-order."

Mr. Deputy Speaker: Order, please. I want to draw to the attention of the hon. member for Cape Breton-East Richmond (Mr. MacInnis) and of all hon. members Standing Order 17. I suggest to the hon. member who raised the question of privilege, without in any way ruling on it, that it will have to be raised on another occasion. Standing Order 17 reads as follows:

17 (1) Whenever any matter of privilege arises, it shall be taken into consideration immediately.

(2) Unless notice of motion has been given under Standing Order 42, any member proposing to raise a question of privilege other than one arising out of proceedings in the chamber during the course of a sitting shall give to the Speaker a written statement of the question at least one hour prior to raising the question in the House.

I listened to the hon. member and have come to the conclusion that his question of privilege arises out of a statement which he alleges another hon. member made to the press; it does not arise out of proceedings in the chamber. The hon. member, like all other hon. members, must observe the provisions of the Standing Order. He would have to give His Honour notice in writing as required by the Standing Order.

Mr. MacInnis: Mr. Speaker, you ruled that this is not a matter which arose in the House. This is a question on which I am not too sure. I, along with many other Members of Parliament, would like to hear from the hon. member who made this statement outside the House whether or not he was instructed inside the House by the Prime Minister (Mr. Trudeau).

Mr. Deputy Speaker: I will recognize the hon. member for St. John's East (Mr. McGrath) in a moment. I do not think we should continue the matter much longer. In my opinion, rightly or wrongly, I have to rule that the matter did not arise out of proceedings in the chamber.

Mr. McGrath: On the point of order raised by Your Honour, I would respectfully submit that Standing Order 17 (1) clearly covers the question raised by the hon. member for Cape Breton-East Richmond. It reads:

Whenever any matter of privilege arises, it shall be taken into consideration immediately.

The fact is that this matter has just arisen by virtue of the afternoon edition of the Ottawa *Citizen*. I think there is a clear question of privilege involved. In accordance with the provision of the Standing Order, the hon. member raised the question immediately. The hon. member who is responsible for this statement in the press is one of the most attentive members in the House and it is a great disappointment to all of us that he should be casting a reflection on the proceedings of the House, because if the sessions of this House and the debates of this House—

Mr. Deputy Speaker: Order, please. I think the hon. member should not debate at this point the substance of the alleged press report. He rose on a point of order, quite properly, and I listened to his point with interest. He said that the first subsection of the Standing Order covers the matter. I think that the Standing Order has to be read in its entirety and I must rule that the matter raised by the hon. member for Cape Breton-East Richmond is governed by subsection (2) under which an hon. member would be required to give written notice to His Honour.

Mr. MacInnis: I rise on a point of order, Mr. Speaker. I am prepared to accept your ruling, but at the same time I give at least verbal notice that this question will be raised at the first opportunity on Monday, at which time I will be prepared and will have done some research referring to the fact that when this member wishes things to go to committee he is making a ridiculous suggestion and that he lied to the House with respect—

Mr. Deputy Speaker: Order, please.

Some hon. Members: Oh, oh!

Mr. Deputy Speaker: I know the hon. member feels very deeply about the matter, but the language he used is not acceptable in Parliament.

Some hon. Members: Shame.

Mr. Deputy Speaker: I think it would assist the Chair if all hon. members took a moment or two now during which the hon. member for Cape Breton-East Richmond might like to modify his statement.

Mr. MacInnis: I will modify it in this way, Mr. Speaker. I said that this member lied in respect of the committee. I will withdraw that and say that on another occasion I stood in the House and called that member a liar. I supported this with evidence from the committee proceedings and from *Hansard*, and the Speaker of the day did not ask me to withdraw the statement. I have no intention of withdrawing from the truth. The truth is recorded.

Mr. Deputy Speaker: Order, please.

Mr. Deachman: Mr. Speaker—

Mr. Deputy Speaker: Order, please.

Mr. MacInnis: You are pushing your luck, fellow.

An hon. Member: Go home and rest.

Mr. MacInnis: Did you read that piece in the paper?

Mr. Deputy Speaker: Order, please. I will recognize the hon. member for Vancouver Quadra (Mr. Deachman) because his name was brought into the debate, and I think that should be all. But I would ask the hon. member for Cape Breton-East Richmond whether on reflection he would not wish to modify his statement.

Mr. MacInnis: On reflection, I repeat what I said before. I called him a liar in the chamber before and I supported it with written evidence from the committee proceedings and from *Hansard*, and the Speaker of the day did not insist that I withdraw it. The precedent has been established.

Some hon. Members: Withdraw.

Mr. Deputy Speaker: Order, please.

Mr. Peters: Just because he lied before does not mean necessarily that he is lying today.

Mr. Deputy Speaker: Order, please. Hon. members say "Withdraw". I do not think that is helping the situation. I am not asking the hon. member for Cape Breton-East Richmond to withdraw his statement, but I think for the sake of decorum of this institution the hon. member might like to modify his statement. The Chair does not want to be unreasonable but hon. members realize, I am sure, that I have a heavy responsibility in the chair to protect the rights and privileges of all hon. members. I hope that before I recognize the hon. member for Vancouver Quadra the hon. member for Cape Breton-East Richmond would modify his statement.

Mr. MacInnis: I will put it this way, Mr. Speaker, with the assistance of the House, and say that in my first submission on the question of privilege I wanted one question answered, namely, whether the hon. member was following the dictates of the Prime Minister. That question not having been answered, I will modify my statement to this extent: just because the hon. member lied before, I have no proof that he is lying today.

Mr. Grant Deachman (Vancouver Quadra): Mr. Speaker, I certainly hope that the Chair will not make any ruling in respect of what has been said here this afternoon and that the matter can be dropped here. On a number of occasions in this House the hon. member opposite, for whom I hold no malice whatsoever, has referred to me as a liar. The record stands and will show that he has said that. I have heard him say the same thing about the Prime Minister (Mr. Trudeau), and so on. I am just one joined with others to whom he has given this label.

• (4:10 p.m.)

We respect the hon. member's judgment, he is an able member of this House and one for whom we all have plenty of respect, but he has one peccadillo that we have all observed. From time to time he frequently rises to call this or that cabinet minister a liar. When I find myself placed in that company I know it is a label that he retains for people in high places.

Mr. MacInnis: Mr. Speaker—

Mr. Deputy Speaker: Order, please. The hon. member for Cape Breton-East Richmond is rising on a point of order. I gave the hon. member for Vancouver Quadra some time because I recognize that it is an important matter for him, and indeed for all hon. members, but I wonder if it would have been better not to have recognized the hon. member for Vancouver Quadra. I hope that his remarks have not re-invigorated other hon. members. I would prefer to leave the matter now, since the hon. member for Cape Breton-East Richmond has indicated that he will give Mr. Speaker notice in the proper way, in accordance with the requirements of the Standing Order.

Mr. MacInnis: On a point of order, Mr. Speaker, I rise to take strong exception to the fact that the hon. member for Vancouver Quadra indicated that I have called a cabinet minister a liar. This is not the case. With respect to the Prime Minister—and this does not necessarily mean this Prime Minister—the proof is in the *Hansard* record. I can present absolute proof supported by one of that Prime Minister's cabinet ministers.

With respect to the suggestion about dropping this matter and the gratuitous remarks of the hon. member opposite that he is prepared to drop it, all I can say is that I am not disposed to drop it because the absolute proof is in the records of this House to support the statements I have made today. If he wants to drop it, it is because he knows I can produce that proof.

[Mr. MacInnis.]

PRIVATE MEMBERS' MOTIONS

CREDIT RECORDS

REQUEST FOR MEASURE TO PROTECT PRIVACY

The house resumed, from Monday, November 9, 1970, consideration of the motion of Mr. McGrath (St. John's East):

That, in the opinion of this House, the government should consider the advisability of introducing legislation to protect the privacy of every person against the improper disclosure of credit rating records and to protect the reputation of every person against misinformation contained in such records.

Mr. David MacDonald (Egmont): Mr. Speaker, we are resuming debate on a motion that was brought forward by my colleague, the hon. member for St. John's East (Mr. McGrath), almost a year ago to the day, on November 9, 1970, and because of the length of this session we again have an opportunity to debate it.

Before moving into the main body of my address I would like to point out that once again in private members' hour we are dealing with a motion that was supported by all parties a year ago, and the fact that action has not been taken on it indicates we have not resolved a substantial problem connected with private members' hour. On the previous occasion there was almost unanimous agreement that the motion be passed, yet simply because there is no machinery in many cases to move motions beyond debate in private members' hour this motion has remained on the order paper for a year.

I hope that during the interim the government House leader and others in the cabinet have had a chance to study this very reasonable motion with a view to having the substance of it referred to the Standing Committee on Justice and Legal Affairs where it could be more adequately dealt with than in this House.

In this debate we are dealing with the matter of credit ratings and the way in which they are used. Credit ratings are used not only to assess the nature of one's ability to pay one's debts but also to assess one's honesty and dependability as an individual. That affects jobs, promotions, appointments and the like. In essence, it affects the right of decent individuals to advance within a free society. We are wondering what response there will be from the government to take account of the rapid accumulation of information in credit card ratings, which is often best

described as misinformation, containing typographical errors and irresponsible judgments.

To give an example, Mr. Speaker, just a few weeks ago I was phoned by a credit bureau with regard to an account that was outstanding and as the bureau employee spoke I told him that I would be interested in knowing what kind of information they had on my card. He began to tell me that once I had a telephone bill that I had not paid, in a town where I was working for a national chain store. I told him that was all very interesting, except that I have never been employed by any national chain store and had never had a phone bill in the place he mentioned. He became a bit embarassed and said, "Maybe we had better check back on some of this." I suddenly realized what it is to have misinformation accumulated in a file where it could be used against me any time in the future.

This motion deals specifically with the credit bureau rating systems and generally with the individual's right to privacy within our society. For over 200 years the courts have established that one of the fundamental principles of common law is that nobody, be he a state official or not, is empowered to enter on our personal property. Some provinces are now attempting to legislate in this area, and this points up the need to have some common standard.

We also have a long tradition that people are considered innocent until proven guilty. Yet the accumulation of credit information in this country has given rise to a situation in which a person can be found guilty without his knowledge, and as a consequence steps may be taken detrimental to him by those who otherwise might employ him, offer him credit or transact some other form of business with him.

Unless we apply stringent safeguards in our contemporary society we are in danger of losing the fundamental rights of privacy and property. Modern devices such as wire tapping, highly sophisticated microphones, cameras for surveillance and the establishment of computer data banks and processing centres must be controlled. If not controlled they can easily become the instruments of suppression and totalitarianism.

I realize that credit records are but one small sector of the larger question of privacy in the face of modern technology. However, the dissemination of credit information is one measure of the problem and is an area in which we can start to build a good system of checks and balances which will stipulate in law that uncontrolled and improper collection and the haphazard storage and distribution of confidential records, many of which are sold for commercial gain, will not be allowed, and in particular that the accumulation of inaccurate and hearsay information will definitely be counteracted by the individual's right to know and his right to clear away this kind of misinformation from the files.

As in all areas of technology, the pace of input into and output from any system is obviously going to be improved by innovation. Soon credit information will be computerized or microfilmed. The result will be a quantum increase in the availability of this information to those who might benefit from it. Finance agencies with quicker recall and improved facilities may find it advantageous to record the lives of customers in greater detail.

• (4:20 p.m.)

The whole trend of modern technology clearly underlines the need for greater government involvement. It is all too obvious that a good deal of the information that goes into these files has nothing to do with the individual's ability to transact his business or handle his commercial affairs but can easily involve a lot of other affairs that are no part of the information on one's credit rating. The need for clear government regulations to cover collection agencies, their operation and the rating of the individual between federal and provincial governments is obvious.

It is a truism to say that massive credit is here to stay. Consumerism has obviously been built and made vital to the operation of the marketplace. Outstanding consumer credit in this country totalled $9.4 billion at the end of August, 1971, which over a three-month period represents a 3.8 per cent increase. For better or worse we are heavily entrenched in the wonderful world of credit.

I should like to outline some of the inner workings of a credit bureau. Most of them have automated file systems that are not computerized as yet. Their credit cards are retroactive to November, 1964, or for about seven years. Cards at a minimum contain court judgments, writs, bankruptcies, foreclosures, collections, marital status, general credit rating and such things as chattel mortgages, etc. At a maximum, according to the Canadian Association of Consumers, they include salaries, wages, resumé on domestic life and even personality outlines. At the moment there is no standardized way of reporting credit profiles in Canada.

In Ontario, standard procedure when a member business of a credit bureau calls to check on an individual's credit is to simply read down that individual's credit card outlining derogatory information such as collections, etc., which have been marked in red pencil. In other words, they simply go down a list covering seven years and in some cases dating back 14 years. The decision to grant credit or not is arbitrarily decided by the member calling for the information. And, as it is well known, once an individual is tagged as having an overloaded credit rating it often affects not only further business transactions by the individual but also that person's chances of further employment or promotion in the community.

According to the statement of policy to ensure the right of privacy to consumers released by the Associated Credit Bureaux of Canada in 1970, "Credit bureaux will make known to any consumer their file content concerning that consumer." The flaw here is that the code is voluntary and a large proportion of credit bureaux do not belong to this organization. In many cases the individuals most affected by this improper information or misuse of information are so intimidated or so unaware of their rights that advantage can be taken of them. Last year, the Canadian Association of Consumers undertook in its own words, a nationwide survey of credit bureau attitudes and found that many credit bureaux are still reluctant to show files even if the person has recently been refused credit.

Because inadequacies still exist in the use of credit ratings, and the risk to individuals who are affected by them is still great, we are calling for realistic legislation and enforcement in this area believing it is the responsibility of the federal government to take this initiative. At

present there exists in Canada no legislative regulation of data processing at the national level. Our party advocates controls to ensure that the privacy and reputations of Canadians are protected. In particular, all companies which collect information and dispense ratings and personal information on Canadian consumers which operate within federal jurisdiction should require a government operating licence and operate according to provincial standards.

The possible influence of companies with large amounts of economic, social and even political information on individuals is sinister. We strongly advocate the establishment of government studies and regulations relating to data collecting which, done in conjunction with the provinces, would set specified standards for the protection of the individual's rights and privacy.

In general I should like to give an illustration of the regulations that we might have so that the consumer would have rights under the law. These might be: first, that the consumer be told the name and address of the credit agency when he is denied credit, insurance or employment and it should be done at the time that he is refused; second, the consumer should be able to examine information in his file at the credit agency when credit action is taken against him; third, he should be told the sources of information in his file and to whom such information has been given; fourth, such data should be confidential, except for legitimate purposes such as a credit reference or job; fifth, disputed information should be reinvestigated with false data deleted, and notification of deletion sent to those who received erroneous reports within a specified period of time.

Sixth, he should be informed of investigations involving interviews with other persons about his personal life and have the right to be informed on the kind of questions which were being asked; seventh, he should be informed when adverse public record information is reported to a potential employer; eight, he should, after having access to record cards or a computer print-out, be able to bring legal action against those companies which do not comply with government regulations.

There have been some encouraging signs of governments coming to grips with this issue, most recently the province of Ontario. However, the federal government, which at very least should encourage guidelines to coordinate national standards for credit data organizations, has done very little in this field. The flow of detailed information is vital to the functioning of our modern society. However, the regulation and control of that information, when it affects an individual's livelihood, is equally important to the preservation of the individual's right to privacy in which we all so strongly believe.

Credit ratings are more than just optional measurements by which the honest gain and the dishonest are harmed. In a society that is increasingly based upon one's ability to have credit awarded or assessed, the credit rating is almost a matter of integrity, both financial and otherwise. It is disturbing that so little action has been taken federally on this important subject. I would hope when we are dealing with something as basic as the establishment of credit that we would feel it proper and necessary to take action on this matter as early as possible.

[Mr. MacDonald (Egmont).]

I would therefore like to move, seconded by the hon. member for Grand Falls-White Bay-Labrador (Mr. Peddle):

That the subject matter of the motion now before the House be referred to the Standing Committee on Justice and Legal Affairs.

I believe in committee this matter should receive more detailed and adequate consideration for the formulation of effective federal legislation.

Some hon. Members: Hear, hear!

Mr. Speaker: I have some doubts as to the exact terminology of the motion. The hon. member is actually making a substantive motion and should have presented it in other terms. In other words, the motion should be that this matter be not now considered but that it be referred to a Standing Committee. I am not too sure about the motion as proposed and I would read it now for the consideration of hon. members:

That the subject matter of the motion now before the House be referred to the Standing Committee on Justice and Legal Affairs.

I have no objection to putting the motion, but if hon. members have views to express or wish to object to it from a procedural standpoint, I would hear them. Otherwise I would put the motion.

Mr. MacDonald (Egmont): On a point of order, Mr. Speaker. I do not want to take any more of the time of the House, but in reviewing the debate of November 9 last there was some concern that the actual detailed phrasing of the motion might have some difficulty in being accepted by hon. members. There seemed to be general acceptance of the thrust of the motion by all hon. members and therefore I feel that in order to assist the House, the substance of the information we are concerned about might best be conveyed to the committee that could be most adequately charged with responsibility for dealing with the matter before us.

• (4:30 p.m.)

This is an important matter and I believe all hon. members may want the Standing Committee on Justice and Legal Affairs to have the opportunity of considering it at length and then, hopefully, making useful recommendations to the House.

Mr. Francis: Mr. Speaker, an amendment to a motion in this form is not, as I understand it, usual. It is not usual procedure for an hon. member to move that the subject matter of a motion before the House be sent to a committee. I do not know what provisions are made under the rules but it seems to me that this is a unique procedure and is improper.

Mr. McGrath: On a point of order, Mr. Speaker, my hon. friend has introduced this amendment because the same motion was debated in the present session on November 9 last. At that time there appeared to be unanimity in the House as to the substance of the motion. There was some question, however, regarding its precise wording. Since there was unanimity in this House with regard to the principle enshrined in the motion, my hon. friend wanted the subject matter of the motion referred to the Standing Committee on Justice and Legal Affairs where it would serve as a vehicle, so to speak, and provide an opportunity

for this entire subject to be aired, for witnesses to be called, and so on.

Mr. Speaker: If there is unanimous consent, of course, the motion proposed by the hon. member can be put. I would think that it would be necessary, first, to discharge the motion originally before the House and put an entirely new motion to the House which would be debatable until five o'clock. If that is what hon. members desire, I will put the motion.

Some hon. Members: Agreed.

An hon. Member: No.

Mr. Speaker: The hon. member for Egmont, seconded by the hon. member for Grand Falls-White Bay-Labrador moves:

That the subject matter of the motion now before the House be referred to the Standing Committee on Justice and Legal Affairs.

Mr. Francis: On a point of order, Mr. Speaker, as I understand it there is a motion before the House. Is unanimous consent of the House not required before that motion may be withdrawn and another motion or amendment introduced?

Mr. Speaker: Yes, and that is why I suggested that there had to be unanimous consent. I asked whether there was unanimous consent.

Mr. Francis: No, there is not, Mr. Speaker.

Mr. Speaker: This is an entirely different motion that is being proposed and it can only be put with the unanimous consent of the House.

Mr. McGrath: I wonder if it would not facilitate matters if we were to look upon the motion moved by the hon. member for Egmont as an amendment to the motion before the House?

Mr. Speaker: I would be ready to consider that. Yet this is not an amendment; it is a new motion, and I wonder how the hon. member can indicate that a motion proposed in these terms can be considered as an amendment. I have very serious doubts about that. As I say, however, in my role here I am trying to help hon. members and facilitate proceedings and not impede them in any way. I would think that we would need some form of consent to carry out the hon. member's suggestion.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I think Your Honour is quite correct and so is the hon. member for Ottawa West (Mr. Francis) quite correct in pointing out that what is proposed is unusual and perhaps irregular. May I also point out that there have been a number of occasions—not many, but enough to say that there are a number—when by agreement, indeed by unanimous agreement, the House has accepted the discharge from the order paper of the motion that was before it and the reference of subject matter thereof to a standing committee. I think the position of the hon. member for Ottawa West to the effect that the proposed amendment is irregular would be protected if we followed the other course. I suggest that Your Honour should ask the House if there is unanimous consent for that course.

Mr. Speaker: That is exactly what I did a moment ago. I indicated that what is proposed can only be done with unanimous consent. I thought that there was such consent. Now I will recognize the hon. member for Ottawa West.

Mr. Francis: Mr. Speaker—

Mr. Knowles (Winnipeg North Centre): On a point of order, Mr. Speaker—

Mr. Speaker: Order, please. I apologize to the hon. member for Ottawa West. I think the hon. member for Winnipeg North Centre has not yet completed his remarks.

Mr. Knowles (Winnipeg North Centre): What I wanted to say was this. In my view Your Honour should not ask for unanimous consent for the putting of the motion that was suggested by the hon. member for Egmont but, rather, unanimous consent for the proposition that the original motion be discharged and the subject matter thereof referred to a committee.

Mr. Francis: Mr. Speaker, I appreciate what the hon. member for Winnipeg North Centre has been saying and I do not misunderstand him. It seems to me that the proper procedure would involve the usual kind of conference between representatives of the parties, so that there may be agreement on what is being done. I think a number of hon. members still want to speak on the motion presently before the House. Perhaps following today's debate there might be a conference between the parties involved and I think some agreement could be worked out for dealing with the subject matter of the motion which is an extremely important one and involves a number of people. It seems to me that that is the procedure which ought to be followed.

Mr. McGrath: Mr. Speaker, I wonder whether it might be possible to suspend further debate on the motion and proceed with some other matter until the House leaders have had a chance to discuss the proposal for referring the subject matter of the motion to the standing committee.

Mr. Speaker: That, again, would require unanimous consent. Is there such consent?

An hon. Member: No.

Mr. Speaker: There does not appear to be unanimous consent.

Some hon. Members: Agreed.

Mr. Speaker: I will again try to ascertain whether there is unanimous consent for the proposition that the order now before the House be discharged and that the House consider a new motion to be proposed in terms of the motion suggested by the hon. member for Egmont.

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent. I suggest, with respect to hon. members, that for the 20 minutes left

for we might continue the discussion on the motion before us, subject of course to the discussion which has been suggested.

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, the thought has occurred to me that in view of the suggestion which has been made, while I am making my remarks the consultation suggested might take place. I would not object if there were those discussions. I agree that the subject matter of the motion is most important. It is worthy of consideration by hon. members of this House and I think that giving those concerned an opportunity to appear before the standing committee might be a most useful exercise.

The hon. member for Egmont (Mr. MacDonald) obviously had a well prepared representation to make on the subject matter before the House as well as on related subject matters. If I remember correctly, he listed eight or nine points which he felt should be considered. I listened carefully to the hon. member and for the most part I agree with his suggestion. I am sure no one would quarrel with the idea that it is necessary for people who are operating businesses to have some basis on which to assess whether credit should be extended to an individual customer.

I suppose it is true to say, as the hon. member for Egmont suggested, that we will live in a society where a large volume of business will be transacted either on a long-term or short-term credit basis. Yet most of us in the course of our lives have observed occasions when knowledge, acquired through mechanisms developed in the business world for accumulating and recording information relating to credit ratings, is abused. Since the credit system is so firmly established and is in such wide use, I think some ground rules in law ought to be laid down for the governing of such operations.

One of the things that concerns me greatly—and I speak as one who has had experience of other people who have been involved in difficulties in this regard—is that no one seems to know just who has what information about us. I do not know how many credit bureaux have me listed on credit cards somewhere, either in Ottawa, British Columbia or in some other part of the country. There may be information about me tucked away in some central recording centre in Toronto for all I know.

• (4:40 p.m.)

As a matter of protection to the individual it should be defined that anyone holding such information must advise the person about whom they hold the information and, indeed, they should have to advise them what information they have. This in itself would provide protection to the individual against the recording and perpetuation of incorrect information about a particular individual. Perhaps it would do something to straighten out the circumstances that occur fairly frequently with regard to mistaken identity where the information that is presumably recorded about one individual relates to and is connected with another. This is one of the basics that should be required by law for all those who are involved in the operation and accumulation of credit information.

There has been a good deal of talk about the fact that we live in an acquisitive society. Perhaps a new term should be applied and it should now be called an inquisitive society. For example, having been a customer of the B.C. Telephone Company for a good many years I recently had occasion to make application for the installation of a new telephone in another location. I was faced with the current application form which asked all manner of questions about me, my employer and various other things. Apparently it wanted some sort of guarantor. It struck me that this was going a bit far on the part of one of the public utilities in this country. The matter of who you work for really does not have anything to do with the B.C. Telephone Company installing a telephone in your residence.

I think that kind of inquisitiveness should be restrained by law, particularly by a telephone company which collects their charges in advance each month. I have no way of knowing to what organizations the B.C. Telephone Company may belong. I do not know how much of the information they acquire as a result of people making applications for telephones is passed on to other, unknown destinations. This is the sort of thing that is of increasing concern to more and more individuals.

As pointed out earlier in the discussion, this situation becomes rather frightening and horrifying with the advent of the computer. From time to time we have the feeling that we are going to simply become numbers or some sort of code on a tape and cease to have any identity as an individual, living human being. Apart from anything else, it might help to preserve the sense of human freedom and identity if citizens know that there are some legal ground rules laid down to govern the operation of recording and using information on which credit decisions can be based.

Mr. E. B. Osler (Winnipeg South Centre): Mr. Speaker, I rise to speak on one aspect of this motion. Although it has been touched upon, perhaps it can bear expansion. There is a bird in this corner of the chamber, but we cannot find it. I do not know whether it is an early bird, late bird or what worm it is after.

Mr. McGrath: The hon. member is getting a sign from heaven not to talk out the resolution.

Mr. Osler: It is an outstanding observation that the sun shines on this side of the chamber, if it is coming from where the hon. member says.

Mr. McGrath: You need the inspiration; we don't.

Mr. Osler: I wish to speak about the computer aspect. Before I get into that matter, which was touched on last year by Mr. McGrath—

Some hon. Members: Order.

Mr. Osler: I am sorry—the hon. member for St. John's East (Mr. McGrath). I feel that it can be expanded. I notice that other members feel the same. Before doing that I wish to say that the hon. member for Egmont (Mr. MacDonald) mentioned something that struck me, in the whimsical mood I happen to be in this afternoon. He was talking about checks and balances. I wonder whether he has been to Assiniboia this week and that put this in his mind. The farmers there are very cognizant of the fact they are not getting the cheques they thought they would.

It looks very much as though some balancing of budget will take place. In fact, I will be almost willing to bet on it.

Mr. Knowles (Winnipeg North Centre): Which way?

Mr. Osler: I will bet the right way. The hon. member for Egmont said the federal government has done very little in the field of regulation to help the individual against the sinister forces arriving on the horizon. With regard to the sinister forces, I completely agree. I think this is an oversimplification of a broad statement. It is like someone taking an old-fashioned broadsword to open a can. From my observations in Assiniboia this week, it seems typical of some members of this august House. As these things are catching up with the people in Assiniboia; they are also catching up with the members of this House.

It is quite evident from the record. Any person who can read will know that Bill C-252 was introduced in this House earlier this session and has a direct bearing on one aspect of the problem to which the hon. member was referring. At the time it was introduced, the Minister of Justice (Mr. Turner) said it was the beginning of a process that would cover the rest of the issue. We have no reason to doubt the integrity, good will or intention to follow through of the Minister of Justice. The simple statement that the federal government has done very little in this field is by the hour in Assiniboia catching up with the opposition.

I caution the member for Egmont to be a little more temperate because we do not want his party to get the reputation of saying those sorts of things to any greater extent than they now have. The hon. member forgets this government appointed a task force on justice and communications which has been working since February. It will report to the Department of Justice on more or less the same terms of reference as are contained in this motion. Perhaps that is why the member wants to change the motion. He feels there is no thunder to be gained by considering this motion any longer because the government has already acted on it.

With the greatest of good will, the government is in full stride of acting in this respect. It will do no harm to pass this motion. It will just put the seal of approval, or holy oil on a motion or body that is already moving in the direction suggested. There would be no harm passing it.

• (4:50 p.m.)

Mr. Barnett: Like most things, it will probably sit around gathering dust.

Mr. Osler: Reports cannot gather dust until they are finished and tabled. It is probably in the process of being written, so it cannot be gathering dust yet. As things go around here, dust does not settle very quickly but seems to stay up in the air most of the time, especially at this stage of the session.

As several of my colleagues have said, the problem of unregulated gathering of credit information can certainly be abused drastically in this computer age. Mastering knowledge has been aided by computers. Computers can master knowledge and use it to the detriment of individuals. This could not be done in former days because of the sheer mass of knowledge. I note that Dr. John Deutsch, chairman of a panel at a conference entitled "Computers, Privacy and Freedom of Information" held in May, 1970, put this quite succinctly. If I may quote from page 42 of "Instant World, a Report on Telecommunications in Canada", he said:

> In the past, we've had a protection from the limitations of the written word. While a lot of information could be collected, it was cumbersome, it was difficult to find, certainly difficult to find quickly, and this has given the individual a good deal of protection as far as privacy is concerned. It was like looking for a needle in a haystack. Well, what's happened now is that we can indeed find the needle.

That is the nub of the threat that computers pose to mankind. They can be a wonderful servant but they can also find needles that they have no business to find, revealing information that used to be buried by the normal course of events.

The ease of collecting and disseminating credit information, thanks to the computer, brings to light a number of new problem areas. First of all, there is incorrect information which can be propagated and disseminated without disclosing the source of the information or anyone being able to check the information. Then there is misuse of information. For example, information on credit ratings could be misused by those directly related to the gathering of the information or by those who come across information in computer handling.

Last year my colleague the hon. member for Saint-Jacques (Mr. Guilbault) mentioned in his intervention on this motion that he had been closely associated with a large insurance company during his career. As reported at page 1020 of *Hansard* for November 9, 1970, he said:

> I have had the opportunity to look at credit reports and I have often noticed, with disgust, that some of those credit reports contained information which had nothing to do with the financial situation of the persons involved.

Then he went on to say it was—

> —information which has absolutely nothing to do with the financial situation, the steadiness and solvency of the individual involved.

So you can see that the information may have nothing to do with the inquiry that is made. That is bad enough, but when compounded by computer technology the problem is even worse. I presume the hon. member was referring to pre-computer days and the sort of reports that those of us who work in offices have often seen floating around. When this is added to the fact we are now in the computer age, you can see we really have a problem as far as the average individual is concerned. A person may be aware of various fragments of information that has been gathered by different sources. He may not be perturbed about these little bits and pieces of information that various people have on him; but if all these bits and pieces are gathered together by a computer a very extensive personal dossier could be compiled without his knowing it. He could be completely unaware of such a dossier and its contents.

Because the computer industry has grown so quickly and is still in a state of flux, I see no hope on the horizon for a self-regulating body that one could look to to police the industry and to cure some of its ills. Therefore, it is only right and fitting that motions of the sort we are discussing today should be moved and that the govern-

ment should take the action that it is now in the full process of taking. After all, there is a real problem here.

I should like to think that when we consider both the present motion and the actions that the government is putting together as a package, we consider also the following recommendations very seriously. First of all, the licensing of data banks which would gather, store and disseminate this kind of information; second, that regulation of the sale and disposal of information stored in these banks be made mandatory; third, that regulation of international links between data banks be built into the industry. We would then know exactly what information is leaving Canada and what is coming into Canada. I think every Canadian is horrified that sooner or later the ultimate will arrive and in a little basement in an office in New York every scrap of information on every single person in Canada will be available. Certainly this would be a poor state of affairs.

I have other comments to make, Mr. Speaker, but it is five o'clock and I am afraid I will not be allowed to go on unless the House allows me a little longer.

Some hon. Members: Five o'clock.

Mr. Speaker: Order. The hour assigned to the consideration of private members' business has now expired. It being five o'clock, this House stands adjourned till two o'clock Monday afternoon.

At five o'clock the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Monday, November 8, 1971

The House met at 2 p.m.

PRIVILEGE

MR. MACINNIS—ALLEGED INACCURATE STATEMENT BY MEMBER FOR VANCOUVER QUADRA CONCERNING WHIPS DUTIES AND OPERATION OF HOUSE

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, I rise on a question of privilege of which I have given the proper notice. My question of privilege refers to a report in the Ottawa *Citizen* of Friday, November 5, when a paid official of this House took it upon himself to make an unauthorized and inaccurate statement with regard to the duties of the whips of the parties in the House. The statement, along with being unauthorized and inaccurate, is a reflection on the duties of every member of the House and the way in which members perform their duties. It makes it very awkward for hon. members to go back to their constituencies and take pride in the fact that they are representing those constituencies. I would say also it makes it impossible for members of the Liberal party to live with such a statement.

He has also criticized the method by which Parliament works and suggests that we should close Parliament and refer all our work to the committee system. He completely overlooks the fact having cirticized the length of time spent on the tax debate, that the House itself is following the dictates of the government in examining this legislation in committee of the whole.

Along with that this hon. member—and I use the word very liberally—is the author of this statement:

In this House one does not reflect upon the rulings of Mr. Speaker.

Having authored such a statement, the hon. member further reflects upon the conduct of this House when he goes to the press and makes a statement which not only casts a reflection but is very critical of the judgment used by Your Honour with regard to questions put before the House during the question period. On the basis of this unauthorized, inaccurate and critical statement of Your Honour's operation of this House I move, seconded by the hon. member for St. John's East (Mr. McGrath):

That the subject matter of the article which appeared in the Ottawa *Citizen* on Friday, November 5, reporting the views of the member for Vancouver Quadra, be referred to the Committee on Privileges and Elections.

Mr.Speaker: Order, please. The hon. member for Cape Breton-East Richmond has given notice of his intention to raise this matter by way of a question of privilege in relation to a statement which the hon. member says was published in an Ottawa newspaper. The hon. member had raised the matter originally in the House on Friday afternoon. I have had time to reflect on the situation and to give most serious consideration to the matter. My duty is to determine whether there is prima facie case of privilege which ought to be debated by the House and, on the basis of the decision of the House, referred ultimatey to the Committee on Privileges and Elections.

I must tell the hon. member that in my view there is not a prima facie case of privilege. I have to refer the hon. member to a well known ruling which has been confirmed subsequently and which was based on previous rulings. This ruling was made by Mr. Speaker MacNaughton, as reported in *Hansard* for June 10, 1964 at page 4139, dealing with statements made outside the House of Commons. If the hon. member will read it, as I am sure he and all hon. members have because it has been quoted so often, the hon. member will agree that it would be extremely difficult for the Chair to agree that there is a prima facie case of privilege and that a statement which appeared in the press should be considered by a standing committee of the House.

• (2:10 p.m.)

Having given the matter every possible consideration and having looked at it as objectively and impartially as I could, in spite of the fact that, as the hon. member said, there is a suggestion that the statement might be a reflection on the Chair I would not think there is a prima facie case which should be considered by the Standing Committee on Privileges and Elections as suggested in the proposed motion of the hon. member.

Mr. MacInnis: I rise on a point of order, Mr. Speaker. I should like to ask you, Sir, whether any precedents formerly established would cover the fact that this member is a paid official of the House of Commons.

Mr. Speaker: Order, please. I would not think that would be a relevant factor.

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

TABLING OF COMMUNIQUÉ ISSUED FOLLOWING VISIT TO CANADA OF PRESIDENT OF YUGOSLAVIA

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I should like to table copies of the communiqué issued at the conclusion of the visit to Canada of the President of Yugoslavia, together with copies of letters that I exchanged with the Foreign Minister of Yugoslavia.

Questions

COMMUNICATIONS

BELL CANADA RATE INCREASE APPLICATION—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I wish to move a motion under Standing Order 43 concerning Bell Telephone's application to the Canadian Transport Commission for a 9.5 per cent rate increase. As this is a national public utility affecting all Canadians and a company with a profit of $38 million, I move:

That the matter of the most recent Bell Telephone rate increase application be referred to the Standing Committee on Transport and Communications with provision to examine the entire operations of Bell Canada in relation to the public interest.

Mr. Speaker: The motion proposed by the hon. member for Timiskaming requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: Since there is not unanimity, the motion cannot be put.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

CRIMES OF VIOLENCE

Question No. 1,630—**Mr. Mather:**

What was the number and rate of crimes of violence in Canada in 1965 and in 1970?

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Statistics Canada reports that: The attached table shows the number and rate of crimes of violence in Canada in 1965 and 1970.

Crime of Violence	1965[1] Number Reported To Statistics Canada	1965[1] Rate[2]	1970[1] Number Reported To Statistics Canada[3]	1970[1] Rate[2]
Murder	243	1.5	430[4]	2.3
Attempted Murder	111	0.7	268	1.4
Manslaughter	34	0.2	34	0.2
Rape	641	3.9	1,074	5.8
Other Sexual Offences	6,802	41.5	9,917	53.3
Wounding	822	5.0	1,658	8.9
Assaults	44,551	271.6	76,997	413.7
Robbery	5,576	34.0	11,589	62.3

[1]Prior to September 1961, all murder was considered capital and the only possible sentence was the death penalty. After September 1961, it was divided into capital and non-capital murder. Capital murder was premeditated murder or the murder of a police officer, prison guard, etc., or murder during the commission of another criminal act. The penalty was death. All other types of murder were considered non-capital, and were punished by mandatory life imprisonment. In December 1967, the Criminal Code sections dealing with murder were amended again, this time for a five-year trial period. Capital murder now refers only to murder of a "law officer, warden," etc. The penalty is death. Non-capital murder refers to any other kind. Life imprisonment is the minimum penalty.

[2]Crime Rates based on 100,000 Population, Age seven Years and over, Canada, 1965 and 1970 (estimated population figures).

[3]These are preliminary figures reported by the police and as such are subject to revision.

[4]One incident reported in 1970 accounted for 40 victims with one person charged.

SPRINGHILL, N.S.—MINE DUMP FIRE

Question No. 1,641—**Mr. Coates:**

1. What action has been taken by the Department of the Environment to extinguish the mine dump fire at Springhill, Nova Scotia?

2. Were these actions continuations of previous commitments by officials formerly associated with other departments or have there been new initiatives and, if so, when were they undertaken?

3. Will the government share the cost of extinguishing this fire with the provincial government?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Department of Environment and the Department of Energy, Mines and Resources as follows:

1. Responsibility for extinguishing the mine dump fire at Springhill, Nova Scotia, lies with the Nova Scotia government. The responsibility of the Department of the Environment is to ensure that there is no hazard to health from air pollution due to the fire. To this effect, a survey was conducted during the past summer and a report is being prepared at this time.

2. See (1).

3. This matter is under consideration but as yet no decision has been reached.

STATISTICS ON COST OF MODERN LIVING IN CANADA

Question No. 1,642—**Mr. Knowles (Winnipeg North Centre):**

Does the government, or any department thereof, maintain statistics on the cost of moderate living in Canada and, if so (a) on what basis are such statistics calculated (b) what is the cost of moderate living in 1971 for a family of four?

[*Translation*]

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Statistics Canada reports that: no statistics on the cost of a defined "moderate living" in Canada are calculated by any government department. Statistics of family expenditure are compiled by Statistics Canada from information collected in household surveys. These are calculated in the form of average expenditures per family for a given year, classified according to family characteristics such as family income and family composition. Average expenditures for families of four are compiled for three distinct family types, namely, families with two adults and two children under sixteen, families consisting of four adults, or families consisting of three adults and one child. The resulting expenditure patterns reflect differences in consumption related to the different family types as well as differences in income levels. Results from a national expenditure survey conducted in 1970 are expected by the end of this year. Most recent published data are contained in *Family*

Food Expenditure in Canada 1969, Statistics Canada Catalogue No. 62-531 and *Urban Family Expenditure 1967*, Statistics Canada Catalogue No. 62-530.

[*English*]

ATLIN, B.C.—INVESTIGATIONS BY RCMP AND CUSTOMS OFFICERS

Question No. 1,725—**Mr. Howard (Skeena):**

1. Was RCMP Staff Sergeant R. L. Nesbitt stating government policy or RCMP policy when he said that the recent investigation by RCMP and a Customs Officer at Atlin, B.C. was as a result of Atlin Board of Trade's President Tom Kirkwood's complaints of "flagrant violations" of the Customs Act?

2. Upon what occasion did the said Tom Kirkwood make such a statement?

3. Is the government prepared to apologize to Mr. Kirkwood for any imputations contained in the statements attributed to Staff Sergeant Nesbitt as they appeared in the *Vancouver Province* of August 26, 1971?

Hon. Jean-Pierre Goyer (Solicitor General): The answer, in so far as it concerns the Department of the Solicitor General, is as follows: 1. Staff Sergeant R. L. Nesbitt, RCM, did not use the expression "flagrant violations" nor did he attribute such words to Mr. Tom Kirkwood when discussing the Atlin, B. C. matter with a *Vancouver Province* newspaper reporter. Staff Sergeant Nesbitt informed the reporter that enquiries such as carried out in the Atlin area were routine in nature but were generally conducted in the autumn because of the influx of American hunters in that particular region which is adjacent to the American Border and permits ready access to Canada without having to clear Customs. Enquiries were initiated earlier this year because of complaints concerning Customs enforcement having appeared in the press and which were attributed to Atlin Board of Trade President Tom Kirkwood. Staff Sergeant Nesbitt apprised the reporter of these articles, in particular an item which appeared in the *Vancouver Sun* on June 11, 1971. The article appearing in the *Vancouver Province* August 26, 1971, indicates that Mr. Kirkwood was contacted personally by the reporter which in all likelihood influenced the text used in the news story.

2. The Royal Canadian Mounted Police do not know if in fact Mr. Tom Kirkwood made such a statement.

3. No imputations were implied or intended in Staff Sergeant Nesbitt's statement to the press which appeared in the *Vancouver Province* of August 26, 1971 and, accordingly, no apology is called for.

ATLIN, B.C.—POSSESSION OF WRIT OF ASSISTANCE IN INVESTIGATION BY RCMP AND CUSTOMS OFFICERS

Question No. 1,726—**Mr. Howard (Skeena):**

When the RCMP and a Customs Officer conducted an investigation at Atlin, B.C. in July of this year, were any of the officers who visited Atlin and participated in the investigation in possession of a Writ of Assistance under the Customs Act and, if not, is the government prepared to correct RCMP Staff Sergeant Nesbitt's statement that appeared in the *Vancouver Province* of August 26, 1971 that "We had a Writ of Assistance under the Customs Act but didn't have to use it"?

Hon. Jean-Pierre Goyer (Solicitor General): The answer, in so far as it concerns the Department of the Solicitor General, is as follows: The Royal Canadian Mounted Police investigator was in possession of a Writ of Assistance under the Customs Act; however, on no occasion was he requested to produce it during the course of the investigations. Upon termination of the investigation at one of the premises the individual concerned requested, out of curiosity, to see a Writ of Assistance. The R.C.M. Police investigator obliged.

CANADIAN BIRTH RATE

Question No. 1,786—**Mr. Mather:**

What was the Canadian birth rate in 1950, 1960 and 1970?

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Statistics Canada reports that: The Canadians crude birth rate (per 1,000 population) were: 1950, 27.1; 1960, 26.8; 1970, 17.3.

NUMBER OF INDIAN STUDENTS ATTENDING UNIVERSITIES

Question No. 1,809—**Mr. Orlikow:**

1. How many Indian students attending university in 1970-71 completed the full course?

2. How many Indian students attending university in 1970-71 withdrew before the end of the academic year?

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): 1. Three hundred and eighty eight Indian students attending university in 1970-71 completed the full course. This figure includes those students who have completed summer courses at universities.

2. Forty four Indian students attending university in 1970-71 withdrew before the end of the academic year.

COMPUTER INDUSTRY MARKET STATISTICS

Question No. 1,814—**Mr. Robinson:**

Will the government consider the advisability of providing computer industry market statistics?

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Statistics Canada reports that: It plans to compile some general information on the computer services industry from the 1971 Census of Merchandising and Services which will be conducted in 1972 and plans to initiate a separate survey covering the year 1972 to obtain more detailed market statistics.

PAN AMERICAN HEALTH ORGANIZATION

Question No. 1,817—**Mr. Macquarrie:**

1. Did Canada become a member of the Pan American Health Organization and, if so (a) on what date (b) what is the Canadian contribution toward the budget of the Organization (c) did Canada request that a smaller figure be set as its portion and, if so, what was the proposed amount and for what reason was it not accepted by the PAHO?

2. Of what other OAS agencies is Canada a member and in each case, what was our date of joining and what has been our annual contribution since joining?

3. Is it intended that Canada will seek membership in other OAS organizations and, if so, which ones?

Questions

4. Who comprised the Canadian delegation at the 20th annual PAHO meeting?

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. (a) Canada was admitted to membership in the Pan American Health Organization on September 27, 1971. (b) The Canadian contribution for 1971 will be U.S. $982,992. (c) Canada suggested to the Organization that the date of budgetary responsibility should correspond as closely as possible to the date of Canada's admission to full membership responsibility in the Organization. This principle, which Canada has advocated in other specialized agencies, would have involved payment of approximately 50 per cent of a full year's assessment. The Executive Committee of PAHO recommended Canadian membership on this basis but, at the same time, appealed to Canada to restudy the possibility of contributing a full quota for 1971 in view of the importance of the health programs for which it is intended. Responding to this appeal, Canada agreed, without prejudice to the principle of financial responsibility, to pay a full assessment for 1971 on the understanding that the additional funds thus made available in the present year would be used for health programs which the Directing Council of the Organization considered to be most urgent.

2. Canada has been a member of the following OAS specialized agencies since the dates indicated: (a) The Pan American Institute of Geography and History (PAIGH), August 15, 1961. Canada's annual payments since joining have been (in U.S. dollars): 1960-61, $9,150; 1961-62, $9,150; 1962-63, $9,800; 1963-64, $10,300; 1964-65, $14,900; 1965-66, $15,150; 1966-67, $15,150; 1967-68, $15,150; 1968-69, $15,150; 1969-70, $15,250; 1970-71, $15,250. (b) Pan American Health Organization (PAHO), September 27, 1971: Contribution for 1971, U.S. $982,992.

3. Canada has indicated its intention of seeking full membership in the Inter-American Institute of Agricultural Sciences and the Inter-American Indian Institute, both of which are OAS organizations. In addition Canada has indicated its interest in full membership in the Inter-American Development Bank and in a number of other inter-American institutions that are considered to be part of the inter-American system but are not organizationally linked with the OAS. Canada is already a member of a number of these organizations: the Inter-American Statistical Institute; the Postal Union of the Americas and Spain; the Inter-American Centre for Tax Administrators; the Centre for Latin American Monetary Studies.

4. The composition of the Canadian delegation at the 20th annual PAHO meeting was the following: the Hon. John Munro, Minister of National Health and Welfare, as Canadian Representative and head of the delegation; Alternate Representatives: Dr. Maurice Leclair, Deputy Minister (National Health), Mr. K. B. Williamson, Minister of the Canadian Embassy in Washington, and Dr. B. D. B. Layton, Principal Medical Officer, International Health, Department of National Health and Welfare; Advisers: Dr. Didier Dufour, Director, Institut National de la Recherche Scientifique—Santé, Centre de Bio-médecine, Laval University, Dr. Ernest Mastromatteo, Director, Environmental Health Services Branch, Ontario Department of Health, and Mr. L. Clark, First Secretary, Canadian Embassy in Washington.

[Mr. Macquarrie.]

DEFINITION OF A COMPUTER

Question No. 1,818—**Mr. Robinson:**

Has the government a satisfactory definition of a "Computer" and, if so, what is the definition and, if not, when will it have a definition?

Hon. C. M. Drury (President of the Treasury Board): Government refers to the definition of a computer established by The International Organization for Standardization. "A data processor that can perform substantial computation, including numerous arithmetic or logic operations, without intervention by a human operator during the run."

PEI—ESTABLISHMENT OF SECOND NATIONAL PARK

Question No. 1,823—**Mr. McQuaid:**

Is the government considering the establishment of a second National Park in Prince Edward Island and, if so (a) where will the Park be established (b) how many acres will be included within the Park area?

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): Yes. (a) In the vicinity of East Point. (b) The boundaries of the Park are still under negotiation but it is expected that the Park will cover an area of approximately 15 to 16 square miles.

DUTCH ELM DISEASE

Question No. 1,850—**Mr. Robinson:**

Will the government advise if the fungicide developed by the Forestry Service will be madde available to all Canadians to combat the Dutch Elm disease epidemic?

Mr. Eymard Corbin (Parliamentary Secretary to Minister of the Environment): Scientists of the Canadian Forestry Service have formed a team of research people to test a number of chemicals which have shown promise against the Dutch Elm disease fungus. The program is still in the research stage and when and if acceptable results are forthcoming, the materials and method of use will be made available to the Canadian public.

NEW BRUNSWICK—NEW NATIONAL PARK

Question No. 1,854—**Mr. MacLean:**

1. Has land acquisition for a new national park, along the Northumberland Strait, in the Province of New Brunswick been completed?

2. When is it planned to have the park in operation?

3. What will be the area of this park?

4. Has a name been selected for this park and, if so, what is it?

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): 1. No.

2. Operations will start in the Spring of 1972.

3. Approximately 85.75 square miles.

4. Yes. Kouchibouguac National Park.

FUNCTIONS OF THE MINISTRY OF STATE FOR SCIENCE AND TECHNOLOGY

Question No. 1,883—**Mr. Thomson:**

1. With reference to complaints that too many commercially feasible ideas have died in university or government labs, what

specific techniques is the Minister of State for Science and Technology considering for processing work done in such labs to test their commercial viability?

2. Does the Minister intend to use financial incentives or penalties in universities to channel technological research in specific areas and does he intend to encourage NRC to do so?

3. Does the Minister intend to contact provincial governments to avoid duplication of scientific research in Canada?

4. What approach does the Minister intend to make to the scientific community as to selection of specific areas of scientific research?

5. What financial or other incentives will be offered to skilled technical or scientific personnel in involving themselves in Canadian research, technical or business development?

Hon. Alistair Gillespie (Minister of State for Science and Technology): 1. None. The Ministry will not engage in any fundamental or applied research.

2. The Ministry itself is not one of those federal agencies involved in grants to universities. The Ministry will however be interested in the policies to be formulated for such grants which are related to Scientific and Technological activities.

3. The Ministry will establish liaison with provincial governments in areas of mutual interest relating to Science and Technology.

4. The Ministry is charged with responsibility for advising the government and assisting other government agencies in the determination of policy for the support of scientific research. In the exercise of that function there will be continuing close liaison with the scientific community.

5. The responsibility for offering financial and other incentives for the purposes mentioned rests with agencies of government other than the Ministry of State for Science and Technology.

FUNCTIONS OF THE MINISTRY OF STATE IN SCIENCE AND TECHNOLOGY

Question No. 1,884—**Mr. Thomson:**

1. What specific techniques does the Minister of State for Science and Technology intend to use to encourage technological innovation in industry (a) cash grants (b) loans (c) providing technical personnel (d) providing management personnel (e) providing sales personnel (f) other?

2. In the promotion of such innovations, at what stage will the responsibility of the Minister end?

3. How will the Minister involve other government departments in enabling infant industries to grow?

4. Does the Minister intend using such commercial protective devices as tariffs or quotas in support of such infant industries?

Hon. Alistair Gillespie (Minister of State for Science and Technology): 1. The Minister of State for Science and Technology will be concerned with advice to the government and assistance to other concerned federal agencies in the formulation of government policies with respect to the encouragement of technological innovation, specific techniques to be employed would be the responsibility of various federal agencies.

2. As noted in (1) the Minister is concerned primarily with advice to the government and assistance to other government agencies in the formulation of policy for the promotion of innovation.

3. As indicated by the question other government departments are directly concerned with support for new industries. The Minister of State for Science and Technology will be concerned with reviewing and recommending policies where appropriate for stimulating R & D in Canadian industry.

4. The Ministry will be interested in the government policy for tariffs and quotas relating to scientific and technological oriented new industries.

LOANS DISTRIBUTED IN ONTARIO 1970-71

Question No. 1,889—**Mr. Serré:**

How many (a) loans to small businesses (b) farm improvement loans (c) Industrial Development Bank loans were distributed in (i) Ontario (ii) the Sudbury district in 1970 and 1971?

Hon. E. J. Benson (Minister of Finance):

(i) Ontario

	1970		1971 (to 30 June)	
	No.	($000)	No.	($000)
Small Business Loans Act	317	3,121	201	2,213
Farm Improvement Loans Act	6,384	19,873	3,599	12,479

	Fiscal Year ended 30 Sept. 1970		Fiscal Year ended 30 Sept. 1971	
	No.	($000)	No.	($000)
Industrial Development Bank	978	46,490	1,216	49,723

(ii) Information is not available by areas within provinces.

SCIENCE AND TECHNOLOGY—CO-OPERATION OF VARIOUS DEPARTMENTS IN RESEARCH PROGRAMS

Question No. 1,891—**Mr. Thomson:**

1. By what specific method does the Minister of State for Science and Technology intend to obtain the cooperation of various departments in research programs such as (a) telecommunications by satellite (b) marine research (c) defence projects (d) pollution and environment control (e) medical research?

2. Does the Minister intend to use the cost-benefit method in assessing scientific research programs undertaken by departments?

Hon. Alastair Gillespie (Minister of State for Science and Technology): 1. Research programs in the areas mentioned are as the question indicates the responsibility of various departments other than the Ministry of State for Science and Technology. The latter Ministry will of course be assisting those departments and advising the government on such research programs.

2. Techniques including cost-benefit analysis will be used in studies undertaken by the Ministry for the purposes of assisting in the formulation of policies for scientific research.

Questions

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY—SALARIES OF STAFF

Question No. 1,906—**Mr. Dionne:**

1. What is the salary of the Chairman and of each of the Vice-Chairmen of the Canadian International Development Agency?

2. What is the salary of each person employed by this Agency?

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. (a) The salary range for the President of the Agency is from $37,500 p.a. to $42,000 p.a. (b) The Executive Vice-President is receiving a salary in the range of $26,000 p.a. to $32,500 p.a. (c) Three Vice-Presidents are receiving salaries in the range of $23,500 p.a. to $29,000 p.a. (d) One Vice-President is receiving a salary in the range of $20,200 p.a. to $27,000 p.a.

2. Please refer to the attached appendix for the answer to this item:

Number of Employees	Earning an annual salary between the salary range of:
10	from $ 3,836 to $ 4,677
8	$ 3,277 to $ 4,893
6	$ 4,174 to $ 4,911
25	$ 4,859 to $ 5,340
31	$ 5,225 to $ 5,741
18	$ 4,007 to $ 5,992
1	$ 5,521 to $ 6,068
3	$ 5,790 to $ 6,363
46	$ 5,936 to $ 6,523
23	$ 6,358 to $ 6,989
62	$ 6,388 to $ 7,021
13	$ 7,105 to $ 7,810
81	$ 7,139 to $ 7,846
2	$ 6,468 to $ 8,187
1	$ 8,146 to $ 8,826
21	$ 8,161 to $ 8,967
1	$ 8,260 to $ 9,227
30	$ 6,780 to $ 9,240
2	$ 7,924 to $ 9,437
6	$ 8,862 to $ 9,738
1	$ 8,816 to $ 9,851
1	$ 8,776 to $ 9,945
2	$ 6,905 to $10,162
29	$ 8,940 to $10,162
1	$ 9,297 to $10,217
2	$10,441 to $10,823
13	$ 9,569 to $10,873
52	$ 9,867 to $11,211
1	$10,135 to $11,514
2	$10,180 to $11,550
2	$10,227 to $11,623
8	$10,500 to $11,931
34	$11,131 to $12,649
2	$11,340 to $12,930
1	$11,198 to $13,123
3	$12,572 to $14,289
3	$12,585 to $14,304
2	$14,400 to $14,550
3	$12,660 to $14,550
2	$12,998 to $14,770
51	$13,403 to $15,229
1	$14,230 to $16,150
5	$14,545 to $16,528
2	$14,889 to $16,918
1	$15,261 to $17,342
1	$15,730 to $17,877
19	$16,068 to $18,260
4	$16,350 to $18,570
5	$16,751 to $19,032
1	from $17,280 to $19,635
1	$17,919 to $20,363
1	$15,236 to $20,557
1	$17,400 to $20,900
1	$19,084 to $21,322
1	$19,686 to $22,371
1	$19,900 to $22,700
2	$20,100 to $22,900
8	$19,100 to $22,900
2	$19,200 to $22,900
1	$20,200 to $22,900
1	$20,750 to $23,278
9	$21,000 to $26,500
1	from $22,000 to $27,250
4	$23,500 to $29,000
1	$26,000 to $32,500
1	$37,500 to $42,000
1	$20,200 to $27,000
6	$ 4,045 per annum
3	$ 5,372 per annum

Grand Total 690 employees as of October 1st 1971.

IDB INVOLVEMENT WITH CARTIER REFINERIES LTD.

Question No. 1,928—**Mr. MacDonald (Egmont):**

What is the involvement, if any, of the Industrial Development Bank in the financing of the purchase of shares of Cartier Refineries Limited of Québec?

Hon. E. J. Benson (Minister of Finance): It has not been the practice, nor is it appropriate for the Industrial Development Bank to make public information concerning individual accounts or applicants.

CANADIAN CASUALTIES IN WARS

Question No. 1,992—**Mr. Robinson:**

How many casualties did Canada have in each of (a) the Boer War (b) the First World War (c) the Second World War (d) the Korean War?

Hon. Jean-Eudes Dubé (Minister of Veterans Affairs): (a) South African War Deaths 170 Wounded Information not available (b) World War I Deaths 59,750 Wounded 138,166 (c) World War II Deaths 42,042 Wounded 54,414 (d) Korean Campaign Deaths 516 Wounded 1,211.

[*English*]

ORAL QUESTION PERIOD

ENERGY

PARTICIPATION BY PROVINCES IN TALKS WITH UNITED STATES—CONSULTATION BEFORE SUSPENSION

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask a question of the Acting Prime Minister. In view of statements over the weekend by the Premier of Alberta, has the government of Canada invited an official observer from Alberta or, indeed, any

other province, to sit in on the United States-Canada energy talks?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, as the Leader of the Opposition may recall, the Prime Minister said some weeks ago that because of the pressure of other matters these conversations are not proceeding at the present time.

Mr. Stanfield: Mr. Speaker, I would like to ask the Acting Prime Minister whether, at the time of that decision to which the hon. gentleman referred, the government of Canada consulted with any of the provinces, especially those provinces particularly interested in energy or the export of energy?

Mr. Sharp: Mr. Speaker, I am not quite sure what we would have consulted about. The talks are not going on at the present time. When they are resumed, of course we will be welcoming the views of any government or of any group in the country that may wish to give us its views on the question of energy.

Mr. Baldwin: What about the views of the Official Opposition?

Mr. Sharp: We hear those freely. We do not have to ask for them.

Mr. Stanfield: Mr. Speaker, I would hope the hon. gentleman understood that I was asking whether there had been consultation before the government of Canada took the decision to discontinue the talks. In view of the reason given for the discontinuance of the talks at that time, namely, that the government did not have the wherewithal, the personnel or the time to arrive at a decision, is the government considering seeking the assistance of some of the provinces in providing some of the personnel to help the overburdened members of the government?

Mr. Sharp: Mr. Speaker, I am sure the Leader of the Opposition would expect the government of Canada to take its responsibility for its decisions and would not want to pass these responsibilities on to any province. However, we would of course welcome the views of the province of Alberta, the provinces of Saskatchewan, British Columbia or any others that are vitally interested in this question.

SUGGESTED ESTABLISHMENT OF LIAISON GROUP OF FEDERAL AND PROVINCIAL OFFICIALS IN WASHINGTON—APPROVAL OF GAS EXPORT APPLICATION

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, in light of what the Acting Prime Minister has said and in light of the fact that exports of crude petroleum and natural gas are so important to our balance of trade with the United States, has any agreement been reached with the Premier of Alberta on the establishment of a permanent joint trade committee group in Washington, made up of federal and provincial advisers and liaison officers, to discuss the problem continuously and to assure and guarantee the continuation of the trade that now exists and the acceleration of trade which is needed by Canada?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I know the hon. gentleman is familiar with the fact that there has always been the closest consultation among the government of Canada, the government of Alberta and other provincial governments that are concerned with gas and oil before decisions are taken by the government of Canada. I do not think it would be proper for us to ask any province, whether Alberta or Quebec, to share in the responsibility for the foreign policy of Canada.

Mr. Woolliams: In light of the fact that the Minister of Energy, Mines and Resources is not here—I make nothing of that because he is ill—can the Acting Prime Minister tell us whether the National Energy Board has approved an application for the export of two trillion cubic feet of natural gas spread over a number of years, which export would be important to our trade? Has approval been given, and are discussions going on in Washington at the present time in reference to their energy needs?

Mr. Sharp: Mr. Speaker, the National Energy Board has been given the responsibility by an act of Parliament to make decisions on these matters. We have not yet been informed about the decision of the board in this case, and I am sure the hon. gentleman would not wish us to interfere with that process.

GOVERNMENT POSITION RESPECTING CONTINENTAL POLICY

Mr. Frank Howard (Skeena): Mr. Speaker, I wish to direct a supplementary question to the Acting Prime Minister. Inasmuch as the Premier of Alberta has endorsed the concept of a continental energy policy, may I ask whether the federal government is going to endorse that concept and press that particular position in discussions with the United States?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I have not had an opportunity to speak with the government of Alberta to determine whether that is its view. The policy of the Canadian government is to get the maximum benefit out of the energy exchanges that take place between the United States and Canada, and that does not necessarily denote a continental energy policy.

Mr. Stanfield: Mr. Speaker, arising out of the minister's suggestion that the government of Canada would exercise its own responsibilities in reply to the question whether there had been consultation with the provinces prior to discussions being broken off, is it the position of the Acting Prime Minister that it is inconsistent with the exercise and discharge of its responsibilities for the government to consult with the provinces?

• (2:20 p.m.)

Mr. Sharp: No, Mr. Speaker. We always consult with the provinces.

Mr. Speaker: Order, please. I would not think that the question is in order. The hon. member for Timiskaming.

Inquiries of the Ministry

COMMUNICATIONS

BELL CANADA RATE INCREASE APPLICATION—TRANSPORT COMMISSION STATUTE—SUGGESTED REFERENCE TO STANDING COMMITTEE

Mr. Arnold Peters (Timiskaming): I have a question for the Acting Prime Minister. In view of the latest application by Bell Canada for an increase in rates, will this whole subject matter be referred to the Standing Committee on Transport and Communications for investigation?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, here again we have the Canadian Transport Commission which is responsible for dealing with these applications, and I would not want to prejudge its decision.

Mr. Peters: In light of the fact that in the last five years Bell Canada has made three successful applications to the CTC, will the Acting Prime Minister agree to refer the subject matter of the CTC legislation to the Standing Committee on Transport and Communication as there is obviously some difficulty when the company has to make that many applications in a short period of time for such large increases?

Mr. Sharp: No, Mr. Speaker, we are not contemplating any action of that kind.

BELL CANADA RATE INCREASE APPLICATION—CONSIDERATION BY PRICES AND INCOMES COMMISSION

Mr. James A. McGrath (St. John's East): I have a supplementary question for the Minister of Consumer and Corporate Affairs, Mr. Speaker. Has the application of Bell Canada to the Canadian Transport Commission been referred to the Prices and Incomes Commission for their consideration?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): No, Mr. Speaker.

Mr. McGrath: In view of the inflationary aspect of the proposed increase, will the minister ask the Prices and Incomes Commission to look into it?

Mr. Basford: It seems to me that the appropriate body to look into it at the moment is the CTC.

Mr. McGrath: A further supplementary—

Mr. Speaker: Order, please. The Chair will recognize the hon. member for St. John's East for a second supplementary and then recognize the hon. member for Témiscaminque.

Mr. McGrath: Will the Prices and Incomes Commission present a brief or appear before the CTC to argue that this proposed increase is inflationary?

Mr. Basford: Mr. Speaker, we would trust that the CTC is aware of economic conditions in the country.

Some hon. Members: Oh, oh!

An hon. Member: Who is not?

Mr. Woolliams: That is one time you do not stand alone, Ron.

[Mr. Speaker.]

[*Translation*]

EXTERNAL AFFAIRS

TRADE WITH RUSSIA AND COMMUNIST CHINA—UNITED STATES REACTIONS

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a question for the hon. Secretary of State for External Affairs.

In view of his statement last night on some television stations to the effect that the government intended to deal normally with the United States, I should like to ask the minister whether the United States government has made its reactions known to Canada's expressed intention to gear its trade increasingly to the Russian-Chinese Communist bloc?

[*English*]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the United States, like ourselves, is engaged in very actively promoting trade with both China and the Soviet Union.

[*Translation*]

Mr. Caouette: I should like to put a supplementary question, Mr. Speaker.

Does the minister mean that the United States approve the action of the Canadian government with regard to Communist China and the USSR? Is that what the minister means?

[*English*]

Mr. Sharp: Mr. Speaker, we do not require the approval of any other government for our actions. All I am saying is that the United States to some extent seems to be following our example.

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HUMAN RIGHTS

DISMISSAL OF RON HAGGART BY TORONTO "STAR"—INVESTIGATION BY LAW OFFICERS OF POSSIBLE VIOLATION OF BILL OF RIGHTS

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my question is directed to the Minister of Justice and concerns the former Toronto *Telegram* columnist, Ron Haggart, who wrote an article in support of a political party to which I do not belong, but that does not alter the question of principle. He was subsequently hired by the Toronto *Star* and when it was ascertained that he had written this article he was removed as a potential member of the staff. In view of the fact that freedom of the press generally speaking, though with limitations, and freedom of speech fall within the general ambit of parliamentary government and therefore under the authority of the Parliament of Canada, will the minister have the law officers of the Crown look into the action that was taken towards Mr. Haggart with a view to ascertaining whether what took place constituted a flagrant disregard of freedom within the meaning of the Bill of Rights?

An hon. Member: You are out of court.

Hon. John N. Turner (Minister of Justice): Mr. Speaker, it is open, of course, to Mr. Haggart to consider his own remedies before the courts. However, I will inquire into the matter to see whether there is anything that I might properly do.

Mr. Diefenbaker: Mr. Speaker, I am not sure that I accept the premise of that answer which was more in the form of a brush-off. Do I have the minister's assurance that he will secure the opinion of the law officers of the Crown? Am I right in that?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, the right hon. gentleman has that assurance.

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UNEMPLOYMENT INSURANCE

NECESSITY FOR MINER TO TAKE COURT ACTION—REVIEW BY LAW OFFICERS

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, my supplementary question arises out of the minister's answer with respect to the opportunity for an individual to go before the courts. May I ask the minister if he has reviewed the situation in which a Cape Breton miner has had to go to court to fight the government, despite the fact that the Crown corporation has admitted violating section 35 of the bill passed by this Parliament and section 58 of the Unemployment Insurance Act and despite the fact that in the Standing committee on Justice and Legal Affairs they admitted, as recorded in the committee evidence, that coercion was used with respect to unemployment insurance collections?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I have asked the law officers to review the evidence before the Standing Committee on Justice and Legal Affairs so that I will be in a position to have a talk with the hon. member.

* * *

COMPETITION BILL

PRIOR CONSULTATION WITH PROVINCES ON PREPARATION—SUGGESTED REFERENCE TO SUPREME COURT AS TO LEGALITY

Mr. G. W. Baldwin (Peace River): Mr. Speaker, may I ask the Minister of Consumer and Corporate Affairs a question. Since the new competition act appears to intrude into several areas of provincial jurisdiction—

An hon. Member: Order.

Mr. Baldwin: —was this bill prepared in consultation with the provinces and is it the intention of the government to seek an amendment to the British North America Act on which to found jurisdiction?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): Mr. Speaker, the provinces were asked to comment on the legislation some time ago.

Mr. Baldwin: Will the government take the opportunity to submit this bill or parts of it to the Supreme Court of Canada on a reference as to its legality before the legislation is implemented?

Mr. Basford: Mr. Speaker, there is no question of its legality. Surely the court would be entitled to have Parliament decide the issue first.

ALLEGED CONFLICT BETWEEN PRINCIPLES OF BILL AND NATIONAL TRANSPORTATION ACT—CONSULTATION WITH TRANSPORT COMMISSION

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, may I direct a supplementary question to the Minister of Consumer and Corporate Affairs. Has the minister or anyone in his department consulted with the chairman of the Canadian Transport Commission or with anyone else on that commission in order to resolve the apparent conflict between the principles underlying the competition bill and the National Transportation Act which was passed by this Parliament?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): Mr. Speaker, I am not aware of the conflict to which the hon. member refers. Of course in drafting the competition bill cognizance was taken of existing acts that had been passed by parliament.

Mr. Nowlan: Am I to understand from the minister's answer that there has been no consultation whatsoever between his department and the chairman or officials of the Canadian Transport Commission with respect to the competition bill in order to resolve some of the apparent conflicts between the bill and the National Transportation Act?

Mr. Basford: Mr. Speaker, I would refer the hon. member to section 92 of the bill. The effects of other legislation are taken into account in section 92.

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PENSIONS

OLD AGE SECURITY—INQUIRY AS TO INCREASE AND LOWERING OF ELIGIBLE AGE

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of National Health and Welfare. In view of the statement made several times by the minister during the debate last December on the Old Age Security Act to the effect that the basic amount of pension under that act was not necessarily frozen at $80 but could be increased by Parliament, is the minister, in view of the needs of our pensioners, now considering an increase in that basic amount?

Hon. John C. Munro (Minister of National Health and Welfare): Not at this time, Mr. Speaker.

Mr. Stanfield: This may be your last chance, John.

Mr. Knowles (Winnipeg North Centre): A supplementary question, Mr. Speaker. Then is the minister consider-

ing the lowering of the eligible age for those who are prepared to retire from the labour market?

Mr. Munro: Mr. Speaker, as we indicated, I believe in our white paper on income security, we see this as a future trend. In terms of immediate action the government does not have any plans at this time.

Mr. Knowles (Winnipeg North Centre): A further supplementary question, Mr. Speaker. Will the minister define "future"?

Mr. Speaker: Order, please.

Mr. Baldwin: It is something this government has not got.

Mr. Speaker: Perhaps this matter might be considered at the time of adjournment.

Mr. Knowles (Winnipeg North Centre): Ten o'clock, Mr. Speaker.

• (2:30 p.m.)

[*Translation*]

Mr. Speaker: Does the hon. member for Témiscamingue wish to put a supplementary question?

Mr. Réal Caouette (Témiscamingue): Yes, Mr. Speaker. I should like to direct a question to the Minister of National Health and Welfare.

In view of the monthly increase of 42 cents granted to pensioners, does the minister not agree that another 42 cent increase should now be granted.

Mr. Speaker: This is a suggestion rather than a question.

[*English*]

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TRADE

POSSIBLE UNITED STATES IMPORT SURTAX INCREASE AND EXCISE TAX ON CANADIAN AUTOMOBILES—CONTINGENCY PLAN

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I have a question for the Minister of Finance. In view of the recommendation of the United States Senate committee on finance dealing with a possible increase in the United States surcharge and an excise tax on Canadian autos, has the government developed any contingency plan in the event that some or all of these proposals become law?

Hon. E. J. Benson (Minister of Finance): As I have indicated, Mr. Speaker, it is very unlikely that they will become law, but we are considering the matter.

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EXTERNAL AFFAIRS

INDIA—ASSISTANCE FOLLOWING TIDAL WAVE—AID TO REFUGEES

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, I should like to ask the Secretary of State for External Affairs if the government has yet made up its mind on what form of aid it will give to India in respect of the tragedy at Orissa and, further, if the president of CIDA has brought forth any recommendations on the broader question which the government will follow?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, we have not definitely decided on the form of aid to give. In fact, I am awaiting the return of Mr. Gerin-Lajoie so we can talk about that question as well as the more general question of aid to the refugees.

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AIR TRANSPORT

USE OF FRENCH LANGUAGE BY TRAFFIC CONTROLLERS IN QUEBEC—REQUEST FOR INVESTIGATION

Mr. Cliff Downey (Battle River): In the absence of the Minister of Transport I will direct my question to the Acting Prime Minister. It arises out of the concern expressed in Edmonton last week by Dick Campbell, president of the Air Traffic Controllers Association, over the use of the French language at three air control towers in the province of Quebec. Can the Acting Prime Minister assure the House that, in view of several near accidents because of language difficulties, the situation will be investigated and reported upon to the House?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I cannot vouch for the accuracy of these reports, but this is a very serious matter and I will draw it to the attention of the minister and ask him if he can report to the House.

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NATIONAL DEFENCE

REPORTED CLOSING OF CANADIAN ARSENALS BRANCH IN ETOBICOKE

Mr. W. B. Nesbitt (Oxford): My question is for the Minister of Supply and Services but in his absence I will direct it to the Acting Prime Minister. Is the government in a position to provide the House with information concerning the reported closing by the end of this year of a branch of Canadian Arsenals in the borough of Etobicoke, near Toronto, and the consequent laying-off of 150 skilled men and women and sending of the arms contract to the United States?

Hon. Mitchell Sharp (Acting Prime Minister): I will take notice of this question, Mr. Speaker.

[*Later:*]

Mr. Sharp: Mr. Speaker, have I the permission of the House to answer a question asked previously? It is not an answer of substance, I can assure you, Mr. Speaker, but simply to say that the question of which I took notice was answered on Friday, as recorded at page 9370 of *Hansard*.

GRAIN

ALLEGED LOSS OF SALES BECAUSE OF LACK OF TRANSPORT FACILITIES

Mr. A. P. Gleave (Saskatoon-Biggar): May I direct my question to the minister in charge of the Canadian Wheat Board. In view of a statement by Mr. Gibbings, one of the board's commissioners, to a meeting of the United Grain Growers that the Canadian Wheat Board has passed up sales of grain because of lack of transport, can the minister tell the House the extent of the lost sales and what steps are being taken to correct the situation?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the statement, of course, refers to certain specific months as the wheat board is still selling grain. Certainly sales volumes for some months are so monumental that the capacity of our transportation facilities are strained to the maximum. We have been studying the transportation facilities for some time and are now in a position to begin to make some decision on those things necessary to have additional facilities as we are confident sales will go even higher in the near future.

Mr. Gleave: I am impressed by the generalities, Mr. Speaker, but may I ask a further question? In view of the statements by the Alberta Wheat Pool that No. 2 wheat is not in position for boats which will be arriving shortly for loading—indeed, they were referring to last week—can the minister give any assurance that this grain will be in position and available for loading?

Mr. Lang: Mr. Speaker, since something like 35 million bushels of grain went out of elevators toward Thunder Bay and Vancouver last week, I think the hon. member might get the impression that the block system is capable of bringing grain forward. Of course the whole point of the management of the block system is to attempt to bring grain requirements forward for the boats which are arriving. When we get to the very peak of our handling capacity there are times when there may be slight delays, but everything is being done to keep our terminal facilities running to the maximum.

SALE BY UNITED STATES TO RUSSIA—REASON FOR WHEAT BOARD NOT GETTING CONTRACT

Right Hon. J. G. Diefenbaker (Prince Albert): My question to the minister is supplementary in a way to the answer he gave a moment ago regarding the difficulty in securing the necessary shipping space and the like which is interfering with the sale of grain abroad. Will the minister explain whether it was because of a shortage of such facilities as transportation that in the past few days the U.S.S.R. has made its first purchase of grain from the United States in seven years, 28 million bushels of barley and 21 million bushels of oats? Did the Wheat Board have an opportunity to make this sale or is this turn of events the result of Kosygin's visit to Canada?

Mr. Speaker: Order, please.

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, the Wheat Board, of course, had discussions with the Russians concerning this grain sale as in regard to others. As far as this sale in concerned, it was associated with a very large movement of corn to the U.S.S.R. which we did not have available. As far as barley is concerned, I might say that the Wheat Board has reached the point where it is not sure that it can sell any more barley because most of the barley that has been grown has in fact been sold.

Mr. Diefenbaker: A supplementary question.

Mr. Speaker: Order, please. The right hon. member will be recognized for a supplementary and then the hon. member for Skeena.

Mr. Diefenbaker: Will the minister give the figures for barley? He usually presents figures such as he has been using in the Assiniboia by-election but not the facts.

Mr. Speaker: Order, please.

Mr. Frank Howard (Skeena): Because of the great expectation of increased grain sales in the years ahead to which the minister just referred, would he mind putting his money where his mouth is and taking steps to increase the elevator capacity at Prince Rupert so that—

Mr. Speaker: Order, please.

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CANADIAN BROADCASTING CORPORATION

EXTENSION OF TELEVISION COVERAGE TO NORTHERN NEWFOUNDLAND

Mr. Jack Marshall (Humber-St. George's-St. Barbe): My question is for the Secretary of State. Will the minister investigate the reasons for continuous delays in extending CBC television coverage to parts of northern Newfoundland which have been denied this facility, and will he consider requesting the cabinet to include such a project for immediate action under the federal work-intensive projects?

• (2:40 p.m.)

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, both questions are presently under study, a very close examination which will allow the Canadian Broadcasting Corporation to answer the hon. member's question and satisfy his curiosity. Far from being neglected, this question is under intensive study at the present time.

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[*English*]

MANPOWER

LOCAL INITIATIVES PROGRAM—PROJECTED MAN-MONTHS OF EMPLOYMENT—REGIONAL OR PROVINCIAL BREAKDOWN

Mr. G. H. Aiken (Parry Sound-Muskoka): My question is for the Minister of Manpower and Immigration. Is the minister now able to give a specific projection of the number of man-months of employment that will be pro-

vided by the local initiatives plan this winter and, if so, will he be making a statement in the House?

Hon. Otto E. Lang (Minister of Manpower and Immigration): As I indicated earlier, Mr. Speaker, we do not intend to make such a projection, although as projects are approved I may be in a position to report the number of jobs and man-months involved. We simply do not intend to make a projection because the quality of the projects will determine that. Of course, there will be some tremendous indirect jobs created as well as the jobs created directly.

Mr. Aiken: In view of a statement that was attributed to the minister in a speech in the Maritimes recently, will he be able to give a breakdown of the regional or provincial figures on the local initiatives plan?

Mr. Lang: Again, as was indicated in that same discussion with the press in the Maritimes, the intention is to use the allocations under the local initiatives plan to some extent to balance the allocations leading to employment under the various other parts of the special employment program rather than to make a final total initial allocation. I indicated that those areas which had the highest rates of unemployment should ordinarily expect the highest proportion of the amounts of money under the local initiatives program.

Mr. Aiken: One further supplementary—

Mr. Speaker: Order, please. We are running short of time. There are a number of hon. members seeking an opportunity to ask questions. If we have too many supplementaries we will get into difficulty. The Chair will recognize the hon. member for Parry Sound-Muskoka and the the hon. member for Gander-Twillingate.

Mr. Aiken: In view of the minister's answer, will the acceptance of applications under the program in any way be related to regional allocation or will they be strictly according to the prerequisites set down in the application form?

Mr. Lang: They will all have to meet the criteria set down for applications. We anticipate more eligible applications than we can possibly approve, and in the approval of applications some attention will be paid to the distribution of unemployment, because we are attempting through this program to put to work as many as possible of those now unemployed.

Mr. Baldwin: Where are you going to put Hooker?

LOCAL INITIATIVES PROGRAM—NUMBER OF PROJECTS APPROVED—NEWFOUNDLAND CO-ORDINATOR

Mr. John Lundrigan (Gander-Twillingate): Having in mind the brevity of the program, can the minister tell the House how many projects have been approved to date and, second, who is the co-ordinating officer for the province of Newfoundland since the former co-ordinating officer, the executive assistant to the previous premier, obviously should have been replaced—

Mr. Speaker: Order, please. Perhaps the hon. member will allow the Chair to comment on the question he has asked. The hon. member asks who is the co-ordinator for one province. I would think a question of that kind should not be asked during the question period but should be asked in writing. If the hon. member thinks it is urgent that the information be provided, a reply could be secured by raising the matter at the time of adjournment.

Mr. Lundrigan: Mr. Speaker, the first part of my question related to the number of projects that have been approved. As to the second part, may I say that 230 municipalities are wondering to whom they should apply.

Mr. Speaker: Order, please. There is no point in discussing the matter. The Chair has made a ruling. If there is urgency and the hon. member thinks he is right, as he possibly is, he knows he has recourse under the rules in that he may come back and discuss the matter at the time of the adjournment. However, I appreciate that the first part of the question might invite comment from the minister.

Hon. Otto E. Lang (Minister of Manpower and Immigration): At this moment, as far as I know, no projects have been approved. We were hoping to assess a certain group of applications before approving the first one. But it should not be very long now before the first approvals are accorded.

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GRAIN

ALLEGED LACK OF BOXCARS—POSSIBLE APPOINTMENT OF TRANSPORT CONTROLLER

Mr. John Burton (Regina East): Mr. Speaker, my question is directed to the minister responsible for the Canadian Wheat Board. It relates to the question asked by my hon. friend from Saskatoon-Biggar and the response which was given by the minister. In view of reports that the response of the railways to the block system of shipping grain has been to withdraw boxcars from grain movement, is the government giving consideration to the appointment of a transport controller to deal with the problems which have arisen?

Hon. Otto E. Lang (Minister of Manpower and Immigration): As far as the movement of grain is concerned the co-ordinator of the block system in Winnipeg plays an important role. We now have co-ordinators at both terminals. In fact, the levels of grain both at Thunder Bay and at Vancouver have been perfectly adequate to sustain the record movement of grain.

Mr. Burton: Is the minister taking issue with the comments which were made by Mr. Gibbings?

Mr. Speaker: Order, please. This is debate.

EFFECT OF SMALLER STOCKS OF FEED GRAINS IN SHIPPING POSITIONS ON SALES

Mr. Cliff Downey (Battle River): My question is also directed to the minister responsible for the Wheat Board. It arises out of a Canadian Livestock Feed Board report, "Grain Facts", indicating that stocks of feed grain in

eastern terminal positions are down by 8½ million bushels compared with a year ago. Can the minister assure us that this decline of stocks in shipping positions will not jeopardize our sales?

Hon. Otto E. Lang (Minister of Manpower and Immigration): These stocks relate to an altogether different series of sales, but I can assure the hon. member that when the board indicated the other day a quota of between 20 and 25 bushels for barley this year they are bearing in mind the likely needs for feed grain in central and eastern Canada.

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[*Translation*]

MANPOWER

LOCAL INITIATIVES PROGRAM—APPROVAL OF PROJECTS—DISCUSSION WITH QUEBEC AUTHORITIES

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a supplementary question for the hon. Minister of Manpower and Immigration.

In view of the statement made by Mayor Desrosiers, president of the Quebec Association of Mayors and Municipalities, to the effect that the winter works program is a little late and insufficient, is the minister in a position to tell us if decisions have been arrived at in co-operation with the Quebec authorities in order that these works be authorized as soon as possible, and when will that be?

[*English*]

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, it has been our objective in the case of each of the provinces to secure the maximum co-operation with the provincial co-ordinator appointed so that applications received that seem to be desirable from their point of view can come forward to us for approval very promptly. I believe we have established this kind of co-operation with all the provinces, so I do not anticipate a great deal of delay in this area.

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FEDERAL-PROVINCIAL CONFERENCE

SUGGESTED OPEN SESSIONS AT FORTHCOMING MEETINGS

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, now that the Premier of Alberta has suggested he will be calling for part, at least, of the conference of first ministers to be open to the press and television, is it the intention of the government to support this suggestion?

Hon. Mitchell Sharp (Acting Prime Minister): I would have thought this would depend upon the views of all the first ministers, including the premiers of all the provinces of Canada. We certainly would not wish the conference to be open if that were opposed by any of the first ministers.

THE CANADIAN ECONOMY

POSSIBLE RESTRICTIONS ON FOREIGN-CONTROLLED INVESTMENT FIRMS

Mr. P. V. Noble (Grey-Simcoe): Mr. Speaker, I wish to address a question to the Minister of Finance. Are restrictions of any kind to be imposed on foreign-controlled investment firms?

Mr. Speaker: Order, please. I would think the question should be more specific. The hon. member is asking a question of such a general nature that I doubt whether it is in order at this time.

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INDUSTRIAL DEVELOPMENT BANK

FAILURE TO REDUCE INTEREST RATES ON LOANS—DISCUSSION WITH BANK OF CANADA GOVERNOR

Mr. A. D. Hales (Wellington): Mr. Speaker, I should like to direct a question to the Minister of Finance. Maybe this will be more specific. In view of the reduction in interest rates by the banks, trust companies and other lending institutions, can the minister tell us whether he has discussed with the governor of the Bank of Canada the failure of the Industrial Development Bank to reduce its lending rates?

Hon. E. J. Benson (Minister of Finance): The I.D.B. rates come up for review periodically. I will discuss this matter with the governor of the bank; I have not done so up to this point. As hon. members know, bank rates have been decreasing in Canada over the past short period, encouraged by a reduction in the Bank of Canada rate. I will take this particular matter up with the I.D.B. I imagine there has been no consideration of the matter because the board has not met.

ALLEGED FAILURE TO FULFIL RESPONSIBILITIES—POSSIBILITY OF LEGISLATION

Mr. John Lundrigan (Gander-Twillingate): In view of complaints that the Industrial Development Bank is not fulfilling its legislative responsibilities, can the Minister of Finance say whether any steps are being taken to ensure that the I.D.B. responds more fully to the needs of the economy and whether any legislative steps are contemplated shortly to make it more functional in present Canadian conditions?

Hon. E. J. Benson (Minister of Finance): I completely deny the allegation. The Industrial Development Bank has hundreds of millions out on loan to people in Canada who could not obtain loans from other sources. The bank has also been increasing its loans proportionately more in the developing areas of Canada—

Mr. Speaker: Order, please. I suggest to the minister and the hon. member that this is debate. We are running short of time.

Inquiries of the Ministry

HEALTH

LIST OF DRUGS SENT TO FAMILY ALLOWANCE AND OLD AGE RECIPIENTS—ACCURACY OF INFORMATION

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I should like to address a question to the Minister of National Health and Welfare. Will the hon. gentleman table the details of the survey which was recently conducted by his department, the results of which were sent to recipients of family allowance and old age supplement cheques in the form of a list of drugs which might have harmful side effects?

Hon. John C. Munro (Minister of National Health and Welfare): I believe the list to which the hon. member has referred was a list of comparative prices. It did not ask questions nor request replies.

Mr. Rynard: Has the minister reviewed the accuracy of this information with the provinces and the medical profession?

Mr. Munro: We are certainly satisfied that the information we gave on the inserts is accurate.

RESEARCH ON EFFECTS OF POLYCHLORINATED BIPHENYLS ON HUMANS AND ENVIRONMENT

Mr. Randolph Harding (Kootenay West): Mr. Speaker, I have a question for the Minister of National Health and Welfare. Is the department carrying on research into the polychlorinated biphenyls, or PCBs, to determine their effects both on human health and on the environment? If so, when will reports on this research be available?

Mr. Speaker: It is difficult for the Chair to determine whether this is an urgent matter. It may very well be but it seems to me that perhaps it is not. The minister might be allowed to reply briefly, though I am inclined to think that normally that kind of question should be placed on the order paper.

• (2:50 p.m.)

Hon. John C. Munro (Minister of National Health and Welfare): I shall be pleased to look into the matter, Mr. Speaker.

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GRAIN

WHEAT—CHANGES IN PRICING TO ENABLE WESTERN MILLERS TO COMPETE IN EXPORT MARKETS

Mr. Stan Schumacher (Palliser): Mr. Speaker, my question is for the Minister of Manpower and Immigration in his capacity as minister responsible for the Wheat Board. Is the minister contemplating any changes in the pricing of wheat whereby millers in western Canada will be put in a position to compete in export markets in order to maintain and, if possible, increase Canada's share of the world's flour market?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Mr. Speaker, millers who export flour do, of course, have consideration given to them and are not subject in relation to that portion of their purchases to the $1.95½ higher price, that is put on wheat used for human consumption in Canada.

[Mr. Speaker.]

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CANADA LABOUR CODE

INQUIRY AS TO DEBATE ON BILL

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, in order that I may respond to people who have asked me the question, may I ask the Minister of Labour when he expects to bring forward for debate the bill to amend the Canada Labour Code?

Hon. Bryce Mackasey (Minister of Labour): I hardly think at this session, Mr. Speaker. I gather from the House leader that by the time the tax reform bill has been completed and other items now at second reading or report stage, this bill will probably have to be carried over to the new session.

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[*Translation*]

FINANCE

SUGGESTED LOW-INTEREST LOANS TO PROVINCES AND MUNICIPALITIES BY BANK OF CANADA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Minister of Finance.

As the Bank of Canada recently lowered its interest rate to 4-3/4 per cent, can he tell us why provinces and municipalities still have to borrow at rates of 9, 9½ or 10 per cent and whether they could avail themselves of the services of the Bank of Canada which grants loans at 4-3/4 per cent?

Mr. Speaker: I have serious reservations about that question. In any event, the minister may perhaps answer it briefly.

[*English*]

Hon. E. J. Benson (Minister of Finance): First of all, Mr. Speaker, I disagree with the rates quoted by my hon. friend. Second, the rates at which particular borrowers may borrow in the market for particular periods of time are determined by the market.

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CANADIAN NATIONAL RAILWAYS

PROGRESS IN DETERMINATION OF CASE INVOLVING REFUSAL TO PAY FEDERAL MINIMUM WAGE IN HOTELS

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to ask the Minister of Justice whether a decision has yet been taken with respect to the application of the minimum wage laws of this Parliament to Canadian National hotels. The minister will recall that prior to the summer recess this matter was placed before the courts by Canadian National hotels.

Hon. John N. Turner (Minister of Justice): Mr. Speaker, through our counsel I have again asked the Alberta Supreme Court to give a preferential hearing to this matter in order to get a decision as early as possible.

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EXTERNAL AFFAIRS

PROPOSED ATMOSPHERIC NUCLEAR TEST BY FRANCE—GOVERNMENT PROTEST

Mr. Frank Howard (Skeena): Mr. Speaker, may I ask the Secretary of State for External Affairs whether it is the intention of the government, if it has not already done so, to lodge a protest with the government of France about the proposed nuclear atmospheric device that is scheduled to be exploded some time next summer on the atoll of Moorea in the Tahitian group?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, it will be recalled that I answered a similar question last week in which I said it would be the intention of the Canadian government to register a protest with the French government as soon as we knew whether they were in fact going to proceed with this test.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, November 2, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson.—Mr. Honey in the chair.

The Chairman: In accordance with the statement of the President of the Privy Council, as recorded at page 9251 of *Hansard* for Tuesday, November 2, 1971, the Committee will now proceed to the consideration of sections 28, 29, 30 and 31.

On clause 1—section 28: *Farming business.*

Mr. Downey: Mr. Chairman, I understand that the terms of reference for this afternoon's discussions are based on sections 28 to 32. I notice these provisions do not cover farm corporations, and I was wondering whether the terms of reference might be extended to include farm corporations within the ambit of the discussion of these sections.

Mr. Mahoney: Mr. Chairman, there are not any sections in the bill that I am aware of dealing specifically with farm corporations. I understand that the House leaders or their representatives have decided on the blocks of sections that we will deal with as we go along. I suggested last week when the hon. member raised this particular question with me privately that he discuss it with the hon. member for Edmonton West, who is representing the Official Opposition in these discussions. I said that if the House leaders agreed to a change in the allocation of blocks of sections, then we would deal with whatever had been agreed upon. However, I have not been advised that such agreement has been made.

Mr. Downey: Mr. Chairman, on looking over some of the figures released by Statistics Canada, as it has been newly named, I notice that something like 46 per cent of the gross national income in Canada is now taken by the government in the form of taxation. This seems to me rather odd. We have many programs that are distributing the wealth of the nation to the people in the form of welfare payments, unemployment insurance benefits and in many other ways. I suggest it might be well so to evolve our tax structure as to enable Canadians to retain more of their income instead of having to depend upon the largesse of the state, which takes it away from them and then hands it back again. Many countries of the world are doing just this, but I do not think it is acceptable to the majority of Canadians.

To deal more specifically with the sections under discussion, namely sections 28 to 32 of the tax bill, as far as the farming community is concerned I find very few advantages in any of these sections. To start with, we are getting away from the concept of the basic herd which has been enshrined within the tax act for many years. Under that provision a farmer or rancher can regard his cattle as a capital asset similar to a machine or some similar device. In reality, I think cattle should be a capital asset and be recognized as such. What rancher or farmer would stay in the business of producing beef if he did not have his "cow machine" to bring his product forward and to place it on the tables of consumers? I say to the parliamentary secretary that if we do away with the concept of recognizing the cattle herd as a capital asset of the farmer and the rancher, we do away with a very important concept in farming and jeopardize the already staggering plight of agriculture. We will only be hastening the demise of the basic herd, and cattle will no longer be considered a capital asset. This is a very important item which I believe we must consider. It is our intention at some later date to move amendments to this section. I hope the minister will seriously consider looking at this concept.

In going through the other sections, I noted an item which will further affect the income of producers. I refer to the averaging concept. Prior to this bill it was possible for farmers, in years of high income, to average the previous five-year period in order to have their tax reduced to a more realistic level because agriculture is a business which is subject to the vagaries of weather, and marketing. We know of many cases, in years when the farmer's income has been low perhaps because of rain or hail, where the averaging feature has been very important. If at the end of a five-year averaging period a farmer's income should be low, he can possibly get something back from the tax department. As I understand the provisions of this bill—and I would ask the parliamentary secretary to correct me if I am wrong—the averaging provision would be applicable only if one's income tended to rise. One can average it up but cannot average it down. I see the parliamenary secretary is not rising to say this is not

so and, therefore, I can only assume this indeed is the case.

Mr. Mahoney: On a point of order, Mr. Chairman, I assumed the hon. member would give some indication he is yielding the floor if and when he wants a question answered. On the specific point he has raised, the special averaging provisions which farmers and fishermen have hitherto enjoyed continue in effect and, in fact, were passed by this committee a few days ago.

Mr. Downey: I thank the parliamentary secretary. I did not realize it was necessary to make him aware of the fact that an answer was desired. Knowing his great interest in agricultural problems, I assumed he would be sitting on the edge of his seat ready to answer at any time. I understand that the averaging provision will continue to be applicable in these circumstances, and that it is only in respect of other taxpayers that this will not apply.

Another item which I believe would jeopardize the situation of farmers is the roll-over, and the fact that we know we will have transfers of farms from generation to generation. It is true that in this tax bill the federal government is removing the estate tax, but a capital gains tax is being introduced. I believe it would be very beneficial to agriculture if transfers between bona fide farmers could be permitted without being subject to a capital gains tax. If agriculture is to continue, I suggest it is very vital that inter-generation transfers and family transfers be permitted. Very few young farmers are able to start farming today if there is not a farm already in the family. Capital is hard to acquire and the farming situation is very tight because, although the products are not selling at a higher price than they sold at 10, 20 or 25 years ago, costs are much higher. I suggest the only way in which we can ensure that farms will continue in operation is to allow these inter-generation and inter-family transfers without attracting a great deal of tax, capital gains, estate tax or what have you.

I do not believe there has been enough consultation between the provinces on the matter of estate tax and capital gains tax. The federal government says it intends to take off the estate tax, but we read in the papers that two more provinces are required to make up the necessary four before the federal government will collect estate taxes on their behalf. So, really there will be no respite for many people in this country in respect of estate taxes, simply because there has not been sufficient consultation with the provinces. Now, a great many of these people will be forced into a position where they will be subject to a capital gains tax and an estate tax as well. In the province of Alberta we are very fortunate in having a government which has no intention of bringing in an estate tax. However, provinces such as Manitoba and Saskatchewan are considering this, and therefore I feel very sorry for the farmers in those provinces.

Now, I should like to refer to section 31 which reads in part:

> Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income—

I suppose one could call this the hobby farmer section. In reality, we must remember that it means a young fellow who starts a farm and, during a period when he has no real income from that farm goes out and works for an oil company, for instance, cannot deduct the expenses of his farm from his income because his main source of income was not from farming. I realize the intention behind this section, but it is one of these examples of going after a sparrow with a shotgun. Probably we are hurting a great many people while enabling the government to receive only a small amount of revenue from people who would capitalize on this section while not being bona fide farmers. I suggest we should have an amended formula, which I hope the minister would consider, under which an individual who is trying to maintain the farming operation and is supplementing his income with other employment, may be able to deduct his expenses as a bona fide farmer, which indeed in this case he would be. I hope the department will consider this suggestion because this is a very important matter.

• (3:10 p.m.)

Another point is that in the past few years the Minister of Agriculture has made a sincere effort to try to make farms into economic units. As a result of the process of making economic units out of farms and the desire of farmers to pass on the farm to future generations, some farm operations have been incorporated. We have many farm partnerships. Often brothers start off farming together. But in this situation they will not be treated quite the same as will other individuals. I suggest that the $1,000 residence exemption as well as other provisions that are applicable to farmers as individuals, should be applicable to partnerships and to bona fide family farming operations. Some formula could be devised here, and I would adopt the suggestion the Federation of Agriculture made in its brief that so long as 80 per cent of the income of the family came from the farm held by the family, this should be handled in the same manner as the income of an individual. It is difficult to imagine why a family corporation, a partnership or something of this nature, would not qualify for the $1,000 a year exemption granted to an individual when the only reason a farm is incorporated is to sustain it as an economic unit. I think it is very important that this matter be considered.

In the matter of recaptured depreciation, we have had a method which has worked quite satisfactorily, which has encouraged farmers to upgrade their equipment and to keep up with technological advances. There is no way in which they could produce food for the same price they were getting for it 20 years ago if they had not kept pace with the times and kept abreast of the technological advances. I think that bringing any recaptured depreciation into income by way of capital gains, as is done under this bill is a retrograde step. It will not encourage farmers to maintain their equipment or to upgrade it, and this can only be to the detriment of agriculture. Many forms of encouragement are given to industry to ensure that they are able to upgrade their equipment and keep pace with the times. I suggest that under this legislation we are doing exactly the opposite when we bring recaptured depreciation into income. I might give notice that we will be moving an amendment in this regard at a later date, but I would ask the minister to give consideration to this problem.

Another situation which we should consider is that of a farmer who attempts to reorganize his business and possibly wants to intensify his operation. If he is a grain farmer he might want to sell part of his farmland and put the capital back into equipment, buildings, plant, or something to expand the livestock enterprise. I suggest that when there is a partial sale of farmland and a reinvestment of the proceeds in the farm business, that money should not be subjected to capital gains taxation. As I understand the tax act—and the parliamentary secretary might correct me if I am wrong, as he does so ably—if one were to sell a proportion of one's land, the proceeds would be taxed at capital gains rates. I suggest there should be a provision in the legislation enabling the reinvestment of the capital in the farm business.

While it is true that farmers may compute their taxes on a cash or an accrual basis, whichever they select, I imagine most of them prefer the cash basis because it is by far the more realistic method for them to use in computing their tax. If an occasion arises when, for some unknown reason, a farmer must switch from the cash to the accrual basis, there should be a gradual phasing of this process in much the same manner as is offered to the professions, because if vast amounts of grain are held in storage an immediate switch from the cash to the accrual basis of computing income tax might very well spell disaster and the bankruptcy of the individual concerned. Since we extend this privilege to professionals, I suggest that it should also be granted to the farmers.

I see that my time is nearly up and I know that many other hon. members here will have other points to bring out, some of which I may not have touched upon because this is certainly a very complicated bill. When you have a document which is as thick as four or five Eaton's catalogues, it goes without saying that the farmers of this nation will never know on what basis they are taxed.

Mr. Peters: There are no pictures in this bill, either.

Mr. Downey: There are no pictures, and 99 per cent of the farmers in this country will never know on what basis they are taxed. They will have to rely on the honesty of the bureaucracy and on honourable servants, such as the parliamentary secretary sitting over there, to interpret it for them. This is going to be the basis on which farmers will be taxed from here on in, should this document be translated into law.

• (3.20 p.m.)

Mr. Gleave: Mr. Chairman, on October 25, the Canadian Federation of Agriculture mailed a letter to the Minister of Finance, with copies to all members of Parliament. In part it read:

> This is a letter regarding your amendments to Bill C-259—or more accurately to what we regard as unfortunate omissions in those amendments.
>
> We have received no reply from you responsive to our brief of August 30 suggesting certain modest amendments to the bill to better serve farmers' legitimate interests.
>
> Unless we have missed the point in the complexities of the amendments introduced we cannot see where any of our proposals have been taken into account. We hope, however, that it has been the pressure of time which has prevented you from giving adequate attention to our requests, and that the necessary amendments will be forthcoming.

The essential proposals we made are:

> For transfer of farms within the family by sale, gift or inheritance without realization of capital gains.
>
> Retention of a basic herd system whereby basic livestock herds can be treated as capital, which they in fact truly are.

This is one of the sections we have before us now.

> More fair and liberal appreciation of the $1,000 per year farm capital gains exemption (as an option to the principal residence exemption) including its extension for family farm corporations.
>
> Retention of present straight line depreciation practices as a farmer's option.

This again has reference to one of the sections with which we are dealing today.

> Re-investment of capital gains on sale of farm property in the continuing farm operation (either land, or buildings and equipment) without immediate realization.
>
> Adding of losses on farming operations not capable of being set off against taxable income, to capital value for capital gains purposes, up to the amount of taxes and interest on borrowing, as is being provided, for hobby farmers only, under the new law.

The letter went on to say that there were other submissions in the Federation's brief, but those listed were the most significant "and are those on which we look for your appropriate amendments to the bill now before Parliament." I was a little surprised to receive such a letter so roundly condemning the proposed changes in taxation for farmers. This bill was touted as tax reform legislation. If it is intended as reform it should make the process easier and more simple for the taxpayer.

Tax reform legislation should make it possible for the taxpayer to stay in business, to conduct his business in an efficient and workable manner, and to pay his taxes to the government of Canada. In the type of society in which we live, as individuals, we realize that if we make a taxable income we will have to pay taxes. Even those who do not have a taxable income, in terms of income tax, pay taxes in other ways. They pay sales tax and other indirect taxes. In the federal field, income tax is the most important tax and most people expect to pay it.

The important feature of any tax should be that it does not interfere with the carrying on of a business by an individual, or with the work of a wage earner or salaried professional person. It should make things easier and more simple for the farmer rather than more difficult.

My criticism of the proposals in the bill is that they will make things more difficult for the farmer-rancher, and here I speak particularly of the situation in western Canada. They will make it more difficult for him in the ordinary conduct of his business, and in his attempts to comply with the tax laws of the country. These proposals will place an extra burden on the smaller operator. At times he will probably pay more tax than he should because he will not be able to hire highly skilled professional accountants to tell him how to comply with the tax provisions to his own best advantage.

Section 28 clearly says:

> For the purpose of computing the income of a taxpayer for a taxation year from a farming business, the income from the business for that year may, if the taxpayer so elects, be computed in accordance with a method (hereinafter in this section referred to as the "cash" method) whereby the income therefrom for that year shall be deemed to be an amount equal to—

It goes on to set out the method which most farmers now use, which is to set out the cash income they have taken in during a year, set off against it the cash expenses they have paid out, calculate the depreciation and other things which they are allowed, and file that as a return. At first glance a person would say, "That is very nice; there is not much change there." But, Mr. Chairman, we must look further at what the legislation proposes to do to the basic herd concept. Again at first glance the proposal is that the provisions for a basic herd, which have been optional to the farmer-rancher up until now, will be gradually phased out. But so far as I can determine, no farmer will be able to establish a new basic herd after this legislation comes into effect. Inherent in it is a proposal to phase out the total basic herd concept. The present proposal is nothing more than a transitional operation while the idea of the basic herd concept is being phased out.

• (3:30 p.m.)

It would seem to me, Mr. Chairman, that this means that if the farmer-rancher wants to build any protection into his operation he will have to go on the accrual basis for his basic herd or for his cattle operation. But there is a neat trick in this. It says the proposal is that he must conduct his total operation on the same basis, so that in declaring his income he has to follow through. In a typical operation in which there is a herd of cattle as well as cash crops involved, this means that in order to effectively operate the herd and acquire capital the farmer has to put his grain operation on an accrual basis for purposes of taxation. As soon as he tries that he will be in financial trouble because he will have to take into inventory grain which he cannot sell in the current year and declare it as income. If he has to declare several thousand dollars worth of grain on which he has not actually received any income in that taxation year, then he will have to borrow to pay tax on money which he has not received. He will have to put a value on grain when he does not know what that value will be 12 months hence. We have the situation now where the minister in charge of the Wheat Board says we are going to get this, that or the other; I can tell him how much confidence the people of western Canada and Saskatchewan have in this, that or the other. However, I hope he is right.

I am trying, Mr. Chairman, to describe the situation in which the farmer will find himself as a result of these tax laws and the sad part is that these laws are not necessary. A simple and workable alternative has been offered by the Canadian Federation of Agriculture and the Canadian Cattlemen's Association. Both organizations have asked for a method by which the breeding herd could be considered a capital asset, as is machinery or buildings. Then, the ordinary application of depreciation could apply and the farmer would have the option of the cash or the accrual basis. I seriously suggest to the minister that the proposals now before the House be withdrawn and that people who know something about farming and farm accounting be consulted in order to come up with something that will work. Accountants in Saskatoon who year after year work out the tax payable by individual farmers and farm corporations in the province tell me that the proposed method will be extremely difficult. They feel that this bill should be withdrawn and a more workable one substituted.

The previous speaker pointed out some of the difficulties in the approach to hobby farming, but that is another matter. What I am concerned about, though, is that we develop a system which is simple and which allows farmers all across western Canada with a gross income ranging from $10,000 to $30,000 to easily establish their taxable income, pay their taxes and be done with it with a minimum of expense. This is not being accomplished by this so-called tax reform and the task of completing income tax returns will fall on those least able to cope with it. In some of its aspects this tax measure comes close to being unworkable if, indeed, the objective is to use the taxing authority in such a manner that the individual can continue in operation.

The straight-line basis of depreciation for farm machinery which has been in use is the simplest. In a brief presented to this government on August 30, 1971, the Canadian Federation of Agriculture said:

> Our proposal is that a simple single rate of allowable depreciation be applied to all depreciable farm assets—namely, 40 per cent on a diminishing balance basis, and 20 per cent on a straight-line basis, which latter, as noted, we hope you will retain as an option to farmers.

Perhaps some changes are forthcoming. In the case of cattle, hogs and sheep, our objective should be a straight-line depreciation system for the breeding herd because this is simply a capital investment. It takes a lot of time and effort to build the herd and when it is disposed of this is really a disposition of capital, not a disposition of inventory. The difference should be obvious to those responsible for this legislation. In a straight cattle feeder operation, the farmer is dealing with inventory which he holds for a period of time and then sells. A breeding herd of dairy or beef cattle or of hogs is a long-term capital investment through which the farmer hopes to increase his market cattle which will later be sold. I think it is simply a lack of understanding of the kind of business they are dealing with that has led to the creation of the difficulties inherent in the proposals in this reform bill.

Mr. Howard (Okanagan Boundary): Mr. Chairman, I want to say a few words on the subject of farm problems in connection with the bill before us. I listened to a number of arguments on the matters of straight-line depreciation, cash versus accrual, and so on. I think it is worth while discussing some of the points raised by hon. members on the other side of the House, arguments implying that farm groups are unanimous in their opinions on this subject and that all the points which have been made by some farm groups on these subjects are perfectly valid and unchallengeable. I suggest some of them are challengeable. Some of these points are not as strong as some previous speakers have suggested.

• (3:40 p.m.)

For example, the question of straight-line depreciation has been raised. I really cannot see the value of this in a farming situation. If we talk about the depreciation of a piece of farm machinery, that machinery will depreciate a great deal more in the first year than in the tenth year. The farmer should be able to use that extra depreciation which arises in the first few years, and I really think that

members of the opposition are quibbling in this area, since their arguments, if successful, would introduce an unnecessary complication in this field. That is why I cannot support their arguments and I think the bill is correct as set out.

The question of cash versus accrual accounting has been raised. Farmers have always had the right to make a choice in this area. They are in the same position as professional people, who are now required to switch over, except that farmers are not required to switch over. They are retaining the right to use either system so long as they do not switch back and forth. Having made their decision, they must stick with it. A farm group in a presentation argued that farmers should be given the opportunity of entering into some kind of time payment arrangement if they are to switch. That is a reasonable argument, and I think the parliamentary secretary ought to take cognizance of it. Perhaps it is a valid argument to say that if special arrangements are to be made for professional people to switch to an accrual system, the same kind of provision could justifiably be made for farm groups.

An argument was advanced relating to the transfer of assets within the family, that is, the transfer of assets at the time of or prior to death. I think that farmers have a valid argument here, and we ought to pay attention to it. They say that the turnover of the family farm from father to son under the new provisions will result in a deemed capital gain, and that the tax on this gain will have to be paid at once. The argument has been advanced that where a son purchases a farm from the father who takes back and holds the mortgage, the father should be permitted to pay the gains tax as the mortgage payments are received from the son. The further point has been made that incorporation should not be necessary to avoid this heavy taxation.

The concept of the transfer of the farm by way of mortgage arose during the era of the gift tax. Of course, this era is now behind us. The father sold to the son the farm and took back a mortgage which was payable in instalments of the amount of the allowable free limit on gifts each year. He did that in order to avoid the payment of taxes on the transfer. The whole mortgage could be paid off on that basis, if the father lived long enough. However, the gift tax era has gone. That area has been vacated and there is plenty of leeway now for transferring the farm assets from father to son. It could be done, for example, on the basis of transferring one-tenth of the value of the farm each year and paying the gains tax on that proportion on an agreed date. The tax will be paid in small amounts and, if the farmer transferred at the rate of one-tenth of its value each year, the whole property could be transferred to the son without incurring the burden of a massive payment of tax. Of course, an additional factor under the new provisions is this: If the father should die before he has completed the transfer, the remainder would automatically pass to his wife free of tax and the wife could continue the transfer to the son in an orderly way.

The objection might be raised that this method will result in recurring property appraisals. It does not seem to me that an appraisal after the original V-day appraisal would be a difficult or necessarily expensive matter, since over-all increases or decreases in specific items are usually easily determined in the shortrun. By this use of the new rules or lack of rules regarding gifting, estate planning would be considerably easier to achieve than under the old, complicated system of annual gifting. If the son is in a position to pay his father for the farm in occasional cash payments, the transfer of the farm does not have to be done at once. It could be done in portions, just as in the gifting process. The farmer could invest such money received in some kind of annuity program. He could invest it in a registered retirement savings plan and benefit from the consequent saving on taxes that that system allows. So, I do not think the situation we face here is nearly as onerous as members of the opposition or farm groups have feared. There are opportunities for the alleviation of the tax burden here and many farm groups have not looked at those opportunities. If they examine them they will see, I submit, that the bill is not unjust to farmers and is supportable as a reasonable piece of legislation.

There is an interesting loophole in the legislation that farm groups ought to look at. It may well arise in the first year following valuation day. If the farmer should decide to give his son the entire farm after the new legislation abolishing gift taxes has come into effect and before much time has elapsed since V-day, the gift should attract little or no tax of any sort under the V-day valuation option for capital gains. In other words, if V-day were to be some day this fall and if the farm were to pass to the son in January of the coming year, the loophole would come into play. The son would pay tax only on the difference between the value on valuation day and the value in January. That amount would be negligible. Farmers ought to look at this interesting loophole. I hope the Minister of Finance does not look at it with a view to plugging it, because there might be an opportunity here for farmers facing certain problems to solve those problems right away. I am trying to say that farm groups and members of the opposition should look at this bill very closely, because it is not nearly as onerous with respect to farmers as has been suggested. A number of areas need correcting and I believe the Minister of Finance is prepared to study them.

I mentioned the matter of cash versus accrual and that farmers should be given the same opportunity as professional people to spread out the cost of switching in this area.

A group appearing here today raised the question of deferred payments with respect to the capital gains tax and the fact that the cutoff proposed would force the breakup of the family holding. May I remind hon. members that this provision, this option for deferring payments, was present in the old gift tax legislation and, in cases of hardship, the minister had the right to allow the deferred payment of taxes of this kind. I suppose that the Minister of Finance will be prepared to make the same kind of concession in the new tax bill. I think that is a reasonable consideration and something that the minister ought to look at thoroughly. I recognize that farmers are in a position different from that of factory earners, the owners of blocks of stock and so on. Farmers own a block of land and, if that were to be broken up at time of death in order that taxes might be paid, the family would suffer real hardship. I think we should make special considera-

tions there. I am pleased that that provision has been made in the past. I look forward to seeing the minister confirm that provision will be made in the future to give farmers the right to defer payments when passing property from father to son at the time of death.

• (3:50 p.m.)

Mr. Danforth: Mr. Chairman, I rise to support the contentions made by my colleague, the hon. member for Battle River, on this proposition of the reform of the tax structure, especially as it pertains to the farming industry and is dealt with in the sections we are now considering.

One only has to read the sections to immediately realize that those who are responsible for the drafting never had to deal very closely with farming as a business. I do not say this unkindly or in a critical or a derogatory manner, but basically to point out that in my view the provisions as set out in the bill before us deal in the main with companies and corporations. I should like to prove that, as a business, farming cannot be just coldly classified in the same categories as other corporate structures.

When it was intimated to the farming community that there would be a reform of the tax laws, I believe it was the concept among all farmers that if indeed there was a true reform of the tax structure to which Canadians are submitted, perhaps the various governments would be able to derive sufficient funds for the operation of their various enterprises so that, as a result, there would be a more equitable distribution of the tax load throughout the Canadian community. They thought that for the individual, whether he be a farmer, day labourer, businessman or professional, his tax load as a consequence would be either lighter or would not be progressively increased, as has been the case over the past few years. I think this was the basic belief of most Canadians when they were made aware of the fact that a very serious study had been undertaken by the professions under the instigation of this department to see whether there could be a revision of the tax act.

With the advent of the white paper, most of those engaged in the farming industry changed their views drastically. It then appeared to them that what the government meant by a revision was not based on the principle in which they believed, but rather a new formula designed to increase wherever possible the tax load carried by individuals and more specifically by corporations, businesses and the farming community as a whole. As we read through the provisions of this bill, there seems to be very little to abate this fear. The fear has grown to such proportions that many farm operators now feel that if the tax rates and tax formula are as prescribed, then under the economic climate they are faced with today it will be almost impossible for them to continue farming as a viable economic enterprise. They are so convinced that, unfortunately, many of the present day farmers are deliberately advising their heirs to seek other means of making a living rather than stay in the farming business. This is indeed unfortunate.

Those responsible for drafting the tax structure which we in Canada must use to finance our government undertakings should bear in mind that we are not trying to raise every available dollar that the community can possibly part with, sometimes at the expense of the very livelihood of those who are being taxed. This should not be the concept. I am not convinced this was the intent of the bill before us. However, as a result of the method used in drafting it and some of the regulations that will follow, I am very fearful that the end result will be exactly what we seek to avoid. Because of the tax burden, many businesses will have to be phased out. In the process, we will lose many of our large and up until now successful farm enterprises in Canada. In order to be competitive in today's very competitive world, these farming enterprises must have two things. They must have an incentive to compete internationally and a profit margin. Lacking either or both of those, farming in Canada will progressively degenerate. I am convinced there is no other way to go.

I think this thought was back of the briefs submitted by the Federation of Agriculture, the Canadian Cattlemen's Association and various other groups responsible to and having concern for the farmers of Canada. They did not attempt to present to the government a way to avoid income tax, but methods by which they would be assessed what they considered to be their fair tax load. They presented for government consideration ways and means which they felt would make it possible to contribute their fair share, but not at the expense of their livelihood or at the expense of the degeneration of their various businesses.

I am not sure that the government fully realizes that the present day tax load is almost all that the agricultural industry can bear. Sometimes farmers find they cannot bear it. There are too many "for sale" signs on farms today. Too many farmers are delinquent in their present day taxes, perhaps one, two or even three years. Too many farmers are facing foreclosure and bankruptcy under the present situation. Yet in the bill before us, the government proposes to change the method of taxation under the guise of a revision of the tax law. It is going to change the method of taxation in a deliberate manner so as to broaden the actual tax base faced by farmers.

There is no doubt in anyone's mind that once these regulations and the changes to the tax act come into force, farmers are going to have to pay more taxes. It is all very well for us as legislators to say that all are going to have to pay more taxes under this revised act, but it is serious when you consider that many who are going to be taxable have a way of passing on the increased taxes by adding them to the cost of the goods and services that they provide. A labourer can demand higher wages. A businessman can place a higher price on the goods and services he is selling. But a farmer is not in a position to do this, and with profit margins shrinking, the added cost which is proposed could make all the difference between a profit and a loss for many of our successful farms. I do not believe we can classify farming operations in the same category as corporations and businesses.

• (4:00 p.m.)

When we speak as farmers against the disappearance of the concept of a basic herd as a capital asset, we bear in mind other actions taken by the government. The government is willing to offer high rates of depreciation with respect to such assets as machinery. It is perfectly prepared to offer grandiose tax concessions to industries

which consent to locate in particular regions of Canada to take advantage of surplus labour. I have no quarrel with this. I am not opposed to the government's actions in this regard. Over the years, for no reason other than political expediency, tremendous tax benefits have been granted to companies and corporations through tax forgiveness, tax benefits and so on. We see no evidence of such an attitude where agriculture is concerned. No doubt the government will argue that other measures have been taken to assist agriculture. The fact remains that we must deal with these tax provisions as they are set before us, on their merits. From my study of the bill they will be disastrous for many farmers.

We are concerned over the fact that it will be almost impossible in many cases for a farm to be passed on to blood relatives. The hon. member for Okanagan-Boundary has told us that even though the gift tax will be a thing of the past a tax would still have to be paid on capital gains related to the property itself. He explained that the tax might not have to be paid all at once—payment could be spread out over ten years, for example. The point he made was a valid one and perhaps it is a fair one. The fact remains that tax would still have to be paid. We are saying that because of the very nature of the farming industry, and of the units we are considering, it will be impossible to make these payments in many cases. There is not enough money there. In many instances it will be necessary to dispose of capital assets in order to comply with the regulation. As a result, the economy of the unit will be weakened and it will be almost impossible for the farm to carry on successfully. Thus, in effect, we are destroying the unit. Mr. Chairman, we cannot destroy these units. They are the very basis of agriculture.

Perhaps it will be necessary for us to elicit from the government during this very debate a statement reflecting the position taken on this issue by those who sit on the treasury benches. Are they really concerned about maintaining an agriculture industry in Canada? This is what we are talking about, in effect. The returns to agriculture are so marginal that even as things stand we are losing many of our farms. The bill before us proposes a further financial handicap as a result of which farmers will be placed in an even less competitive position in terms of international trade. It will be interesting to learn in the course of this debate why the government should feel it necessary to change the basic concept of the taxation of farmers and farm businesses. It will be interesting to learn whether the government is at all interested in maintaining any segment of a viable agriculture industry.

I am looking forward to hearing answers to these questions, because these are the questions about which farmers are most concerned. They are asking themselves: Have I any hope of making a living for myself and my family in the years ahead? Is there any use trying to build up a strong and successful farm enterprise in order that my children and grandchildren may have an independent business and source of income, or am I simply making it possible for the government, through its tax laws, to take an ever-increasing share of my returns to the extent that I shall eventually lose my business, lose my security? Ought I to advise my heirs to go out and make a living in some other fashion? I am not overstating the position, Mr. Chairman. I am seeking in a calm and factual way to indicate to those on the government benches what the repercussions of some of the provisions in this tax measure before us are likely to be.

Mr. Horner: Mr. Chairman, on rising to take part in this debate, I find myself wondering what is in the mind and heart of the government. We are dealing today with four sections which pertain to the agriculture industry.

To be kind, the government has tried to exercise some control, some sense of direction, to give some guidance to the agriculture industry. Then, the treasury seeks to slap on a set of taxes which suggests that hon. members over there on the front benches really have no heart. One is prompted to examine the intent of other legislation which the government has introduced affecting the farm industry. A number of such measures have been brought down since 1968, and I shall list them briefly. There was the National Marketing Act, commonly known as Bill C-176. In western Canada, at least, it has been determined that this is unsatisfactory. At about the same time the government introduced a bill known as Bill C-175 dealing to a large extent with the rationalization of the grain handling system, and protein grading. It was overhauled and modified a good deal in the agriculture committee; the government did not get its way altogether.

Then the minister brought in Operation Lift, which was implemented not by legislation but through regulation. While the minister in charge of the Wheat Board may boast that the operation accomplished what the government sought to achieve, the farmers of western Canada regarded it as being most objectionable. Next, we were invited to approve a new quota system, a proposal which is still being analyzed by farm opinion. Maybe it has some merits. The stabilization plan is the subject of heated debate in Assiniboia. We shall know the answer tonight. I am confident of what that answer will be. It will be a complete rejection.

• (4:10 p.m.)

Mr. McBride: Of whom?

Mr. Horner: Of the stabilization bill and of the present government. Then, we also had on March 13 a program devised by the government and called the farm adjustment program. The federal government was seeking the co-operation of the prairie agricultural ministers in this program. When you roll all this into one package, you can well ask just where government agricultural policies are leading, and how this proposed tax legislation we are now debating fits into the picture.

Is this bill compatible with the government's agricultural legislation? What has that legislation attempted to do? It has attempted to regulate, to control and to simplify the agricultural industry. Even the spokesmen for the national marketing board would agree with that simple definition of the intent of the legislation: it is to control, to simplify and to regulate the agricultural industry. That has been the theme of the government's agricultural legislation. Has this legislation been accepted by the agricultural community? Have they received it warmly or rejected it? I think nearly to a man the agricultural community has rejected this kind of thrust, this regulation, simplication and control by the government.

In considering clauses 28 and 32 it becomes apparent that these provisions are a device to remove any special privileges that the farmers may have enjoyed to date. The previous speaker dealt with this point at length. He made a very good point when he said that the agricultural industry has been unable to pass on in the price of its products to the consumer—whoever he may be—any taxes that might from part of his increased cost of production. The industry has also been unable to meet the increase in inflation in this country.

I say this, Mr. Chairman, to emphasize the point that it is still my belief that the agricultural industry needs special consideration in the field of taxation. One has to go back to the Carter philosophy and ask whether Carter was right in his theory that a buck is a buck; that if a farmer makes a buck that buck should be taxed equally with anybody else's buck. The Minister of Finance, to be kind to him, does not fully accept in Bill C-259 the theory that a buck is a buck, and I am heartened by his generous attitude. But although he does not go quite as far as Carter and say that a buck is a buck, when it comes to agriculture he goes nearly all the way. Four or five basic rights that farmers have previously enjoyed are now being eliminated by this bill.

What does the removal of these concessions mean to the farmers? First of all, these provisions will blend in well with the farm adjustment program because they will tend to eliminate small farming operations. They will also blend in well with the marketing act which tends to introduce rigid control. The government will be able to control the advancement of the very few farmers who will still be left in business. I suppose there is an overriding feeling in the academic world, particularly around Ottawa, that if we can just get rid of two thirds of our farmers by 1980, as the task force report on agriculture suggests, the remaining one third will be so much better off financially they will not have to be subsidized in any way, shape or form, by the federal government. Certainly, this is an attitude that is reflected in federal tax measures. It is the old attitude that was expressed by the Prime Minister in Winnipeg, when he said: "Why should I sell your wheat?", giving a characteristic shrug of his shoulders. That is the attitude that is going to be rejected today in Assiniboia.

Mr. Nowlan: The Minister of Justice has been out there.

Mr. Horner: The Minister of Justice went to Assiniboia earlier in the campaign and called the issues. I hope he accepts the result, having called those issues, when it is announced later today.

Mr. Turner (Ottawa-Carleton): You can have half of Woolliams' benefit.

Mr. Horner: I did not hear that remark!

Mr. Burton: Tell us about the meeting you had in Winnipeg, John.

The Deputy Chairman: Order, please. I invite the hon. member to address his remarks to the Chair as much as possible.

Mr. Horner: Mr. Chairman, I was interrupted and it brought me back to that great meeting the Minister of Justice had. The hon. member who is piloting through this legislation was also out in Weyburn.

Some hon. Members: Hear, hear!

Mr. Horner: I think some of his Liberal colleagues should slap him on the back and thump their desks, because from what I hear only about 16 came out to hear him.

Mr. Turner (Ottawa-Carleton): I hear you spent two days looking for a crowd, Jack.

Mr. Horner: I did not have that privilege, no. I was saying, Mr. Chairman, that one has to assess just where this particular thrust in our agricultural legislation came from. Having done that, let us couple it with the proposals of the Carter Commission in regard to the agricultural industry which the Minister of Finance has pretty well accepted intact, though there are certain differences between the minister and Carter over the capital gains tax and so on.

We have also had a number of studies conducted of the agricultural industry. Besides the Carter report on taxation we had the task force report on agriculture which was conducted by academics and one person from western Canada who perhaps knew something about agriculture—the dean of agricultural economics, I believe it was, at Winnipeg University. Then we had a study of the grain marketing situation. Then we had a study of grain handling and then one of the rapeseed industry. That was followed by the issuance of the farm adjustment program paper. All of these studies were devised by academics and directed toward control and simplication of the agricultural industry. The theory is that if the government is going to put money into agriculture, then it should control agriculture.

As I say, the tax bill that we are discussing takes away certain advantages farmers have previously enjoyed. It tends to take away, and I think eventually will take away, a farmer's right to compute his income tax on a cash basis. I see the parliamentary secretary shaking his head in dissent. I did not say that it would take it away; I said it was moving in that direction. He is now nodding his head affirmatively. This would seem to be the direction in which the Department of National Revenue intends to move. It will strive to place the farmer on an accrual income tax basis rather than on a cash basis. This will mean a great deal to the practical farmer.

• (4:20 p.m.)

These changes in income tax Act will tend to force the farmer into incorporation. A farmer with a large operation is better off with incorporation. Many farmers, however, derive their livelihood from owning a small farm and take a sense of pride in it. They do not want to become incorporated. They do not want to issue annual statements to a provincial government in which they outline their income and expenses for a given year. This legislation will tend to force farmers into incorporating. This will be acceptable to the large well-financed farmers. The farmers with small farms will not bother to take advantage of incorporation. This will hasten their demise.

The government also intends to take away the advantage of the basic herd principle which was established a good number of years ago, in the late 40's. The farmer will be able to enlarge his basic herd until December 31, 1971 and if it is enlarged after that he will have to pay a capital gains tax on the increased value of the basic herd. We would seem to be destroying one of the privileges livestock men have acquired over the years. This will tend to simplify the method of taxing the livestock man and bring about greater control over his income.

One might ask what the purpose was of the basic herd. I believe one purpose of the basic herd concept was that a person would pay income tax on money he set aside to enlarge his capital investment at the time he was earning it and then when he retired or withdrew from the livestock industry he would not have to pay income tax on this money which he had invested in increasing this herd during his working period. We must ask ourselves whether this is important to the agriculture industry. What is the average age of participants in this industry? A recent study carried on by the Alberta Wheat Pool in respect of the province of Alberta showed that the average farmer in that province is well over 45 years of age and is crowding 50. I believe a similar study has been carried on in Ontario. Without any boasting I believe Alberta ranks low in respect of the average age of farmers. I think there are more young farmers in Alberta than there are in any other province.

In any event, it is common knowledge that many people involved in the agriculture industry will be retiring within the next 10 years. There will be a tremendous changeover in the personnel involved in the agriculture industry. I believe there are 480,000 farmers today, and I should like to see the same number in the next 10 years comprised of new young men in the industry. Here we are doing away with a basic concept which encourages young men to set aside money in their working years which will not be taxable when they retire. What will happen to the people who have been involved in the basic herd during the last 20 years? They will retire perhaps in 10 years from now. I realize the price of meat to the consumer is high enough, but I have no real assurance that inflation will be curtailed or that the livestock man will not suffer from ad hoc financial policies of one government or another. Therefore, it is quite conceivable in my mind that livestock will increase in value in the years ahead. It has happened in the past, and I believe it will happen in the future.

The result of the change in the basic herd concept is that those who retire will be subject to a capital gains tax on the money they have set aside. This is not fair because, in essence, it is a change in the rules in mid-stream in respect of those who have retired and who have made use of the basic herd concept. For this reason, I can only come to the conclusion that the government is heartless with regard to the agricultural industry. The government would like to get rid of a third of the farms. Then, according to some kind of odd logic, they think all will be well.

We must deal with the effect of the capital gains tax on property which a farmer purchases from time to time. We are told the capital gains tax will affect anything of a capital value over $1,000. We all know a farmer is a large purchaser of machinery. From time to time the Minister of Agriculture and the minister in charge of the Wheat Board, in statements and propaganda in the Assiniboia riding, have suggested that farmers have a tendency to over-capitalize in respect of farm machinery. I shall not go into that now, although I believe it should be pointed out that we have just had an exhaustive study of farm machinery prices. I refer to the Barber commission. I do not know what this commission has cost. It has published 12 volumes and I believe is still publishing additional volumes. As yet the Barber commission has had no effect in lowering the prices of farm machinery. The commission did not recommend any changes in the taxation structure. These changes in the capitalization apply—

The Deputy Chairman: Order, please. I regret to interrupt the hon. member, but I must do so to advise him that his time has expired.

Mr. Horner: May I just finish the sentence.

An hon. Member: One sentence.

Mr. Horner: I would like to conclude this sentence because I was entering a vein of thought that would make no sense otherwise.

An hon. Member: Nothing else does.

Mr. Horner: The portion of machinery cost that is fully depreciated, and which is allowed on a trade-in, will now become subject to tax. This will do more to increase the cost of farm machinery than the Barber Commission has done to decrease it, by tenfold or by one hundredfold, because the Barber commission recommended nothing that this government has nerve enough to act upon. But this tax legislation will cause an increase in the cost of farm machinery. When I speak of farm machinery, I should point out that this will cause great havoc to the farm machinery dealers, many of whom will become bankrupt.

• (4:30 p.m.)

I have more to add on this subject but I do not wish to abuse the patience of the House right now, so I will give the time to someone else who might wish to speak. I thank the House for giving me the extra minute or two.

Mr. Burton: I feel that this portion of Bill C-259 is a very important part, and one which deserves serious and close consideration. As will be acknowledged by all members in the House, the agricultural industry of Canada is a very important sector of the Canadian economy. It has been experiencing economic difficulties in recent years which I think surpass any other example that might be cited of economic difficulties faced within the past few years. In my province of Saskatchewan there has been a sharp and serious decline in farm income. It has dropped from $480 million some three or four years ago to $188 million in 1970. This is a serious situation.

Leaving aside some of the issues involved with respect to that drop in income, I suggest that there is a point to be made within the scope of our consideration in dealing with this bill, namely that this drop in income imposes a special obligation on the committee to ensure that we have done everything possible to avoid further unnecessary difficulties for farmers in Canada in trying to cope

with the difficult set of problems which they are now facing. I think it will be acknowledged that special problems face farmers in the agricultural industry by the very nature of the industry and by its unique characteristics. I am referring to factors such as the high level of investment which is required in the industry in order to carry on production, taking account of today's technology and economic conditions. This is a factor which must be kept in mind. At the same time, this is coupled with a pattern of low rates of interest on capital investment and in fact low rates of labour return to farmers as a result of their efforts on their farms. This is a serious problem which must be of concern to all Canadians.

I think we also have to take note of the fact that the farmer makes a contribution to the build-up in the capital value of his farm in terms of the unpaid value of his labour contribution to the development of the capital assets on that farm. The farmer never sees any return for his unpaid labour except in the low rate of return he might receive on his investment. He really does not receive the real return to which he is entitled for the labour he contributes towards the development of the capital value of the farm until he disposes of that farm. That is one of the basic problems that faces the farming industry in this country which I think must be taken into account in developing tax law.

Of course, there are other problems that face agriculture, such as the very serious and wide fluctuations in land values with which farmers are faced, particularly the prairie farmers in recent years. These must be taken into account by the tax department. It must also be noted—and I am glad that this has been recognized in some respects in the bill now before us—that much of the farmer's assets also constitute his retirement fund, and as such deserve special consideration. I am glad that some consideration has been given in the bill to this matter.

There may be other matters which also deserve consideration. One of the problems that has been noted with respect to the application of the bill as it now stands involves a new institution, a new development in the farming industry, that is the development of family held corporations which do not involve any basic change in the pattern of the particular farming operation involved. Many families, for a variety of reasons, have decided to incorporate their operation. This has to be done, of course, by simply incorporating as a joint stock company. However, this institution is of a somewhat different nature from an ordinary shareholding corporation, so I think some problems do arise.

It has been noted in some of the representations made to the government that there are problems with respect to such things as the principal residences of the farmers or the farm families, as the case may be. This deserves special consideration as well.

I think it should also be acknowledged that some further development in provincial law is required. It would be very useful and worthwhile if the provinces gave consideration to developing a special piece of legislation which would provide for the incorporation of the family farm. These companies would operate somewhat differently from ordinary joint stock companies in that the law would take account of some of the unique characteristics of the family farm and the unique circumstances that exist with respect to some of the incorporations which have been made in recent years. We have to take note of the fact that incorporations by family held groups operate in the same way in terms of company law as the large shareholding corporations which are engaged in a variety of farming business today but where the shareholders are, for the most part, completely removed from the actual operations that are being carried on by the corporation.

Another matter of concern has to do with the capital gains tax and the way it will operate for farmers across Canada. The Canadian Federation of Agriculture, as the government is aware, has made representations on this matter. They are concerned about the question of transfers of farms within a family, whether this occurs by sale or by inheritance. They have expressed the hope that some provision might be made whereby this could be done without affecting a realization of capital gains. I note, as well, that the Canadian Cattlemen's Association has made a very reasonable proposal, which I think the government should be prepared to consider as a minimum step. Their proposal is that there would be provision, not for any waiving of tax or waiving of realization of capital gains when there is such a transfer of a farm within a family, but simply a provision whereby the payment of any tax that is incurred at the time of the realization of capital gains could be spread over an adequate period of time. This could be done in a variety of ways. One way could be to provide for a fixed time period for paying the amount due as a result of the realization of the capital gain. There is a provision in the tax law for time payments in some cases, but in the case of many farms with a low rate of return on capital investment there is good cause for the extension of the time period involved. This could be done without in any way changing any of the principles that may be desirable in developing our tax law.

One other mechanism that could be considered is the provision of some form of open-ended mortgage or lien on the property, which would involve the annual payment of interest by the farmer to the tax department, he having the option of closing out the amount due at any time. Of course, I agree that the interest rate payable in such a case would have to be high enough that there would be no inducement for the farmer simply to leave the amount outstanding to the tax department over a long-term basis, without it ever being liquidated. There may be other possibilities, making provision for annuity plans that could be dovetailed into this type of situation, such as has been done in other provisions of the bill dealing with other matters.

• (4:40 p.m.)

The Canadian Cattlemen's Association made this recommendation:

> While taxes are payable on the deemed realization on the intergeneration transfer, provision be provided that the tax may be payable over a period of time sufficient to not reduce the income generating capacity of the farm.

That is the principal concern that has been expressed with respect to this matter. I am sure the government is aware of cases where, as the result of valuation of property in dealing with estates, it has been necessary to liquidate farm units which were sound economic units. I hope

the government will give some consideration to this matter, and consider some further amendments to the bill.

There is another item I would like to deal with which comes within the scope of sections 28 to 31. It has to do with the government's proposal to phase out the basic herd provisions in the Income Tax Act. It would appear that this is an attempt to encourage farmers to move to an accrual system of accounting for tax purposes. The government's present proposal with respect to the basic herd amounts to no more than a transitional provision before phasing out the operation altogether.

The Canadian Federation of Agriculture has proposed that a breeding herd be treated as a capital asset, and that the taxable income from the sale of an animal from the herd would be the difference between the selling price and some other definition of price that might be determined. It seems to me there are a number of serious problems we have to consider in this regard.

In discussing this problem, the Canadian Federation of Agriculture stated as follows, in a submission to the government at the end of August:

> The basic issue is this: there is a real, valid need to have some system by which the farmer can treat his capital investment in livestock as a capital investment. Consider for example the problem of the farmer who wishes to take money out of capital to acquire a herd or a major addition to an existing herd. From his standpoint he now has a capital asset which cannot be depreciated. His cost of acquisition of the cattle is an expense to him if he is on a cash basis of accounting, giving him a number of years of severe losses that will not be corrected by the five-year averaging provision. To go on an accrual basis with annual valuation of the herd is often impractical and undesirable. A much better answer is to establish a basic herd.
>
> The same consideration in a less extreme way applies to farmers who wish to build up their herd year by year, reporting the cost of acquisition as income and enlarging their capital base of animals.
>
> If this is not provided for, the farmer builds up a large sum which will be realized as income immediately on dispersal of the herd.

The Canadian Federation of Agriculture also pointed out:

> To phase out the basic herd will have the mischievous side effect of weakening the capital structures of thousands of farming operations without producing a significant gain in tax revenues.

That is a point that might be considered by the government when it is taking a look at this matter. The Federation also stated:

> —the recognition of the basic herd as capital has validity, and there is no reason why proceeds of dispersal should not be assessed by treating the gain on disposal over initial cost on valuation day value as a capital gain rather than as ordinary income, and tax levied accordingly on only half of such gain.

There are three basic points that might be made when we are examining this. First of all, I point out that the government has stated publicly on a number of occasions that it is taking a look at the whole area of capital cost allowances, the whole manner in which depreciation is to be treated in tax law. In fact, we may expect to have some further word from the government on this in due course. Why could not this provision with respect to the basic herd be deferred until the government is conducting its examination of the whole area of capital cost allowances and depreciation?

The second point that needs to be considered when looking at the basic herd proposition is that it would seem the government is phasing out the basic herd concept partly as the result of its introducing a capital gains provision into the income tax law, with one half of the rate of tax to come into effect. This presents a real problem. If you are going to treat the basic herd as a capital asset, on which capital loss or gain may apply, then it seems to me you are treating that asset differently from the capital assets of other businesses.

Make no mistake about it, Mr. Chairman. To the farmer his basic herd, his breeding herd, is a capital asset. It is part of his capital equipment. Certainly, some of the mechanisms of the situation are somewhat different from those which apply in other areas of business. In the case of a particular type of large machine, let us say a printing press or large lathe, to which capital gains or losses apply, the tax will be applied at half rate. But in the case of a farmer's breeding herd it will be treated differently, as a matter of income and expenses. I submit that the government cannot allow this type of discrimination to exist in tax law.

There is another point that must be considered. It has been made clear by many people, and indeed I believe the government has asserted this on a number of occasions, that one of the shifts that must take place in the Canadian agricultural industry is an increase in livestock production. This is necessary if we are to make adjustments and changes in the Canadian farming industry. The manner in which we treat this matter will have an important influence on other government programs designed to encourage livestock production. If this provision is allowed to pass into law as it now stands, it will discourage farmers from going into livestock production when in fact the government should be encouraging them to enter this field. Thus, if the government fails to make any changes they will be in conflict with other government programs.

• (4:50 p.m.)

Before I sit down, Mr. Chairman, there is one further point which needs to be emphasized.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member but I do so to tell him that his time has expired.

Some hon. Members: Carry on.

The Deputy Chairman: The hon. parliamentary secretary knows that this can only be done by unanimous consent. Is there unanimous consent for the hon. member for Regina East to complete his remarks?

Some hon. Members: Yes.

Some hon. Members: No.

An hon. Member: Might as well.

The Deputy Chairman: The Chair has heard some negatives, so it will not be possible to permit the hon. member to continue.

Mr. Burton: I take note of the place from which the "no" came.

The Deputy Chairman: It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be

raised tonight at the time of adjournment are as follows: the hon. member for Winnipeg North Centre (Mr. Knowles)—Senate and House of Commons—Position of study of conflict of interest and possible legislation; the hon. member for Dartmouth-Halifax East (Mr. Forrestall)—External Affairs—Canadian Soviet Communiqué—Effect of exchange of scientific and technological information on defence-sharing arrangements with United States; the hon. member for St. John's West (Mr. Carter)—Canadian National Railways—Lay-off of dockyard employees, St. John's, Newfoundland—government action.

Mr. Pringle: Mr. Chairman, I think we can agree on one thing in this House, that taxes of any kind are not too popular and whenever we are confronted with changes we are apprehensive about what they might do to our own position. I have heard members on both sides of the House state the plight of the agricultural industry with regard to the high investment required and the low return. Over a period of time, a farm requires a very considerable capital investment and over the same period, income should increase.

Today, members of the opposition have said that agriculture must be considered as a special status industry and I believe this suggestion has some validity. But in the next breath almost, the same members have said that if farm equipment is to be considered as capital then the basic herd must also be considered as such; in other words, agriculture must be considered in the same light as all other industries. There is variation of opinion here and we should all give very serious thought to this subject. Since the time the original income tax law was proposed and passed in the House of Commons, changes have taken place almost annually. However, it is a fact that regulations brought down by the Minister of Finance in the various budgets can very quickly rectify some differences which appear.

I have a couple of statements to make on the subject of farm land. It is my understanding that a farmer has two alternatives. He may claim a complete exemption from capital gains tax for his farm home and an acre of surrounding land. Alternatively, if it is more beneficial to do so, a farmer may elect to deduct $1,000 from his taxable capital gain for his entire farm operation for each year during which the farm home was his principal residence. Appraisal of the land constitutes a problem. Is farm land being valued taking into consideration the purpose for which it is being used or is it being valued with regard to the market price of surrounding land, such as housing developments or industrial developments? A farmer who is maintaining a dairy herd or who is growing cash crops for the good of the people living in urban centres should not be confronted with the problem of appraising his land at a price much higher than similar land in other areas being used strictly for farming. This whole question should be given full consideration.

As far as farm equipment is concerned—

Mr. Woolliams: I wonder if the hon. member would permit a question.

Mr. Pringle: Oh, no, I am not going—oh pardon me, I thought it was the hon. member for Crowfoot.

[The Deputy Chairman.]

Mr. McBride: Things are getting pretty bad when you are mistaken for him.

Mr. Woolliams: I appreciate the compliment. I would ask the hon. member to think about this question: Where you have a ranching, grain or dairy operation—basically I am getting into a field apart from what we are debating now but it is important because you cannot separate capital gains from a farmer's other income for tax purposes—you are going to have capital gains based on the value of the land whenever it is sold. How would the formula apply if the ranch or farm were incorporated?

Mr. Pringle: I do not differentiate, and for this reason. If a farmer is using his land for a farming operation and he suddenly dies and his family is confronted with a capital gains tax, the land must then be valued. It is my opinion that the land should be valued on the basis of the purpose for which the farm was being used when he died. In his lifetime he could have disposed of the land for industrial or housing development, so the family is confronted with a very difficult situation. In British Columbia we have examples which prove this point. I do not suggest that this situation does not arise in connection with other industries. We do not have death duties now but formerly when a man died and his property was disposed of his family was confronted with the estates tax. I think we should consider these problems connected with the valuation of farm land.

• (5:00 p.m.)

There is little likelihood that any capital gain will be paid with respect to farm equipment, since farm equipment rarely increases in value, notwithstanding our inflationary spiral. Often farm equipment must be used in rugged areas and the depreciation, in my opinion, is even higher than the allowable amount. I doubt very much that there will be any problem in this area. Of course, so far as principal residence is concerned, it must be conceded that the increase in value must be over $1,000 a year before it can be subject to the capital gains tax.

If I may speak about the basic herd, I think the Parliamentary Secretary to Minister of Finance is giving consideration to something that has been suggested in a number of representations, namely, that the basic herd is really a capital asset and, as such, that it should be depreciated as a capital asset. The system of taxation applying to an animal that is used for reproduction should be the same as that applying to a machine used to produce products. I hope this question will be given some consideration. I support the principle of time payments with respect to taxes of the kind I have mentioned. I firmly believe that they will be allowed and I will be very surprised if that is not the case.

May I talk about depreciable assets, Mr. Chairman? The system of depreciating assets has been compared with the system involving diminishing balances. I am having a great deal of difficulty in reassuring those who say that the matter of depreciation should be continued on a straight-line basis. It seems to me that, in the long run, the system involving diminishing balances is really not that much different, although I concede that there are many arguments in this area that we must consider. Farmers now will be permitted to continue to compute their

income on a cash basis rather than on an accrual basis, the method that is required for most other taxpayers. This method will not affect the amount of income tax farmers will have to pay, and I do not think there is any suggestion that the Department of National Revenue wants to to do anything differently in this area. Farmers will be allowed to continue averaging their income over five years. This provision is generally more beneficial than the general averaging provisions applicable to all other taxpayers.

Next I come to the question of farm corporations. Unfortunately, many of our farmers think of corporations as large companies. Nevertheless, many farm corporations throughout the country are, effectively, family incorporated farms. It is not only farmers with large operations who should consider incorporating. Those with medium sized and, in some instances, small farms, whose families wish to remain on the farm, should consider incorporating their farms. I believe that the young folk who are coming along in this field should also be considered. Their income often is inadequate. Often a young boy helps his father to work a farm. Often, because there is more inventory on the farm than can be used, cash is not readily available. Consequently, I feel that this type of farm help is often somewhat underpaid. Of course, there is a strong understanding in most cases that some day the young fellow will take over the farm from his father. If the farm is set up as a corporate structure, and there need not be more than two or three shareholders, it is possible through accounting procedures to eliminate a great many problems which might otherwise arise with respect to the transfer of farmland from the farmer to the younger people of the family.

Next, I come to succession duties. There is a difficulty in this area, since we, in the federal field, have given them up and we know that the provinces may introduce different types of succession duty. Such being the case, we are under a handicap. I do not think it is proper for us to advise the provinces as to what they must do, and I can see great difficulties arising if we become involved in any type of plan connected with succession duties. It is interesting to note, if one looks at this sheet entitled, "Comparison of Effect of Present Death Duties and Proposed Capital Gains Tax on a Farm Estate," that where the rate of capital appreciation on farmland is 20 per cent in ten years, a great deal of saving is brought about under the new system. As a matter of fact, the saving on an estate of $200,000 would be nearly $12,000 over ten years. The document in my hand shows the amounts various provinces would levy with regard to such an estate. The amounts vary because the provinces impose different levels of succession duty. I notice, however, that in every province of Canada there is to be a considerable saving and, if the new plan is compared with the old plan, it will be readily seen that there is to be a great deal of saving in this area.

I wish to reply to a few remarks that were made by the hon. member for Crowfoot. He talked about Operation Lift. The inference I drew from his remarks, and I do not know whether he intentionally wanted me to draw that inference, was that Operation Lift was foisted on the farmers of Canada.

Mr. Horner: Exactly.

Mr. Pringle: Operation Lift was an optional program.

Mr. Horner: Optional be damned.

Mr. Pringle: It was designed to place grain inventories in western Canada in a proper perspective.

Mr. Peters: So that grain could remain on the farm instead of in the elevator.

Mr. Pringle: It was brought in because there was a likelihood of more inventory than it was possible to move. I suggest that, in the years ahead, when we look back we will see that the program was of considerable help to the western grain business.

So far as the new quota system is concerned, may I say that when I was out west a week or so ago in my attempt to turn the tide, so to speak, I found that the quota system is generally well accepted by western farmers. The farm adjustment program, Mr. Chairman, must be mentioned. Although that program has not yet been proposed in this House, it would come into effect at the farmer's option and give farmers a method of determining their own future. The program would give them access to a realistic pension. The whole thing, so far as I can see at the moment, is to be financed by this government which is trying to give these farmers an opportunity to stay on their property and retire on it. They can participate in this pension plan right where they are and do not have to move. I wish the full story could be told.

You know, when I was in the riding of Assiniboia I was most amazed to see the way in which opposition members daily completely sabotaged and misrepresented information that was readily available to them. Of course, I am talking about the stabilization plan. Farmers thought that it was based on production, whereas they ought to have known that it was supposed to be based on farm income and that it was farm income that was to be stabilized. When people elect members to Parliament, they expect them to give the true facts. I am sorry to say, Mr. Chairman, that I found very little evidence that this axiom was being heeded. I found only confusion resulting from misleading statements by members of the opposition who had gone back to the Assiniboia area.

Some hon. Members: Shame.

Mr. Horner: That's a weak story, boys, a weak story.

• (5:10 p.m.)

Mr. Howe: Mr. Chairman, I am very happy to participate in this particular debate today because it has to do with changes in the Income Tax Act as contained in Bill C-259, as they relate to the agricultural industry. Like a lot of other people who come from areas in which there is a large agricultural population, I have been disturbed over the years by the fact that so many people are getting out of agriculture. If we look at the statistics, we find today that only 7.7 per cent of the working population are involved in producing food for the people of Canada as well as the food which we export from this great land of ours. More emphasis should be placed on incentive programs that will encourage people to stay on the land.

We talk about the family farm. I am happy to say that in my area there are many successful family farms, and this is one of the reasons I was so emphatic the other day that the wages of the wives of businessmen and of farmers

should be allowable as income tax deductions. Anyone who has lived in these areas realizes that the family farm is just that. A great many of them are successful because the farmer's wife works alongside her husband for a great part of the day and for a large part of the year. The parliamentary secretary said that such a provision would cause a great deal of division of income. I do not think the income of those who carry on this type of operation would be enough to make a great deal of difference to the coffers of the Minister of Finance when it came to collecting income tax. If the earnings of the wife were allowable as a deduction, the farmer would be placed in another bracket.

I would like to say a few words about this industry and the impact it has on our economy today. I am disturbed, day by day and week by week, when I hear the consumers of Canada talking about the high cost of living. They like to complain that food costs are out of range. That is not true. I have an article that appeared in *Weekend Magazine*. It is entitled "The High Cost of Food is Low". It is a very interesting article and points out that a lot of the remarks made by the consumers are not true. I quote from the article:

> Food prices increased only slightly more than half between 1949 and 1969. (For a family of four the average weekly food bill was about $20 in 1949; about $31 in 1969.)—
>
> The proportion of average disposable income spent on food today is smaller than ever—about 15 per cent in 1969 compared to at least 22 per cent in 1949.

Canadians are eating better. This differentiation is an indication that the farming industry is efficient. However, it is not that attractive. There are many people who are disturbed about this bill and other things that have happened, such as the cost squeeze in agriculture. They have decided to leave the industry, and that is the reason farmland is not selling now nearly as well as a year ago. Another reason for this situation is this bill, the white paper and the implications that farmers were going to be faced with more bookkeeping problems. Other matters farmers have to take into consideration are the alteration in the basic herd concept and other programs they followed for many years because of the capital gains tax.

All through the piece there has been a feeling of uncertainty in the farm community. One of my neighbours is a real estate salesman. When I am home, I periodically ask how things are going. He tells me that farms are not selling these days as they were one or two years ago. This did not happen by reason of mother nature or anything like that. It happened because of the economic policies of this government and the fears and frustrations people have when they look at this monstrous bill, then wonder what will happen to them. The government has indicated that there will be changes. This is one reason people are disturbed.

It is interesting to note that, according to this same article, irrespective of the fact that only 7.7 per cent of the population is on farms today, this is not the whole picture. It is estimated that in the farming communities three out of every 10 Canadian jobs relate to agriculture. Many more than the 7.7 per cent are directly involved. They are involved in agricultural legislation and things that affect the agricultural community. With regard to the costs of farming, the article reads:

> Farmers' costs have more than doubled since 1949, so it is clear farmers gain very little from increased prices since their portion of the consumer's food dollar continues to diminish.

Does the parliamentary secretary feel that in this particular program there is any sort of incentive for people to go back to the farming area? What incentive is there for all those junior farmers who have been working so hard learning how to run a farm and the 4H club members being taught by agricultural representatives how to operate a farm? If they work on their father's farm, they feel that by the time they receive it, pay for it and the government gets through with them there will not be much left.

I wish to cite a recent case concerning a farmer in my area. He had 500 acres of very good land and a beautiful dairy herd. He had three children, two boys and one girl. They were all smart, intelligent children. They have worked on that farm all their lives, but will they continue to work on the farm? A few weeks ago that beautiful herd of 125 holstein cows was sold. They were put on the market because the farmer felt there was not any future in this type of operation. Although his family had been raised on that farm, enjoyed farming, belonged to the junior farmers' organization, were bright, intelligent young people, there was not any incentive for them to continue. They decided to leave the farm and go into some other occupation. This is a loss to the agriculture community.

The government and organizations should do everything possible to stop these bright, young people from leaving the farms. They should be encouraged to continue farming. There is going to come a day, and I would not like to predict how far away it is, when we may have to import a lot more agricultural products into this country. That will be a disgrace and a crime. It will be an indication that governments in the past did not do enough to encourage young people to remain on the farms which their fathers started many years ago, and of which they were so proud. I cannot see anything in this particular bill that will give encouragement to those people.

There were one or two questions which the hon. member for Fraser Valley West introduced into the discussion. He referred to the capital gains tax. In my area there are developments taking place around the big cities. The farmers who live adjacent to these large cities are fortunate because they receive a high price for their land. However, it does not stop there. I am referring to farmers who live around Toronto, Brampton, Guelph, Woodstock and Kitchener. They are receiving large prices for their farms, but many of them want to continue farming. What do they do? They sell the farm for a high price and move back into the country. They are driving along a road and they see a beautiful farm in a good location. They drive in. The farmer has no idea of selling his farm. But the prospective buyer looks at the farm and the house. They are attractive and well-kept. He asks the farmer to name a price. The farmer mentions a figure that he does not believe any buyer would look at, maybe $85,000 or $100,000. To his surprise, the offer is accepted. What is the result? Not only that farm but all the farms in the area are brought within an entirely artificial taxation bracket, and the consequences of the proposed insidious capital gains tax will be frightening to those who have to face them.

• (5:20 p.m.)

I might say the same about farm residences. There has been a marked trend in my part of the country for people to come from the city to seek an old stone house in which to live. There are a lot of these houses in my area. For example, two ladies driving along a road saw a beautiful stone house for which they were willing to pay $35,000. This was for the house alone; they did not want the farm. Where does it leave the fair operation of the act when cases of this kind occur, as they do with increasing frequency, unless a means is found of differentiating between the value of the farmhouse and the value of the farm itself? How will capital gains be assessed when the tax inspector comes round if the farmhouse has been sold for more than the whole farm is worth? It will create entirely false values, the consequence of which farmers who are continuing to operate their business will have to face. I can see this proposal creating many serious problems without thought of their solution. Farm values will tend to go way out of line and I am afraid the piece of legislation before us is far from helpful.

It is interesting to note that the Banking, Trade and Commerce Committee of the other place was not too happy about the effect of these sections upon farmers. We have been talking about the proposal to end the basic herd concept, something our farmers have got used to and been able to live with for many years. Here is what the Senate committee had to say about that proposition:

> Under the proposed legislation, it is intended to abolish the concept of the basic herd and to treat such herds as inventory or stock-in-trade. Under the transitional rules, basic herds which have already been established will continue to be treated as capital assets to the extent that gains accrued at the commencement of the new system will not be subject to tax. However, gains accruing thereafter will be treated in the same manner as profits on the sale of inventory.
>
> Your Committee is not aware of any reason for not continuing to recognize a permanent herd for what it is, namely, a capital asset.

And here is the recommendation made by the committee in the other place:

> Your Committee recommends that provision be made in the proposed legislation for the continued recognition of a farmer's permanent herd as a "basic herd" and, therefore, as a capital asset.

In other words, the committee does not agree with the legislation we have before us. They advise that the existing act should not be changed in this respect.

A few moments ago I was talking about the sale of farm homes and farm land. Here is what the committee of the other place had to say about that particular aspect:

> Your Committee is of the view that farmers occupy a special position in the economic structure of this country. Over the years, this sector of the economy has become increasingly subjected to pressures which have led to a profound change in the nature and use of farm lands.
>
> Your Committee is concerned by this trend and believes that measures should be taken to reverse it.

And here is the recommendation which is made in this connection:

> Your Committee recommends that consideration be given to extending the rollover provisions to permit land together with any other capital property which is used by an individual in a farming activity to be transferred, either during lifetime or on death, to lineal ascendants or descendants without being subject to capital gains treatment under the deemed realization provisions. This exemption should only be available in those circumstances where the transferee or transferees continue to carry on the farming activities.

I feel that agriculture is of special importance to Canada and that we should do everything we can to encourage farmers to stay on the land. We should encourage their children, who have been trained as junior farmers and 4H club members, to follow in their father's footsteps. I do not feel the legislation before us offers any incentive or assistance to the farmers of Canada, so I would suggest these sections be amended along the lines proposed by the committee of the other place in order that the farm industry might be brought out of the uncertain period through which it is presently living, and farmers be able to go forward with hope, knowing that their future is in good hands.

Mr. Woolliams: Mr. Chairman, before I say a few words on this section I should like to put two or three questions to the parliamentary secretary and his experts. May I premise these questions by saying that a number of farmers in Alberta are incorporated as small businesses. My first question in this regard is as follows: Suppose the new act is passed. If a farmer incorporates, will he be taxed in accordance with the rates and allowances which govern small corporations or will the rates and allowances which apply particularly to farmers apply to him?

Mr. Mahoney: The corporation would be treated as a small business in the same way as any small corporation carrying on another business.

Mr. Woolliams: As the parliamentary secretary knows, there are a lot of big ranchers in Alberta who are incorporated, because they can run a better business operation and come up with a better tax picture. Would they be entitled to a basic herd? As I understand it, the basic herd rules and regulations apply only to a taxpayer who is unincorporated.

• (5:30 p.m.)

Mr. Mahoney: It is the intent of the bill before us to phase out the basic herd commencing the first of next year. I should like to add to my previous answer regarding the incorporated farm that a corporate farmer is entitled to calculate his income on a cash basis rather than on an accrual basis if he chooses to do so.

Mr. Woolliams: I appreciate that, and I understand the small business provisions, but what we are really saying is this: As I understand the small business deduction provision, subject to rigidly prescribed conditions, private corporations are entitled to a reduction on the rate of tax on the first $50,000. This is phased out if that particular corporation has produced a taxable income of $400,000. In eight years, that is eight times $50,000, is $400,000. This corporation then moves to a rate of 50 per cent of its net income, just as a big corporation like Imperial Oil and other corporations like that.

Mr. Mahoney: Provided that they did not reduce that accumulation of earnings by payment of dividends. If such a corporation chooses to pay out dividends, as the years go by that money comes off the amount which goes to make up the $400,000. So, a corporation of the nature of

which my hon. friend refers could perpetuate its eligibility for the low rate of tax simply by paying dividends.

Mr. Woolliams: That clears up something at least. One of the answers given by the parliamentary secretary was that he thought that was the intention of the act. I hope it is the intention also of Parliament; we cannot control the interpretations of the courts. There are many interested people in Alberta where large sections of farms and ranches are incorporated at the present time, as there are in Saskatchewan. Farming and ranching is a big operation, a "big small business", as it were. It has been natural for these corporations, not only from the point of view of protection in business but from the taxation point of view, to leave their capital in and to expand operations.

Am I to take it that the rules and regulations set out in sections 28, 29, 30, and so on, which apply to farmers, only apply to farmers and ranchers who are not incorporated? I believe that is correct. Second, do I take it that the tax structure relating to incorporated small businesses applies to ranchers also? My third question is, could they, then, go on, providing they are paying the shareholders dividends, for we might say forever without ever reaching the $400,000 provision, or is there a time limit on it?

Mr. Mahoney: There is not time limit on this. To be absolutely clear on the basic herd point, if a farmer or rancher, incorporated or otherwise, wishes to establish a basic herd between now and the end of the calendar year, under the legislation he can do so.

Mr. Woolliams: That is the question I put and he has his experts there. Would the parliamentary secretary point out to me in this big volume the section which says that the basic herd provision applies? That is why I asked that question to start with. I appreciate it is a very difficult piece of legislation and I sympathize with him, but I want to put this to him. I should like to find out where it says in clear, unequivocal English that a small business corporation—which of course is what a ranch or farm would be—comes within the basic herd provision if they are incorporated. I should like him to read that part.

Mr. Mahoney: The first few words of section 29 reads as follows:

(1) Where a taxpayer has a basic herd of a class of animals—

The taxpayer can either be a corporation or an individual. The term under the Income Tax Act extends both to an individual and to a corporate entity.

Mr. Woolliams: We have that cleared up then. I hope those answers will not be the kind of answers we got from a former minister of health when we asked her on an afternoon similar to this whether Members of Parliament and others came within the Canada Pension Plan, and she said they did not. Then, we woke up the morning after the act was proclaimed and the regulations passed by cabinet to find an entirely different situation had developed. That is the trouble with this kind of tax law. As my good friend knows, legislation is always subject to the court's interpretation. A taxpayer may be a corporation under the act, but I should like to see it spelled out without any question that this law applies to the operations of a ranch or a farm that is incorporated. Then, we would know where we stood in that regard.

[Mr. Mahoney.]

This type of legislation is difficult for those engaged in agriculture. I think I know something about that having been raised in the prairie provinces and spent some time connected with farming operations, both as a farmer and as a lawyer practising in the city of Calgary. Prior to that time I was in Saskatchewan dealing with farmers and ranchers. As a result of my experience I got to know pretty well some of their problems, particularly from the income tax point of view. My concern with the method of debate this afternoon is that we are swatting mosquitoes when we should be belting horseflies. One of the things we are talking about is the basic herd. Under the old act this was treated as a capital asset. Under the new act, while it is true farmers can get on a cash basis, as the parliamentary secretary says, the real intention is to phase out the basic herds. He can shake his head but that is what he said, and finally it will work out that way. The basic herd provision will not apply to new farmers and ranchers. I do not think he can deny that.

I suggest that when we are talking about farming and ranching we should discuss all those things that apply to farming and ranching. One of the things that this act will do is this. There were members of the committee who said the white paper did not go far enough. These people really never explained to the farmers and ranchers that if it went further there would not be a farmer or rancher left. The fact is it went too far. We should be debating not only how farmers should pay their personal taxes when they are unincorporated or their corporate tax when they are incorporated, but we should integrate with this the debate on capital gains.

A member this afternoon talked about equating the value of land with the purpose for which it is used. Let us not fool around: when valuation day comes I think the valuation should be set on that day, applying the rules and regulations. There are various systems for arriving at the value, but whatever value is agreed upon between the department and the taxpayer as at valuation day, any capital gain made on the farm or on the ranch will be added to the personal income tax of the owners according to the formula, which is 50 per cent of the value. Then, you have the 25 per cent rule.

I ask these questions because of what I have heard said this afternoon in reference to the basic herd and the changes in the bill with reference to capital cost allowances and to trading in machinery.

• (5:40 p.m.)

These changes will make it more difficult for a farmer to remain on his ranch or farm and carry on the operation. I am very concerned about the situation in western Canada at this time because there is a large group of people who have operated farms and are reaching an age where they wish to either sell or turn over the farm to their children. In many cases this has been a husband and wife operation because it is difficult to obtain labourers in the fall of the year. What happens? They have built up this farming operation and then are subject to a capital gains tax. The formula is not the same as it is in the United States or in Great Britain. After the formula is applied to the top valuation, it is added to the income. I say the result will be that the family farm will be quickly turned over to the government or will be mortgaged to the government to

the extent that the next generation will have to continue to work in order to meet the mortgage payments to the government. Some people to my left have said that this legislation does not go far enough. It goes so far that when the farmers wake up in a few years they will find that they cannot continue to own the farm.

If a farm is passed on to a son or is sold, the capital gains tax will mean either that the farm will be turned over to the government or will be mortgaged to the state. I believe when speaking in the southern part of Saskatchewan or Alberta during the last election the Prime Minister said that the objective of the government was to have the farms owned by the government. This is what the bill will do if the capital gains tax is implemented.

Mr. Mahoney: Let us have the report of what the Prime Minister said on the record.

Mr. Woolliams: I can easily read it into the record tomorrow because I have his statement as it appeared in the Calgary *Herald*.

Mr. Mahoney: It is gospel!

Mr. Woolliams: It is up to you to argue with the Calgary *Herald*.

Mr. Osler: Give us the reference.

Mr. Woolliams: My friend from Winnipeg is a peculiar man. He never believes anything. I just want to make my point. The hon. member should go down Main Street in Winnipeg and stand on the corner on a cold day. What would happen there on the corner I think would apply to him, and he knows what it might be. When the capital gains tax is applied against the farmer I believe he will pass on the farm or it will be mortgaged so that he will, in effect, be giving a mortgage to the government in lieu of taxes. If anyone denies that would be the result of the capital gains tax when the farm is sold, then I would ask him to stand in his place and say so.

I was interested in what one hon. member said this afternoon. I refer to the hon. member who has supported the government up until now. He spoke of equating the value of the land with its purpose. For example, if it were a dairy farm it would be valued for the purpose of dairy production. In an area between Calgary and Red Deer, in that area around Regina, Saskatoon or Moose Jaw or Edmonton, you will find that the farm is valued because of its proximity to an urban centre. I believe this would be true around Brandon and Winnipeg. The result is that the demand for the land determines its price. The amount of capital gains tax a farmer or rancher will pay when he has reached the period in which he wants to retire will be so great that he will not possibly be able to retain the title to his farm. This situation is particularly true under present marketing conditions. Let me deal with this for a few moments.

Under the capital gains tax structure and under the quota system which limits the cash flow to the farmer's pocket, the farmer would never be able to meet his obligations under this capital gains tax provision. I say this is proof that the capital gains tax will mean that the farmer or rancher will either keep the land or eventually it will become a state farm or be mortgaged so that the second generation farmer will have to work all his life in order to be able to pay off the mortgage. The farm economy is such that he would never be able to produce enough dollars in extra cash to meet the capital gains tax even if it were spread over a period of years. A tax is, in effect being added to the tax on the land on which they are producing in order to pay the capital gains tax. I believe this is a severe discrimination against a particular class of people. It discriminates against the farmer because, even though we are becoming urbanized, there are more farming operations in western Canada, in the farm belt of Ontario, the farm belt of Quebec and even in the farm belt of the Maritimes, than there are small businesses in the cities.

So this legislation really discriminates against an industry which until now has been the real backbone of our country. This is why when talking of the rate of tax, and the changes in tax structure, the real problem about which the farmers should be concerned is the capital gains tax because one cannot be separated from the other. This is why I submit that eventually those farms will go to the state, particularly under the kind of marketing arrangement we have which determines the amount of cash a farmer receives with which to pay his taxes. The minister in charge of the Wheat Board tells us that sales are good. Well, during the past five years, in respect of wheat sales, Canada has dropped from first to sixth position. The minister says we have wheat sales, but the truth is that this government and the previous government have never realized that the real problem in western Canada has not been a surplus of grain but rather the tie-up in getting the product from the farms to the country elevators, to the ports and then to the countries which buy it.

We have had management and labour disputes and so on. In these circumstances, how can a farmer pay the increased taxes which will result from the capital gains tax being added to his personal income tax or corporate tax indirectly. He will have to borrow in order to do this and he will have to pay interest on the money he borrows which will increase his cost of production. Because of this legislation and high taxes, the ownership of the farm will be turned over to the state or to other people and, as a result, the farmer who has worked all his life must pay a capital gains tax added to the tax on whatever other income or investments he may have. This is why the whole tax structure should be discussed in one package when we deal with agriculture.

• (5:50 p.m.)

The Assistant Deputy Chairman: The time of the hon. member has expired. Is there unanimous consent to allow the hon. member to continue?

Some hon. Members: Agreed.

Mr. Woolliams: Thank you, Mr. Chairman, I appreciate that very much.

Under section 28, farmers may continue to compute income on a cash basis and the existing provisions requiring inventory and or accounts receivable to be brought to account on disposal of the business or on leaving the country are also continued. It is true that the farmer will be subject to automatic general averaging rules. He may elect to use the existing five year block averaging provi-

sions if he so wishes. The problem here is the high capital gains tax. In the United States and in Great Britain you know the costs which you have to meet. Because of inflated land prices, capital gains will be so high that no farmer will be able to stay in business. The government leaves the impression that the estate tax has been abolished, but all they have done has been to create a vacuum for the year. The capital gains formula as applied, against these farms, will be far greater than the estate tax.

With regard to the basic herd, we have heard complaints this afternoon. I would like to quote the view of a group of researchers on Canadian tax reform. I will read what a group of accountants wrote about the subject. They wrote:

> No additions may be made to a basic herd after December 31, 1971.

That is certainly of no advantage to farmers because their basic herds do not increase. The researchers go on to say:

> —if subsequent to that date, the total number of animals of the appropriate class falls below the number in the basic herd, a sale is deemed to be made from the basic herd to the extent of the excess.

Is that of advantage to farmers? Of course, it is not. I continue the quotation:

> The basic herd cannot then be increased. In computing income of a year in which a part of the basic herd is realized, there may be deducted the December 31, 1971 fair market value of the animals so disposed of. Where a farmer has a basic herd plus other animals of the same class, he cannot, in a year of sale, reduce his basic herd by more than 10 per cent of the number of his December 31, 1971 basic herd provided he still owns sufficient animals of the class equal to the reduced basic herd.

If a farmer reached a position in which he could not keep his basic herd because of marketing or economic conditions and he wanted to dispose of that capital asset, he would lose the benefit of the basic herd formula. In other words, it is a straight bookkeeping entry. The government is in fact saying to a farmer "we will control how you market the stock, and if you market it in this fashion you will pay more taxes because we are the ones who determine the formula for the basic herd." According to the old idea, the basic herd was a capital asset, rather than part of income, until it was sold.

This is what the researchers had to say with regard to a farmer's residence:

> Where a farmer disposes of his farm and part of it was his principal residence, rather than having the farmland and principal residence treated separately, he can elect to treat the entire farm as one asset, and deduct from his capital gain otherwise determined $1,000 a year for each year the farm was his principal residence.

This means that if he is farming for ten years he can elect to take ten times $1,000 off his total capital gains. Let us consider the point I raise. If the value of the farm is inflated because of its proximity to an urban centre, when he sells it he may double his money. If that is the case he will have a capital gain of 50 per cent, that is the difference between the value on valuation day and the price at which he sold it. The 50 per cent is added to his income, with some averaging. That is the situation which is affecting farmers and which will put these people off the farms and out of business.

[Mr. Woolliams.]

If the state runs farms as they run other corporations, we know what will happen to production. Farmers will not have much trouble with marketing when the state takes over. The researchers, comment as follows:

> On the face of it, this provision should avoid the need for separate valuations on Valuation Day and the segregation of the sale price, but without the valuation and segregation, on what basis can a determination be made that the election is beneficial?

It is certainly not beneficial to the farmer, and that is my point. We must realize when we are debating these tax provisions as they relate to farmers and ranchers, that they are in a unique position because farming requires large amounts of capital. If a farmer wished to take his investment out of machinery and land and invest it in trust companies, even at today's rates of interest, he would find that he would be far better off. But farming is a way of life, and we should have the kind of taxation which would encourage those people who are serving the nation by producing food as well as by bringing back to Canada large numbers of dollars from the export of grain and cattle.

May I call it six o'clock, Mr. Chairman.

The Assistant Deputy Chairman: Order, please. It being six o'clock, I leave the chair until eight o'clock.

At 6 p.m. the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Shall section 28 carry?

[*Translation*]

Mr. Fortin: Mr. Chairman, I feel it is my duty to speak on this section of Bill C-259 concerning taxation of producers and farmers.

I object to the spirit of this legislation, especially because of the sections now under consideration. Departments adopt a policy unaliterally without taking into account measures adopted by other departments and, consequently, those programs are eventually disastrous for the very people that they intended to help.

The case under consideration tonight is one of those. In fact, it shows how the government lacks logic sometimes when adopting legislation or regulations for the purpose of helping the farmer. Action is taken to help him borrow, but, on the other hand, measures are adopted to ruin him. Finally, neither policies have been effective, because they are contradictory.

In my opinion, any tax reform must take into account the objectives determined by other departments so as to avoid conflicts. To make this point clearer and make my colleagues understand that the provisions before us can in no way satisfy either western or eastern producers, I shall make a brief historical review.

There was a time when, in Canada, all producers were free to run their farms as they liked. It was what was then called the family farm on which parents and children worked and which was transmitted from generation to generation. The young took charge and so on. In eastern

Canada, and particularly in the riding of Lotbinière where there is a strong rural population, two, three or sometimes four generations have lived from the income of the same farm. The farmer ran his farm as he pleased independently of agricultural policies. In any event, policies then did not particularly concern farmers.

• (8:10 p.m.)

And one day governments through their more and more complex political objectives adopted measures tending to industrialize and organize the farms and make them more efficient. People said then that it was the "efficiency folly" or "the great period of agricultural revolution from the point of view of profit", and I am one of those who said so. The Federal and Provincial governments therefore said to the Eastern and Western farmers: "What you were doing yesterday is no longer any good; today, you must improve your land, your herd, your farm machinery, otherwise you will starve.

Farmers who have never hindered progress, fell into step, although they could not afford it. It is then that the government decided to grant loans to agriculture, in order to help farmers to modernize their farms, to get into debt, which they did. They ran into debt, and the government then started to take over the farms, because immediately after having told the farmer: Modernize your operation, improve your methods, we will give you financial means to do that through farm loans, it also said: Now, we shall control the production; the days when anybody could produce anything are over. Thus, the policy of wheat, milk and egg quotas was born. Then the farmers found that their income was systematically controlled by the state. The latter started with financial control of the individual, control of the land through mortgages, and now, control of the farmer's income which the state freezes at will.

If a producer produces more than the permissible quota, not only will he not receive a salary, but he will be taxed. Such is the present policy. The government, after having taken over the farms and control of the farmer's income, taxes their meagre profits. And this, not equitably, for if it were done equitably we could not but congratulate the government.

On reading section 28, for instance, one realizes to what lengths the government intends to go to control the farmers, to own them, to socialize them. That is why I said at the onset that I did not share the spirit and the aims of the tax reform because of its aims.

Let me quote you only one example of the administrative follies we are witnessing. On page 85, clause 29 reads as follows:

Disposition of animal of basic herd class

29. (1) Where a taxpayer has a basic herd of a class of animals and disposes of an animal of that class in the course of carrying on a farming business in a taxation year, if the taxpayer so elects in his return of income under this Part for the year the following rules apply:

Thus the bill says that in order to comply with the will of the government, and I quote:

(a) there shall be deducted in computing—

—if somebody understands that, I would like him to let me know, because I have been studying that text for at least three days. I talked to some people and I have been told that no farmer will be able to make it. I feel sure of that because no one where this is taking us.

I quote again:

(*a*) there shall be deducted in computing his basic herd of that class at the end of the year such number as is designated by him in his election, not exceeding the least of—

And that to find out the tax which the individual will pay on his capital gains, on what he will sell. That is interesting. The quotation goes on:

(i) the number of animals of that class so disposed of by him in the year,

(ii) 1/10 of his basic herd of that class on December 31, 1971, and

(iii) his basic herd of that class of animal at the end of the immediately preceding taxation year; and

(*b*) there shall be deducted in computing his income from the farming business for the taxation year the product obtained when

That is fantastic. I quote further:

(i) the number determined under paragraph (*a*) in respect of his basic herd of that class for the year

is multiplied by

(ii) the quotient obtained when the fair market value on December 31, 1971 of his animals of that class on that day is divided by the number of his animals of that class on that day.

Once this bill is adopted—if that is the intention of the government wishes so—I wonder in what kind of mess the farmers will have to manage their business since their farm is now considered as a business.

Everything has a limit. Farmers have gradually lost ownership of their farm owing to government socialization programs. The farmers' revenue is controlled by the government which wishes to make the management of a farm so complicated that farmers will have no choice but to give up business and get into a simpler field.

Several of my colleagues may not believe it, but I heard the previous speaker this afternoon mention that only 7.7 per cent of Canadian workers were farmers and that only 4 per cent among them enjoyed a minimum level of subsistence.

It is tragic. It so happens that a strict minimum of farmers feed 22 million Canadians and that instead of taking steps to help them, they are discouraged.

This means that a farmer with 30 heads of cattle, for example, is compelled to keep complex accounts for each head. I refer my colleagues to section 28 and the following to show how ridiculous and complicated it is, yet for the sole purpose of collecting a little more taxes from those who are penniless.

The Minister of Finance (Mr. Benson) was boasting recently that 750,000 Canadians will be removed from the taxation rolls under the tax reform. In all honesty, Mr. Chairman, this is not something that we can brag about, because 750,000 Canadians are no longer paying taxes it is due to the fact that they are in need of money. If their income is inadequate, it is because they are below the poverty line.

If we are aware that the basic exemptions suggested are $1,500 for single people and $2,850 for married ones, and that 750,000 Canadians will not pay taxes, this means that many married or single people are living in extreme poverty.

What will happen to farmers within that context? They have usually succeeded their father and have not had the same opportunity as other citizens to get a better education. Those people always managed somehow. They were in the fields before sunrise and came home after sunset, and they worked hard.

As a result of government schemes, those farms were taken over. Farmers are even being told today to have collective farms, to group themselves. In socialist or communist countries they have reached that point; first the farms were taken over now they are gradually reverting to private enterprise.

At the beginning of my remarks, I said that when passing a bill here it should be re-situated in the context of general policy objectives, after which it could be determined whether it does not defeat the purpose of other legislation. If it does, it is not a step forward but a step backward and I feel that enough harm has already been done to farmers as it is.

Instead of passing legislation, granting tax credits for any farmer's children willing to carry on the family business so they may continue to modernize and improve it, we do absolutely nothing.

The government talks of capital gains. This means the farmer will be taxed just like big businesses. They can afford to pay but not the small ones. The government treats on an equal basis the small business, the family farm and the big businesses. It treats them according to the same criteria. So, the small businesses, whether they like it or not, are going to be wiped out by this bill.

I rose recently in the House to acquaint the minister with the views of co-operatives, credit unions and caisses populaires. I said then that these measures would sooner or later bring about the disappearance of these co-operatives. The minister has realized his mistake and tabled some amendments. We were happy about it, but when we read them we noticed that once again people were being made fools of and that nothing had been done. Representations are therefore continuing.

The spokesmen for co-operatives and ourselves use the same language which is that the tax reform before us will entail the gradual phasing out of those institutions and of at least 50, if not 60 per cent of family farms still being operated in Canada.

Mr. Chairman, the farmers are moving into cities and becoming unemployed. We then ask them to undergo retraining courses to momentarily get rid of them, and once these courses end, they find themselves stuffed full with useless diplomas.

Instead of helping the farmer when he operated his farm, when he was independent of government, in order to preserve his independence, to increase his productivity so that he would not depend on social welfare, the government's policies have reduced him to an underprivileged status and he is totally dependent on the state.

I suggest that the rural exodus is the result of the policy of the federal government aiming particularly at ousting the greatest number of farmers with a view to laying hands on their farms, allegedly to promote collective farming which is a socialist inspired principle. We are socializing production; we have socialized lands and we are getting rid of people.

[Mr. Fortin.]

And yet when the farmers were requested to feed the Canadian Armed Forces during the war, they did not boggle and abode by the government's directions and worked.

It is not by discouraging private enterprise and personal initiative that we will make free Canadians independent from public administration.

For instance, we might just wonder, in connection with the distribution of the tax burden, what will be done with all the taxes collected under this voluminous bill. If you try to know where our tax money goes by leafing through the publication issued by the President of the Treasury Board (Mr. Drury) you find that 25 per cent of this money goes to social projects.

In other words, this money is not used to increase productivity or the purchasing power but simply to keep them in poverty. At the same time, 14 per cent is earmarked for economic expansion and 14 per cent for servicing the public debt.

Mr. Chairman, the government's basic concepts are wrong. Under these concepts, the government is increasingly downgrading the farmers as masters of their free enterprise by stiffling them under taxes so as to turn them into unemployed or into poor city dwellers. Thus, unemployment and poverty continue to increase in a country bursting with wealth.

If the government is aware of the problem, let it choose the solution aimed at encouraging young people to maintain the family farm, to improve, modernize and restore it if necessary. Let it provide them with incentives, not of mere enrolment in all kinds of social measures, but of assistance through measures such as tax credits for a number of years, as it does for private enterprise.

When with great fanfare an industry establishes in a given area and creates jobs there, the government says: For a number of years, you will be exempt from taxation, or your tax burden will be eased to some extent or else, you will be given this or that land. But in the case of farmers, the government does things in a completely different way. Since it is dealing with little people, it must crush them; it is easier and it does not show much.

However, people are becoming aware of things much more than we think. The time has come to take our responsibilities in this respect. Why not help small businesses? Why not help the individual who tries to get by, to own his land, to grow, to be himself, instead of only a number in the Unemployment Insurance Administration? Why not adopt concrete measures such as tax cuts for the young man who wants to continue to operate the family farm, or else, help him reimburse a farm loan that makes it impossible for him to make ends meet, because the government has adopted an income control policy? If on the one hand the government has taken steps to control income through its quota policies, and on the other hand it controls capital gains by subjecting them to a 50 per cent tax, whether in the case of a small business or a large corporation, it is clear in my mind, as it is in those of most of my constituents in Lotbinière, that this will soon result in the disappearance of most small businesses.

As the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) is here tonight, I take this opportunity to ask him to explain the thought behind this legis-

lation and show us that it will promote farm development and encourage, rather than discourage, farmers. Let him prove that this will help farm development and make farmers more and more independent, less and less under the government's thumb, and then we will be willing to discuss and even to change our position. But in the light of the information at our disposal and of the results of the programs put into effect in the last 15 years in this field, we have no doubt that this piece of legislation will continue to systematically undermine private enterprise and discourage the owners.

When it is stated, for example, that upon selling any part of his herd the farmer will have to pay a tax based on the age of the cattle, I feel that is going too far; the farmers' production is being controlled far too much; this can only discourage them. In bringing my remarks to a close—

• (8:20 p.m.)

[*English*]

The Chairman: Order, please. I regret to interrupt the hon. member. I do so to advise him and the committee that his time has expired.

Some hon. Members: Continue.

The Chairman: The hon. member may continue only if there is unanimous consent. Is there such consent?

Some hon. Members: Agreed.

[*Translation*]

Mr. Fortin: Mr. Chairman, I thank my colleagues for their consideration, but I shall not take undue advantage of it. In any event, I was about to bring my remarks to a close.

I should therefore like to ask the minister to explain this section to us. I would also ask him not to interpret my remarks as political opposition, but to realize that it is in our interest that we understand this bill thoroughly and make sure that it does not go against the farmers' interests; that we truly mean to help them and to ensure that the proposed measure will not conflict with the policies of other departments.

If the minister is right, he should prove it. I suggest that he study the point I have made, namely that the farm policy has brought about the elimination of a great many producers who have simply become unemployed because we do not know what to do with them, our system being such that our main Canadian industry is now unemployment.

In the light of the experiences already attempted, I feel that it is now time for the government to study once and for all the need for adopting positive measures, instead of proposing a tax reform designed to control farm property, production and the individual, and even to tax capital gains and the proceeds from the sale of cattle, time to study at last the advisability of introducing concrete measures. Instead of discouraging individuals, it would encourage them to work. Consequently, these people would be less and less dependent on the government for a living.

[*English*]

The Chairman: The hon. member for Annapolis Valley.

Mr. Downey: Mr. Chairman, I rise on a question of privilege. This afternoon when I began my remarks in this debate I asked the parliamentary secretary a question with regard to the averaging of farm income and he indicated that these provisions are exactly the same as they were before.

The Chairman: Order, please.

Mr. Downey: I am just coming to my question of privilege, Mr. Chairman.

The Chairman: I have some doubt about the point of privilege. It may be a point of argument. The hon. member knows that he may gain the floor when the Chair recognizes him. I do not think he should have the floor to raise this point.

Mr. Downey: Mr. Chairman, I was just introducing a preamble. My question is: Will there be the same averaging provisions as now exist with regard to incorporated—

The Chairman: Order, please. I want to be as kind as possible but I say, with respect, to the hon. member for Battle River that he has not raised a question of privilege. He may have an argument with the parliamentary secretary and his point may be a point of debate. In the fullness of time I will recognize the hon. member.

Mr. Downey: Mr. Chairman, could I, then, ask a question which is not raised by way of privilege?

The Chairman: Order, please. The hon. member for Battle River will remember that the Chair had recognized the hon. member for Annapolis Valley.

Mr. Woolliams: But he is prepared to yield the floor.

Some hon. Members: Oh, oh!

The Chairman: Order, please. The hon. member for Annapolis Valley.

• (8:30 p.m.)

Mr. Nowlan: Mr. Chairman, I rise to participate in this debate on Bill C-259 with some hesitation. Even though I have been exposed to not only the farm community but also taxation in a professional way, I have found that the more one digs into the 707 pages, with amendments and amendments to amendments, the bill becomes not only confusing but somewhat incomprehensible to a member of this institution. It is certainly confusing and incomprehensible to the average Canadian who will be exposed to these new proposals.

In committee of the whole we are now dealing specifically with sections 28 to 31 which I will touch on lightly. In any discussion on agriculture at this time, as a member from the east I would be remiss if I did not quote part of a press release on the state of agriculture in Atlantic Canada, particularly the maritime provinces. This document was written by one of the leaders of the agricultural industry in the maritime provinces, a former deputy minister of agriculture in the Nova Scotia government. He is now president of the Maritime Co-operatives Society, Dr.

J. E. Walsh, who has been recognized in the Atlantic area and all across Canada as one of the leading voices in this country. On October 29 he said, among other things:

> Agriculture in the maritime provinces is facing its most desperate crisis in 40 years. Our hog industry is being forced to close down, our egg industry is seriously threatened, our potato and apple industries are severely depressed, our dairy industry is dwindling, and our beef industry is faced with rapidly increasing production costs.

I could go on ad infinitum.

An hon. Member: You can do that.

Mr. Nowlan: I could go on ad nauseam—

An hon. Member: You can do that too.

Mr. Nowlan: —and not just restrict my comments to one region of Canada. I could cover Canada from coast to coast. The same general critique and the same condemnation could be levelled at the leaders of government who are not providing leadership to the agricultural community in this land. If any member in this House thinks that this 5 pound 14-ounce monstrosity is going to provide leadership to the agricultural community, he is living in the land of Rip Van Winkle.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Nowlan: Perhaps later tonight when the returns are in from Assiniboia members opposite will wish they were in the land of Rip Van Winkle. If the present government does not start to listen to the pulse of the farmer, the businessman, the little man, the union man, the average Canadian, let alone the lonely housewives in Canada, it will be sent to the land of Rip Van Winkle pretty soon. As I try to understand the incomprehensible, as I try to unwind—

An hon. Member: "Unravel."

Mr. Nowlan: —and unravel the twisted strain coming from the minister before I come to the specific sections under discussion, this bill will go down in the annals of parliamentary history as the arteriosclerosis of our society. Mark my words, because they will come back and haunt members opposite, especially the Minister of Finance. I say that without any hesitation. If the hon. member for Lanark, who sometimes with divine guidance and a very articulate tongue—

An hon. Member: What do you think about heavy water?

Mr. Nowlan: —and other members opposite consider the amount of time, effort and energy that has already been expended, beginning with the many studies supposedly from the Carter commission, Benson's white paper, the debate, proposals, counterproposals, briefs, counterbriefs, delegations coming to Ottawa, getting a hurried hamburger in some cafeteria so they can see the minister—

The Chairman: Order, please. When the hon. member for Annapolis Valley commenced his remarks he told the Chair he would touch lightly on sections 28, 29, 30 and 31. The Chair now invites him to touch lightly on these sections.

[Mr. Nowlan.]

Mr. Nowlan: I appreciate the good grace, discretion and direction that comes from the Chair. However, the first section is 28. It says in the marginal note, "Farming business." If I cannot talk in a general way about the farming business and the plight that affects the farmer and thereby the consumer, I wonder what has happened to the rules of parliamentary debate—with no reflection on the Chair. This is not reform legislation; it is a deformity. How can anyone in his right mind say that this 707-page monstrosity is reform when the first tax bill in 1917 had 10 pages and 20 sections? This has 707 pages not including the amendments. This is supposed to be the age of education, communication, technology, streamlined government, the whiz kids, the super-gang in the Prime Minister's office and the Privy Council office. They are supposed to have all the answers.

This bill is confused deformity. Anyone who thinks otherwise does not have the sanity that I think members had at one time in order to get this far in the House. This legislation is the arteriosclerosis, because farmers, farm delegations and other important Canadians are taking so much time, effort and energy trying to understand it. They try to interpret and react to the bill in their own way. The productive forces in this country are not being directed toward producing a bigger and better Canada but are being used in a negative way to figure out and work around the provisions of this bill. That is why I say it is arteriosclerosis. Instead of growing, expanding and producing a vibrant economy, this bill is clogging the pores of this country, the political stream and the pores and arteries of agriculture, business, labour unions, housewives and other segments of society.

I say in a general way that this Benson's bill, or Benson's bumble will become known as the arteriosclerosis. We are going to reach a high-water mark. When the government process starts, Canadians will grumble; they will not be able to redirect their lives in order to conform to this bill.

Mr. Benson: Will the hon. member permit a question? He has been talking about arteriosclerosis all evening. Is this another name for Bob Stanfield?

Mr. Stanfield: You have to do better than that, Ben.

Mr. Nowlan: If my leader had anything to do with organization and implementation of legislation we would never be faced with this deformity on the floor of the House. This bill perpetuates a ridiculous situation because Canadians are suppose to understand it. I shall come back to the minister in the way I could. While he has many faults, one of them is not lack of geniality. He certainly has geniality. I only wish his mental competence matched his geniality. If it did, he would never have tried to impose this deformity upon the House and upon yourself, Mr. Chairman.

• (8:40 p.m.)

The Chairman: I would remind hon. members that we are in committee of the whole and that in these proceedings we should make a particular effort to be relevant. It seems to the Chair that we are not advancing the work of

the committee. There have been interjections from either side, and possibly the remarks of the hon. member prompted the intervention by the Minister of Finance. Neither side is helping the Chair.

May I remind hon. members that we are now engaged in considering section 28 which deals with the computing of farm business income, with section 29 which has to do with the basic herd, with section 30 which provides for deductions in assessing taxable income for land clearance, levelling and drainage, and section 31 which is concerned with losses which may be deducted when computing the income of a farmer. I have been very lenient with the hon. member who has the floor but I would now ask him to be relevant to the subjects we are discussing.

Mr. Nowlan: I shall return more particularly to the four sections now under discussion, Mr. Chairman. As Your Honour has pointed out, the first has to do with the general subject of computing farm income, the transition from cash system of accounting to an accrual system. There will certainly be pressure upon the farmer to move from one system to the other. Section 30 deals with levelling land, and tile drainage. The Minister of Finance should be careful when dealing with this section. I would suggest he clear the land, level the land and put in some tile drainage so that he can take his remarks, bury them and drain them into a cesspool. I am sure we could put the Minister of Finance on a hobby farm so that he could obtain some income from it and, as a result, take a personal interest in this legislation.

With those frivolities disposed of, I should like to discuss the proposed changes very briefly. It is quite apparent that we are being asked to abandon the basic herd concept for no understandable reason. The Senate committee, in a unique document which it issued on November 4 in anticipation of the bill passing this House, stated it was aware of no reason for not continuing to recognize the basic herd for what it is, namely, a capital asset.

The Cattlemen's Association also questions, in its brief, the decision to phase-out the breeding herd concept despite the difficulties it might have involved with provincial administration. They maintain the principle that the herd is a capital asset to be preserved. Whether we call it a basic herd or a capital asset, there should be some recognition that these animals are a capital asset on a farm in the same way as a piece of machinery and that the same rights and rules ought to apply to it. There seems to be no justifiable explanation of the government's position, and I hope the minister or the parliamentary secretary will be able to fill in the gaps in this respect.

Under the transition rules, basic herds which have already been established will continue to be treated as capital assets to the extent that gains accrued at the commencement of the new system will not be subject to tax. There can therefore be little point in treating gains accruing thereafter in the same manner as the profits on the sale of inventory or stock-in-trade. The facts require the basic herd to be regarded as analogous to other capital assets of a farmer such as land and orchards and the fixed capital assets of any other business.

A farmer wishing to acquire a herd or a major addition to an existing herd takes money out of his capital. To proceed on an accrual basis with an annual valuation of the herd is often impractical. If a farmer is on a cash basis of accounting he will experience losses in a number of years for which the averaging provision will not fully compensate.

An hon. Member: You are reading.

Mr. Nowlan: Yes, I am reading. These are very explicit notes. I suggest that all hon. members when they speak on this bill on something called a capital herd, straight-line depreciation and all these other complex forms of legislative poetry, should stick to clear notes, otherwise they will wallow around in a swampland just as these 700 pages wallow around in a swampland. I return to my basic notes. The failure of the government to treat a unique capital asset of a farmer, that is to say, his animals, as a form of capital subject to the usual rules respecting the taxation of capital gains, must therefore be regarded as discriminatory. The young farmer, especially, should be permitted to establish a basic herd and his expenses in this direction should be regarded as a capital investment.

I hope the Minister of Finance will contribute in a constructive way to this debate and explain how a young farmer, not necessarily one young in years but a farmer who wants to become established and acquire a basic herd, will be able to do so when the herd is no longer considered as a capital asset. I suggest that under the conditions now proposed he will not be able to do so. If the basic herd concept is abandoned he will be locked out and those farmers who have already built up basic herds will be locked in. There will be no way in which a new farmer, be he young or old, can move into this very necessary area.

I repeat that the expense incurred by a young farmer in establishing a basic herd should be regarded as a capital investment. The proceeds of sale from that basic herd cannot equitably be regarded as income for the year in which he sells. If the present tax proposal is not modified, the farmer will realize the proceeds of sale as income immediately on disposal of the herd. Farmers who wish to build up their herd year by year, reporting the cost of acquisition as income as they do now, will not under the proposed changes be able to enlarge their capital base in animals.

I suggest this will have a restrictive and negative impact on the agricultural community rather than a positive, constructive impact that the minister and some of his spokesmen have maintained it embodies, and that this provision in particular will have a depressing effect on agriculture. I would appreciate the minister or the parliamentary secretary explaining how a young man will be able to establish a new herd under the provisions proposed. That, Mr. Chairman, is all I have to say about the basic herd concept contained in section 29.

• (8:50 p.m.)

Coming to the next section under discussion, section 31 dealing with so-called hobby farms, even though the definition is rather loose—

The Chairman: Order. I regret to interrupt the hon. member but I do so to advise him and the committee that his time has expired.

Mr. Peters: Mr. Chairman, we are interested in these provisions dealing with agriculture primarily from a mundane point of view. For many years the Liberal party, through its legislation, has been saying that like everything else agriculture must become industrialized, that there is only room in this country for large, integrated farming operations. Most of the legislation brought in by the Liberal party during the past 20 years has been directed to that end. As a result, certain difficulties have been created.

If we are to treat agriculture in the same way as every other segment of the economy, then the Liberal party is right and it should be incorporated. Agriculture should consist of large farming operations. The sale of agricultural products should be sufficient to produce enough income to maintain this industrialized segment of the economy. The old concept that it was nice to produce cheap food and to make it available to all individuals in Canada regardless of income is now being thrown out.

The fact is that no other industry except the fisheries has the same low individual return as agriculture. Bell Canada comes before one of our commissions to ask for an increase in rates in order to meet capital expenditures or to pay dividends to its shareholders. Last year Bell paid something like 91 cents on the first quarter, 93 cents on the second quarter and 95 cents on the third quarter. I may be wrong because I am quoting those figures from memory.

Mr. Francis: Would the hon. member permit a question? Is he quoting earnings or dividend rates?

Mr. Peters: These are dividends paid on the shares.

Mr. Francis: By Bell Canada?

Mr. Peters: Yes.

Mr. Francis: Then the hon. member is mistaken.

The Chairman: The hon. member for Ottawa West rose to ask a question because the hon. member for Timiskaming was making certain comparisons. As I explained earlier, hon. members should as much as possible try to speak relevant to the sections before the committee.

Mr. Peters: Mr. Chairman, just because the hon. member for Ottawa West asked me a question does not mean I was out of order. The point I was making was that here we have a company incorporated under Canadian legislation which we allow to make a 9.2 per cent profit each year on its operations. I suppose there are very few industrialized operations in Canada operating on less than a 10 per cent profit margin per year on capital investment. I think it is safe to say that the average farmer has a declared taxable income at the end of the year of about 1 per cent of his capital investment, and this is why I think he should be placed in a special category.

If we were to reorganize agriculture in this country and give farmers a return of 10 per cent on their capital investment, I do not think there would be any problem at all for family farms to save enough money to pay valuation tax, estate tax and any other kind of tax we might try to collect when farms are transferred from one generation to another, from one farmer to another or when the property is disposed of in some way. However, we do not do this. We established a long time ago that in order for agriculture to develop it was necessary for a farmer, his wife and children to work on the farm. As a result of their labour the enterprise increased in value, size and efficiency because everything that the farmer, his wife and children earned was plowed back into the business as a capital investment.

[The Chairman.]

We are now discussing the problem of a breeding herd. I am not sure how a breeding herd was established in the first place but it is one of the capital assets of a farmer. Over the years it is true that if a family worked hard and the farming operation was successful, the basic herd would be upgraded. However, the income tax authorities can be very tough if they discover just one extra cow in the basic herd. They would object if a farmer kept an extra two or three heifers to see whether or not one of them would be fit to join the basic herd. For example, on a number of occasions they objected to the number of calves my father kept as possible additions to his basic herd.

This type of cattle is easily identifiable. Most cows in a basic herd are registered and have a better pedigree than most of us adults. They have a social security number traceable further back than the social security numbers we have. So a basic herd is an easily identifiable asset as far as a farmer is concerned. This is why I am worried about what is going to happen to the small farm, the establishment of a basic herd, the improvement of the herd and, as a result, the farming operation itself.

It has been said, and I think everyone will agree, that quite often a farmer is poor all his life but he dies rich. This is partly true. I know of no other endeavour where practically the total wages earned in a lifetime are plowed back. Perhaps when Carter said that a buck was a buck he was right, and I am not sure that our tax structure will not eventually be based on that precept. But the fact is that if we adopt this change in the Income Tax Act we will see the end of the family farm at least by the end of the next generation. This will mean the end of a whole way of life in our rural economy—the small grocery store, drug store and all the small businesses associated with a farming enterprise.

• (9:00 p.m.)

The industrial farm of the future, the industrial farm of the Liberal party, will be the type of farm that will buy wholesale in very large quantities and will make a profit on its production. The integration will be complete in respect of purchases as well as the utilization and sale of its products. That may be the Liberal way. It may be the way of the future. However, I believe we will lose something in the process. We must make an exception if we are to maintain the family farm unit. This is not a unit which has been a great problem in Canada.

We have the lowest food costs of any country which has a standard of living equal to Canada's. We do not subsidize the production of agricultural commodities. They are subsidized by the farmer, by his children and by his wife. They subsidize the very food that is consumed by the people of our nation. This has not been a very expensive process. It is true many farmers have not paid income tax, but if you travel around in this country, Mr. Chairman, I

am sure you must be aware that farms have modernized, that farmers have been willing to make the expenditures necessary to provide a highly mechanized farm unit and that they have been willing to increase their basic herd content and thus have been able to upgrade their stock.

Farmers have been able to conserve their land. They have put fertilizer on it. They have done all these things mainly at the expense of receiving an income from the farm which should be in keeping with the investment they have made over the years. In many cases while changing our tax laws we have made it not only possible but mandatory that we lose some of our best agricultural land. We have done this through our tax structure, by allowing high taxes in respect of agricultural land and by claiming in many cases that land adjacent to a city should be used for subdivision purposes. We have allowed and made necessary the selling of such land to municipalities for subdivision at the expense of the Canadian public.

We might consider the Niagara escarpment, located in an area which could produce fresh fruit. However, if one went to a market this summer or into a local groceteria to buy fruit from the Niagara peninsula I doubt very much that this would be possible in many cases. Most of the fruit would have been from the United States because we have disposed of almost all the agricultural land that has produced for Canadians a very reasonably priced product by allowing taxes on such land to increase to the extent that it was no longer possible for farmers to retain it as a family farm unit.

A great controversy is raging between economists in the taxation branch. This was evident in the presentation of the white paper and other documents which have been presented by all kinds of interested parties. This controversy has involved the exceptions that could be made in the agricultural field without destroying the basic concept of tax reform. There are 264 members of this House who should be interested, in agricultural production. This question affects every Canadian. If we are to impose taxes as if this were an industry, then we will produce an industrial agricultural segment in our economy which obviously should have the same kind of profit motive as other segments of the economy.

Many small farms today in the province of Ontario—this is also true of the province of Quebec—have a resale value as a viable agricultural unit of probably $250,000. That is a good deal of money. It is also very interesting to consider the number of occasions in the past year when farms in many areas of Ontario and Quebec were foreclosed by the Canadian Farm Credit Corporation. These foreclosures were necessary because there was not a sufficient margin of profit. If the income tax department expects every year to take its share of the capitalization of the family farm unit, it will find that all it will be doing is killing the goose that lays the golden egg and the general public will have to compensate for that through increased costs. If Loblaws or any other major integrator is to own the family farm and produce a major portion of the agricultural production for consumption in Canada, it will operate in a way that will make the income tax department very satisfied.

As I indicated in respect of Bell Telephone Company—and this is the case with most industrial corporations—it will operate with a 10 per cent mark-up. They have the money. They prepare for the tax they will have to pay. They will not have to take a large slice out of the farm income. I do not know how the big farmer or even the integrator will relate the price of his commodity to the market so that he can earn the kind of income that will give him enough to pay his taxes and the other things he has to provide.

It would be interesting if the parliamentary secretary would give us an indication, with regard to the few years in which the Canada Pension Plan has been in operation, how many farmers have earned sufficient income to make payments under that plan. These payments are geared to income. I think a large number of farmers would not have earned that kind of income and therefore have not been contributing under the Canada Pension Plan.

This is all part of the parcel of the family farm. The government may consider it is something else and that they are not abusing the farmer. The establishment of a basic herd really is equivalent to establishing factory machinery. I agree that it is not depreciated. You cannot have it both ways. Hopefully, the basic herd would appreciate. It would be a very poor farmer who would have 40 milk cows and did not find at the end of 20 years that he had 40 much better cows in his basic herd. Something would be wrong if he did not. So there is an appreciation. There is appreciation in everything else. The cost of living goes up, the price of land and everything else goes up, and it would be very surprising if the price of his basic herd did not appreciate due to his entrepreneurial skill and the up-breeding of his cattle.

• (9:10 p.m.)

I am not suggesting that we depreciate cattle every year as you do factory machinery. The basic herd concept is such that when you establish such a herd you maintain it and it does not depreciate. You are not asking for depreciation, but also you are not asking to evaluate periodically and to pay a capital gains tax on it because you have stood still in a changing world in terms of the industry.

It may also surprise the committee to know that this happens in other fields. My brother bought a tractor 25 years ago and on several occasions the implement dealer offered him more for it as a trade-in than he initially paid for it. After 25 years it is worth more as a second-hand tractor than it was when it was new. But he depreciated it over the years until there was no value left in it. He could have benefited from another tax system when he traded-in that tractor, because obviously he had a greater asset than when he bought it.

If the government are not interested in establishing in Canada industrial agriculture, with all the problems that will flow from it in the changing environment of rural Canada, if they are not interested in providing food to consumers who carry all the costs necessary to run a viable industrial development in any other segment of the economy, if they are not interested in increasing the price of our commodities by five or ten times, I strongly urge the parliamentary secretary, in discussion with his officials, with the Cattlemen's Association, with the Federation of Agriculture and all the other agencies representing farmers to consider making exceptions for agriculture so as to maintain the family farm.

Mr. Bigg: Mr. Chairman, Canada is facing a crisis in agriculture. At a time when we would expect sense from some of our best agricultural brains—I understand we have no less than 40 PhD's in Ottawa working on the problem of agriculture—and to be led out of the morass of bureaucracy and into some common sense, we are being led into a whole mess of socialistic nonsense. I do not blame the Minister of Finance.

Mr. Woolliams: I do.

Mr. Bigg: The Minister of Finance is nothing but a Little Sir Echo of his leader. The Minister of Finance is a genial gentleman but I find nothing genial in the words of his master. I hold in my hand the new gospel of the Liberal party according to Pierre Elliott Trudeau. The book is entitled "Federalism and the French Canadians". It is not written about French Canadians; it is written about the complete take-over of Canada by a carefully thought out strategy and carefully worked out tactics. I will not spend all my time referring to this book. I just want to introduce it to you, Mr. Chairman, and through you to the committee.

On page 124 we find a chapter on the practice and theory of federalism. Our minister's leader sets out in minute detail how to destroy not only agriculture but most of our democratic institutions by masterful use of socialistic strategy. He himself does not pretend to have invented this method. On page 125 he quotes no less an authority on the subject than one Mao Tse-tung. We read the following statement at the bottom of the page with regard to strategy and tactics:

> The revolutionary bases, in spite of their insignificant size, are a great political force and strongly oppose the power of Kuomintang—

Take out "Kuomintang" and put in "the power of the federal government." Of course, when this was written he was not the federal government; now he is. It continues:

> —which spreads over vast regions—

Instead, put "from ocean to ocean, our great and beloved Dominion".

> Revolution and revolutionary wars proceed from birth to development, from small to large, from lack of power to seizure of power—

This is not an old book; it was reprinted in 1968 on the eve of the taking over of the leadership of the Liberal party by our Prime Minister—the leader of the Liberal party not the socialist party. I do not think the Liberals themselves have read the book and they do not know in what camp they are. But I beg you, Mr. Chairman, and every member of the House, to get a copy of this book. It costs only $2.50. It is a good investment. If you read it you will probably find what one or two members of your party have done since they read it. They had to decide whether they belonged to the right or to the left.

What has this to do with Bill C-259? I will tell you what it has to do with it. Bill C-259 is a small step toward tax reform but it is a tremendous leap forward toward complete and utter socialism in Canada. The confusion is rampant and it is not accidental, it is planned confusion. We are told on the one hand to make agriculture viable, to enlarge farms and to incorporate. What happens then?

According to this bill, if you incorporate you will lose the power to average your income.

At a time when agriculture is sagging, when world markets are down and when world prices are down, what do we find? We find the 40 experts on agriculture slavishly writing nonsense at the behest of the socialist Prime Minister, nonsense which is slavishly put in by the Minister of Finance who himself does not know the purport of his own bill. To prove it I may point out that we have more than 100 amendments to the bill. The bill, the child, was dead before it was born. I say it is a good thing. Should it be revived? No, it should never be smacked on the bottom. The people who wrote the bill should be smacked on the bottom and it is our constant desire to smack that bottom until it is beautifully red, as red as that which lay behind the idea that agriculture should be taken out of the hands of individuals and free entrepreneurs in Canada and, instead, run by bureaucracy.

There might be an argument in favour of this bureaucratic running of Canadian agriculture if it in fact meant cheaper food for the Canadian people. But what has happened since the government took over the running of agriculture? We find prices going higher and higher. Butter has gone up four or five cents a pound. It is so high that the working people of Canada from whom we hear constant complaints can no longer afford one of the basic products of this country and we have to import butter.

• (9:20 p.m.)

In this process, what have we done to the small farmer, to the little housewife on the farm who used to have a broken cream jug on the mantlepiece in which she put her Christmas money and from which she took money to help her husband buy twine at threshing time? She can no longer go to the cream jug because apparently we have agreed that we want largeness and efficiency; we want the corporate farm. Yet in this bill, even though the government wants larger farms its avowed policy is to make sure that even if farms become larger they cannot make a great corporate profit.

Mr. Danson: Everybody can have a bigger jug.

Mr. Bigg: I know what I am talking about. There are several thousand small farmers in my constituency whose wives have a little, broken cream jug somewhere. But now there is nothing in the jug and they are worried. The answer is not for them to move to Edmonton, Calgary or any other city and try to make a living there.

One of my dreams from childhood has been that when I finished being a policeman, a soldier and a Member of Parliament I could get a piece of land and help the little woman fill that little cream jug until it was time to buy Christmas presents for the children or grandchildren. But I have not seen in this bill, nor in any bill that has come before this House in the last seven years, anything that provides the small farmer with the kind of security he once had. There is nothing in this bill that offers the small farmer one bit of relief.

On Friday I begged, on behalf of the small businessman, for a chance for the woman who helps him behind the counter. I begged that he be given a little tax relief. I would like to see in this bill some small step forward in

tax relief but all I can see amounts to little more than one inch forward. Being charitable to the minister and his minions, I say that if there is a small step forward in this bill I would like to have them explain it to me and then I would apologize. But I see nothing in it except that each year several thousand poor farmers will have to go to the wall, sell out to corporate farms, and those corporate farms in turn will find themselves in a bind, owing money to the farm machine companies and to the government itself, with $75,000 loans being given out here, there and all over the place, with no guarantee of prices, no guarantee of markets and no relief from overtaxation.

One of my colleagues gave figures the other day, which I have no reason to disbelieve, showing that the three levels of government through their departments are taking 46 cents out of every Canadian dollar. The people who are doing this think they have some God-given right to spend the money we have earned. No such right exists anywhere, under natural law or any other law.

I ask hon. members opposite to read further into this book. They would do better to read it instead of heckling me. I ask them to read these 26 pages, and then I ask any one of them to get to his feet and say that this is not a complete blueprint for the socialization of agriculture and every other industry in Canada. It is there for them to read. I would like to know how many of them have read this book written by their own chief. If they have not the courage to read it, then at least let them have the courage to listen and I will read it to them.

I now wish to deal with the proposals concerning the basic herd. There is a pretence made under section 28 and other sections to retain the basic herd. But after you have read the bill thoroughly you know that the basic herd is doomed. The government says, "Oh, don't take away the basic herd right away. Leave the pretence there. Don't do things any faster than the people will stand." That is in the book. That is the strategy. Do it slowly, inch by inch. Cut off one toe at a time. Don't take away the basic herd at one go. Just stop the young farmer coming up. Stop the son or grandson from acquiring a basic herd. Let it be spelled out in the statute books that nobody will be allowed to start a homestead in Canada in the future and raise his herd from 10 to 20, then to 30 and get it up to the level demanded in other parts of this bill. The government demands large herds but it will not allow new herds to be built up.

An hon. Member: Using the old buggy-whip.

Mr. Bigg: If I had an old buggy-whip I would know where to use it to good advantage. My mother once had a buggy-whip which she kept in the kitchen for those who did not pull their weight. I suggest that hon. members opposite should do their homework. They should fill their own woodbox, and they can start by reading this book. If they want copies, I will buy them.

This is supposed to be the age when we all come together. This is the age when the government consults the farmers. What do the farm unions say about the basic herd? The Canadian Federation of Agriculture, the Saskatchewan Farmers' Union, the Alberta Farmers' Union, the National Farmers' Union, the cattlebreeders associations of Alberta and of Saskatchewan are unanimous in saying the basic herd is essential to a viable farm.

Where is the consultation? Who will be consulted by the government? To whom will the government listen? Whenever there is an opportunity to consult and listen, what kind of action do we get? We get the same kind of action as we had with regard to the grain stabilization act, when the ministers of agriculture from the prairie provinces came down here to discuss Bill C-244. What happened? The government immediately panicked into emergency measures. There was a threat of blackmail—$100 million or nothing. But the government was scared off that by the action of four small farmers who decided to test in the courts of Canada whether an arrogant minister of the Crown had the right to break the law. And thank goodness, at half past 11—or was it a quarter to 12 on the political time clock—the government decided it was just as well to back down. It knew the people of Canada were not yet ready to be bullied into the corner.

Mr. Mahoney: Is this under section 28?

Mr. Bigg: Yes, under section 28, section 29 and the rest of this preposterous document. It is all socialism in disguise, and very poor disguise. Mr. Chairman, hon. members to my left in the NDP are at least honest about their position. They say openly, "We are socialists. We believe in taking over all means of production. We had our Regina manifesto. We nailed our colours to the mast and we said, "This is where we stand."

The government does not always tell us where it stands. It prentends to be in favour of tax reform but all it is trying to do is take over the agricultural industry. That is what this bill and the amendments are all about. How are you going to do it? When are you going to do it? In what miserable, creeping ways are you going to do it? I do not like any part of it. The basic herd proposal is only one part of it, Mr. Chairman. It is not tax reform at all; it is confiscation by statute.

We have just under six pounds of amendments, and still the bill is unclear. We are taking a great leap which means that it will no longer be possible for any free enterpriser in Canada to own a piece of land and make a living. With inflation and rocketing costs, the small entrepreneur farmer will not be allowed to remain in business—and all in the name of efficiency! Where in this bill is the incentive to enlarge, to produce more and cheaper food, if the farmer is not allowed to retain a modest income?

• (9.30 p.m.)

It is well known that the small family farm cannot afford to incorporate. Most family farmers are so deeply in debt already as a result of rising costs of machinery and the drop in prices of products that the only alternatives are to sell out or move onto a larger farm. Farm unions are discouraged. The government prefers things this way, with the propaganda from the eggheads—

Mr. Broadbent: What? A question of privilege.

Mr. Bigg: My friend, you must have a head before you can call it an egg. This worship of bigness will not pay; it is not succeeding. It is true that people are leaving the farm, but food is not cheaper nor is farming more efficient. The farmer is not getting out of debt; indeed, his debts are larger and his problems greater. If the farm

unions agreed with the government I would say they had been brainwashed. The trend should be the other way—

The Deputy Chairman: Order, please. I regret to interrupt the hon. member, but I do so to advise him that his time has expired.

Some hon. Members: Carry on.

The Deputy Chairman: Does the committee agree to allow the hon. member to continue?

Some hon. Members: Agreed.

Some hon. Members: No.

The Deputy Chairman: I hear some negatives; there is not unanimous consent.

Mr. Horner: Mr. Chairman, in rising to speak—

An hon. Member: Who is winning in Assiniboia, Jack?

An hon. Member: Not the Grits.

Mr. Horner: I am winning. My wagers have all been well placed. Mr. Chairman, rather than make a speech I should like to ask a question or two to clarify some questions in my mind. Regarding the change in the basic herd concept, could the parliamentary secretary indicate whether I am correct in assuming that this provision was brought about because of the introduction of the capital gains tax? I am referring to section 29 (2).

Mr. Mahoney: Yes, Mr. Chairman. It is the view of the government that with the introduction of a capital gains tax the need for the basic herd is greatly reduced or eliminated.

Mr. Horner: That is what I thought, and I note that from the point of view of the government the need is eliminated. I have another question with regard to this concept of a basic herd and the capital gains tax. Am I correct in the assumption that the family unit will be encouraged to incorporate in order to assist in the transfer from one generation to another?

Mr. Mahoney: That does not necessarily follow. There are some advantages to incorporation now with the estate tax that permits intergenerational transfers perhaps in a smoother way. It may be that this will continue to be desirable, but basically I think the bill is neutral in that respect. I do not think the introduction of capital gains into the tax base can be divorced from the elimination of estate and gift taxes at the federal level.

The net cash result of projections that I have seen would indicate that less tax will be payable in respect of capital gains than in respect of estate taxes unless the farm unit or ranch appreciates in the order of something like 10 per cent a year. At that point you cross over the line to the point where the capital gains inclusion in the tax base may result in more tax than under the present estate tax. On the projections I have seen, this applies to all situations including those in Ontario, Quebec and British Columbia where the current succession duties are presumed to be continuing, to the situation in Alberta where it is assumed that the province will not pick up the federal estate tax that has been relinquished and will not institute its own, to the situation in Manitoba where we understand the provincial government intends to take up the tax room that the federal government has vacated.

Mr. Horner: I have another one or two short questions, Mr. Chairman. The parliamentary secretary has said that the introduction of capital gains should not be divorced from the concept of estate taxes and their removal. Would it be fair to assume that the capital gains tax would not be income declared operative until there had been negotiations with the provinces? This is a very important point because of the vacuum in some of the provinces now—in Ontario, for instance, and Saskatchewan where there has been a change of government and it is my impression that they will introduce an estate tax. Alberta has no estate tax, or in effect is refunding 75 per cent of the present estate taxes.

Would it be fair to suggest that this section not be proceeded with? Can the agricultural industry expect that it will not be proceeded with until there is a general announcement or clarification by the provinces?

Mr. Mahoney: The federal government has indicated to those provinces that do not have machinery for the collection of death duties—that is all of the provinces except British Columbia, Quebec and Ontario—that the federal government would be willing to continue to act as collecting agent under certain terms and conditions. However, the federal government has very emphatically and explicitly rejected representations that the tax reform package be deferred until such time as the provincial governments have an opportunity to establish the machinery to enable them to move into this field when they choose.

Mr. Horner: Then several months ago, when the minister in his opening remarks suggested that in fact it was the government's intention to do away with the Estate Tax Act and to bring in capital gains and that the one would offset the other, really he was saying that the amount the government would receive from the capital gains tax is only equal to that portion which the federal government received under the Estate Tax Act; in other words, 25 per cent of the Estate Tax Act? Would that be a correct assumption?

• (9:40 p.m.)

Mr. Mahoney: Mr. Chairman, the introduction of capital gains into the income tax base is part of income tax reform. The decision to discontinue collection of estate and gift taxes is an independent decision. I joined these subjects together. Certainly they must be taken together when one considers the impact or influence of taxation on intergeneration transfers. Basically, however, the two decisions are independent. I do not think the Minister of Finance ever connected the two in any statement he made, although I have seen them connected in public utterances and press statements.

Mr. Horner: Mr. Chairman, I do not want to prolong this discussion but the hon. member a few minutes ago connected the two together and said they could not be divorced. The Minister of Finance said in his budget speech of June 18, I think—I am not certain when he said it but it was in a budget speech—that we are getting out of

the estate tax field and in its place we are bringing in the capital gains tax.

An hon. Member: Hear, hear!

Mr. Horner: Can the parliamentary secretary give the committee an estimate of how much money the government hopes to net from the capital gains tax, if revenue from that tax is not to equal approximately 25 per cent of revenue from estate taxes? How much will the capital gains tax bring in? We want to know because here we are bringing in mass changes that will affect the whole industry. Could the parliamentary secretary give us some idea in that regard?

Mr. Mahoney: Mr. Chairman, if I may use a semi-agricultural term, I think the hon. member is putting the cart before the horse in terms of the relationship between the withdrawal from estate and gift taxes on the one hand and the introduction of capital gains tax on the other. It was thought that since the government had made the policy decision to introduce capital gains to the income tax base some relief with regard to estate taxes obviously had to be given. The decision was made, of course, ultimately to discontinue collection of estate and gift taxes, the double-whammy of the white paper debate, if I may use a popular expression. That taxation would have impact at the time of the death of a taxpayer.

As to the specific question regarding the expected revenue from the collection of capital gains taxes, on the basis of 1972 incomes it is anticipated that in the first year of the system $50 million will be collected from corporations and $80 million from individuals.

Mr. Horner: Mr. Chairman, I do not want to prolong this discussion. I am wondering if we could agree on another concept since we seem to be getting along very well. Is it logical to assume that the capital gains tax which is to apply to the basic herd and to other items will bring in increasing revenues as the years go along? The parliamentary secretary mentioned that $50 million would be collected in the first year from corporations and $80 million from individuals.

I do not want to be out of the ball park completely. Is it logical to assume that the revenue the federal government expects from the capital gains tax will increase as the years go on? Judging from the past performance of our economy, is it fair to assume that revenues from the capital gains tax will increase?

Mr. Mahoney: Mr. Chairman, since the provisions of the bill do not permit the capital gains tax to be applied retroactively to gains accrued or realized before valuation day, the tax in the first year would apply only to gains from valuation day to the date of realization. So it will probably take five years for the system to mature and for the ordinary number of transactions involving capital assets and capital gains revenues to level out. These revenues should increase for the first five years and then reach some sort of norm.

Mr. Horner: Mr. Chairman, I appreciate the frankness with which the parliamentary secretary is helping the committee to understand this legislation. May I ask another question? Why should these revenues level off after five years, since the capital gains provisions in effect after valuation day would apply to land, cattle, various assets and residences which increase by more than $1,000 per year? They will apply to all increases in capital values. Surely these values will tend to increase by so much every year after valuation day. I do not understand why we should reach the norm in five years. Why would such revenues not continue to grow? You might reach a plateau in terms of the number of transactions or turnovers; however, in essence, would not revenues continue to grow every year?

Mr. Mahoney: Mr. Chairman, the five-year period is based on the experience in the United States, which we may relate to these provisions. That period is a guesstimate, if I may say so. We expect, from their experience and from studies that the Department of National Revenue has carried out here, that by the end of five years the ordinary number of capital transactions will probably level out and that we shall obtain some sort of normal level of revenue from that source.

Mr. Gleave: I rise on a point of order, Mr. Chairman. I do not wish to curtail this discussion, but I recall that when we started discussion of this section today the hon. member for Battle River, I believe, requested that the sections dealing with capital gains and inheritance be brought before the committee at the same time as the sections we are discussing, because all these sections are very closely associated and deal with the question of herds and procedures of taxation that will be followed with respect to farms. If I remember correctly, the parliamentary secretary pointed out that the leaders of the parties had not agreed to this and therefore he was not prepared to enter into a discussion on the matter.

As I say, I do not want to curtail the discussion we are embarked upon because I think it is most relevant. However, the parliamentary secretary must adopt one course or the other. I only bring this to your attention, Mr. Chairman, since you might bring it to the attention of the House leaders who could determine how this matter could be handled.

Mr. Horner: Mr. Chairman, I knew that I might be treading on dangerous ground when I opened this discussion. Since I am one who likes to stick to House rules, I led nervously and gently to the question of how this tax would apply to the basic herd. I wanted to know whether the question I had raised was or was not related to the concept of capital gains. The parliamentary secretary said yes, it was related. Now I want to proceed one step further. I think the parliamentary secretary was comparing the capital gains tax provisions tax in Canada with those of the United States.

• (9:50 p.m.)

You have to lead into these things before you can get to where you want to go. I will now get to my next question. Does the parliamentary secretary agree to our imposing a capital gains tax on cattle similar to that in the United States?

The Deputy Chairman: Order.

Mr. Horner: I am just asking for the reasoning and logic.

The Deputy Chairman: Order. The hon. member is taking advantage of a point of order to ask this question. The parliamentary secretary also wants to say a few words on the point of order.

Mr. Mahoney: On the point of order, Mr. Chairman. If the hon. member checks *Hansard* he will see that the point which the hon. member for Battle River wished to include was the question of corporate farms. The indication at that point was that it was up to the House leaders as to what block they might consider. I was certainly not aware of any particular sections of the bill that deal with corporate farms as opposed to corporate anything else.

In the spirit of the debate we are entering into I am quite prepared to try to range over the field of taxation of agricultural enterprises. I do not think there has been very much in the speeches we have heard until now to indicate that we are dealing strictly within the terms of the four sections before us. I suggest, on the basis that the points are important, that they must be dealt with at some point during consideration in committee of the whole. Perhaps if we deal with them in the context of these four sections being our opportunity to deal with agricultural matters specifically, we will not have to re-cover the same ground when the particular sections involved come up for discussion.

I say this on the basis that the special averaging provisions applicable to farmers and fishermen have already passed the House. How you can talk about taxation of farmers without bringing section 119 back into the debate, I do not know. This is provided Your Honour does not feel we are straying too far afield. Certainly we on this side are quite prepared to talk about taxation of agricultural enterprises generally.

Mr. Gleave: On the point of order, Mr. Chairman, it was not my purpose to prevent discussion ranging into this area. My purpose was to point out that if we were to range into this area, those responsible for planning the business of this House and which sections of this bill shall be before us at a given time should have included the sections dealing with capital gains and estate taxes at this time. That is my point, Mr. Chairman.

The Deputy Chairman: Order, please. The Chair feels that the point of order might be useful to the committee although it does not have to rule on it. It is my feeling that the questions put were useful to members on all sides of the House. This will permit a better discussion on a very complicated subject, although the Chair can only be guided by agreement among House leaders or those working out the schedule of work of the committee and trying to be as fair as possible. One of the questions I must ask myself, in fairness, is how many questions I should allow the hon. member for Crowfoot to ask without depriving the hon. member for Saskatoon-Biggar of an opportunity to intervene.

Mr. Horner: I appreciate your concern, Mr. Chairman. I assure Your Honour that if anyone wants the floor to discuss these sections I will gladly contain my curiosity.

I wish to ask the question I was slowly approaching when the untimely interjection broke my train of reasoning. I will try and give a quick synopsis of the point I had reached. We were dealing with the application of the capital gains tax on the livestock industry, the purpose and reasoning behind the application of the capital gains tax and the possibility that there may be a growth factor in the application of that tax. The parliamentary secretary suggested that the best guesstimate he could give the House is that it would tend to reach a norm in five years. I believe he is being slightly optimistic in that figure. I think it will probably level out closer to ten years, and I would settle on nine.

Your Honour might ask what the capital gains tax has to do with the livestock industry. This was the question of the hon. member for Saskatoon-Biggar. I had just brought the parliamentary secretary to the point where he said he was basing his calculations on the American capital gains tax and the returns derived from it. My next question is whether the government is prepared to entertain and possibly accept an application of the capital gains tax on the livestock industry similar to the capital gains tax imposed in the United States. Basically, they have a situation where you can opt for either a short gain or a long period. There is written in a kind of roll-in provision with regard to capital gains in the livestock industry. I now pose that question.

I apologize for being a little lengthy. The parliamentary secretary may not be in a position to answer yes or no. If so, I ask him to please not answer no. Can the parliamentary secretary give the committee some idea on this? Has he studied it? Has the government looked at the application of the basic herd concept rather than bring in its dissolution? Has he looked at the capital gains tax as it applies to American cattlemen, and can he give us an opinion on that question? Perhaps then we will better understand why the government did not accept it. In light of the guesstimate being based on the United States system, maybe we would be better off with their system. I wonder if the parliamentary secretary will give us his views in that regard.

Mr. Mahoney: First, Mr. Chairman, the hon. member is perhaps giving undue significance to my reference to the United States. With regard to the United States system I was referring to the length of time it would probably take our capital gains system to mature. That was strictly a timing matter. It is not basically related to the system itself but, rather, to the fact that you have a capital gains tax and how long it will take to reach what might be regarded as a normal plateau in terms of revenue and transactions.

I must confess that I am not sufficiently familiar with the United States system of capital gains tax on this particular type of asset to discuss it with the hon. member. Therefore I can neither say yes or not. I suspect that the debate on this section may be continuing tomorrow. Perhaps by eleven o'clock tomorrow I will have had an opportunity for some self-education.

Mr. Horner: That is why I cautioned the parliamentary secretary. I am very reluctant to accept the answer "No" when a person does not have knowledge of the situation. I thank the parliamentary secretary for assuring me that he will look into the matter. I then ask him this question: what good is his guesstimate if he stands up within the next minute or so and says that our capital gains tax is not

related to the United States capital gains tax? It seems to me it would be of little value.

• (10:00 p.m.)

I know the parliamentary secretary does not have to be well versed in the livestock industry, but this bill has been before us a long time. Section 29 deals with the basic herd concept and he and his officials know that this was a tax concession fought for by the livestock men, for value received and amply used, particularly by men who are reaching retirement age. The bill has been under study for a long while and surely the officials at least have considered the system of capital gains taxation employed in the United States as it affects the livestock industry.

The bill before us did not appear from nowhere. Surely we have the right to inspect an outline of the situation before we are asked to pass this section. Subject to correction, as a man engaged in the livestock industry I would much prefer the United States capital gains tax system to the system which is proposed here. I have other questions I should like to ask, but if the hon. member for Saskatoon-Biggar is anxious to take the floor I shall say no more at this time.

Mr. Mahoney: Perhaps I might say a word in clarification of this point before we move on to another plateau. The United States experience is one which basically involves timing. When we talk about a capital gains tax system and speculate about when it will reach what might be regarded as a norm of transactions and, hence, of revenue, it is really a question of acquisition of holdings, the length of time in which property of one sort or another is held and the disposition of the same, at which point the tax becomes applicable. We believe that the United States society is comparable to our own in this area and that their experience is valid for this purpose, which is not, of course, to indicate that the system we present is by any means identical with theirs.

Mr. Horner: The point the parliamentary secretary has not noticed is that the United States system involves a time factor which is built in with application to the livestock industry. A taxpayer can opt for a short-term or a long-term application of the tax. This is where the number of years in the guesstimate is involved. Would the parliamentary secretary have one of his officials do a little study on this point overnight?

Mr. Mahoney: That is what I have undertaken to do.

Mr. Horner: I appreciate that.

Mr. Gleave: Would the parliamentary secretary comment on a situation which as I see it may place the individual farmer in a difficult position? If we approve a capital gains tax as proposed, and if at the same time certain provinces decide to impose an estate tax, would the hon. gentleman agree to consider the position of the individual entrepreneur farmer as against that of the corporations? Would he care to consider the possibility of the survival of each of those two structures, bearing in mind that the individual is subject to capital gains tax and at the same time to estate taxation, while the corporations are subject only to the capital gains tax and then, possibly, at a lower rate?

Mr. Mahoney: I am a little mystified as to the significance of the difference which the hon. member sees as between corporations and individuals at this level. It is true, of course, that corporations do not die, and hence there is no estate tax. But shareholders of corporations, who are the real farmers, do die and in a jurisdiction where death duties are applicable those duties will apply on the value of the interest they might have in a corporation. So I am not conceding that the owner of shares in a corporate farm is necessarily in a better position from this point of view than an individual farmer.

Of course, the decision of some provincial governments—coincidentally, those of the hon. member's political persuasion—to move in and occupy the field which the federal government intends to vacate is one which I rather regret. I think these provinces have perhaps ignored that they will be sharing in whatever increased revenues are collected as a result of the inclusion of capital gains in the tax legislation.

Mr. Gleave: It really would not matter whether the provincial governmen which proposes to levy on estate tax is of my political persuasion, or Social Credit or Conservative or Liberal because the net result would be the same. My understanding is that there is provision within the government's policy for the levying of an estate tax if four provinces agree on this procedure. I see the parliamentary secretary indicate that this is not the case. In any case, it is quite possible for this to be done.

My question is: Is the government prepared to look with equanimity on the imposition of both a capital gains tax and an estate tax on these individuals at the same time? Is it considered they will be able to hold enough capital to enable them to remain in business? I doubt that they will be able to do so.

Mr. Mahoney: It was clear in the budget announcement that it was the intention of the federal government to withdraw from the collection of estate and gift taxes. This indicated the government's view. At the same time, the imposition of an estate tax is a matter entirely within the competence of provincial legislatures. The federal government has not said it would continue levying estate taxes provided four provinces agree this should be done. What we have said is that we will collect it for them. The Department of National Revenue will collect provincial estate taxes if four provinces who do not already have collection machinery decide to enter this particular tax field. We would act purely as a collecting agent and would expect to be paid a fee. We would also expect the enabling statutes to be pretty well uniform, to be fair and reasonable, and so on.

• (10:10 p.m.)

But it would be purely a matter of making available to the provinces the tax collecting facilities of the Department of National Revenue, which we assume would be a more economical means of collecting this revenue than if the provinces were to set up their own collection divisions in the provincial public service.

Mr. Richie: Mr. Chairman, before discussing capital gains in a general way I ask the parliamentary secretary whether he could clarify a matter for me. Section 31 is

known as the hobby farmer section and deals with a loss from farming where the chief source of income is not from farming. My question is: Does the department rule on whether a person is a farmer or a hobby farmer? If a person's income from a source other than farming exceeds his income from farming in any given year, is that person, for the purposes of this section, classified as a hobby farmer?

Mr. Mahoney: Mr. Chairman, it is not really a question of classification, it is a question of a person being able to offset losses from farming operations against his income from another source. The question of what is the chief source of income of a given taxpayer in a given year is a simple matter of calculation. If his chief source of income is from farming, then it may be he will sustain a loss for the entire year. But if some other source of income, say from professional investment or some other business, is the chief source of income, then he can only offset a limited part of his farming loss against such income.

Mr. Ritchie: Take the case of a farmer who has a crop disaster and takes, say, a job building roads or something like that. For that year that is his main source of income. Are the losses he sustains in that year and which he may deduct restricted by section 31?

Mr. Mahoney: If whatever income he has from his farming operations is entirely offset by the cost he incurs in conducting those farming operations, then he is limited to the $2,500 as provided for in that section. Then above that $2,500 he may deduct half of the balance of his loss up to a total of $5,000 from his income as a construction worker on a road gang.

Mr. Ritchie: Suppose a taxpayer sustains a $2,500 loss during his taxation year; can he include in that loss his property taxes on the land, the interest he pays on any mortgage on the land, and so on?

Mr. Mahoney: As far as his farming operations are concerned, they are factors that go to determine his cost. If they bring his net to a loss position rather than to a profit position, then yes they are part of the loss.

Mr. Ritchie: If his loss is greater than $2,500 and his property taxes and interest on his mortgage have to be paid, I understand he would use what is called an accumulated cost basis in assessing his tax; is this correct?

Mr. Mahoney: This is for a hobby farmer who may have an opportunity to write off that loss later against income other than farming income. But this is not a section that would apply to a bona fide farmer. We are talking about people who run a farm as a sideline. I think the hon. member could conceive of a situation where a farmer might find himself in this position in a given year, but I do not think it happens in practice. A hobby farmer is a hobby farmer; a bona fide farmer is not.

Mr. Ritchie: I find this section a little confusing. Today you can easily lose $2,500 on a very modest farming operation if you have a bad year. To get back to the construction worker, his principal income would be that derived from road building in the year that he had a crop failure. Let us say he sustains a loss of $3,500, $1,000 more than for which relief is allowed. Five hundred dollars is deductible under the one-half provision. The interest on his mortgage would no doubt be quite heavy if he were just starting his operation, and so would his property tax. These items would not be carried back to the farming income that he may well expect to earn in the years ahead. Therefore, as far as I can see he will never be able to deduct his losses until he sells his farm; and if he realizes a capital gain he may get some recompense for that loss.

I think this is one area which should be looked at. I think the problem is one of definition. What is a so-called hobby farmer? Some people are hobby farmers, but according to surveys I have conducted I have found that over 50 per cent of our farmers have some income other than from farming. Very often this income is earned by the wife. But as far as our tax laws are concerned I think we are moving toward some sort of income splitting and some recognition will have to be given to family farming units if this is the case.

• (10:20 p.m.)

A good many farmers have income derived from sources other than the actual farming operation. Very often this source of income represents in cash the chief source of income. As a matter of fact, many farmers in western Canada and in my area admit that if it were not for their jobs outside the farming industry they would not be able to remain on the farm.

I should like to speak for a few minutes on the problem of capital gains as applied to farming. As a broad, general philosophy I believe a capital gains tax is really more important to the farming industry and will have greater impact there than on any other segment of our economy. I believe it is important to recognize that, because of the peculiarities of the agricultural industry. It has been said that over the years everything in the capital gains field had been narrowed down to include all groups except the stock market and the farms which had been virtually cut out. I think this is probably reasonably accurate in a general way. A person might sell a house once, but if he sold it a second time the revenue people would be around and would say he was in the business of buying and selling. Only in the stock market would the capital gains not apply, and also to a large extent in farming.

I think people who have stocks may well be able to cope with the capital gains within reason, but I suggest a farmer would not be so successful in coping with the situation. I believe this is a very serious problem and one we should take a good look at. As the hon. member for Crowfoot said, I do not think we should look at capital gains in respect of farming without comparing the situation in the United States. In Mr. Nixon's surcharge episode we have an example of how important it is to have our tax structure competitive with the tax structure in the United States.

Mr. Nixon said he intends to turn the balance of payments around in favour of the United States by reversing the trend in respect of the $13 billion. He expects the farmers in the United States to be one group of people who would reverse this trend. I believe with that in mind we must look very closely at our policy to make sure our

farming position will be good enough to compete with the United States in the coming competitiveness which is ahead of us.

We talk about the $80 million involved in the process of helping manufacturers hurt by the United States surcharge, but no group will probably feel it more than the farmers. For a year or two Mr. Nixon has been telling us he intends to have United States agricultural products on the markets of the world. He has said he is not forgetting that the United States has become alarmed about the trend in world agricultural trade.

The Americans have been explaining that their farmers are highly efficient and that the United States government wants them to share in the nation's growth and in world markets. They, in effect, are calling on Japan and the European Common Market countries to develop policies which would allow for a comparative advantage in world agriculture and an increase in agricultural trade. In this way farmers of the world would be able to seek wider markets and consumers could look forward to rapid improvements.

I believe this is important, because when you consider that all Canadian farmers have to sell abroad it is obvious that we must compete with the United States and must have a capital gains structure in line with that in the United States. For instance, the United States does not produce rapeseed, but the soybean market is very competitive with rapeseed. The United States also grows flax in large quantities. They also grow barley in large quantities and, in addition, have corn which is very competitive. So we must look very carefully at the capital gains structure under which Canada will operate.

The United States has designed its farm policy to support an orderly expansion of world trade and has in general avoided rigid commodity by commodity planting restrictions. It also avoids price support loans which serve only as an umbrella for uneconomic production. It provides levels of price support to farmers which permit free movement of commodities into world markets. It includes direct payments to bring returns of farmers up to a specified goal without stimulating unneeded production. In other words, it is designed so that agricultural trade can be carried on in a reasonably unsubsidized and unfettered way.

The United States has given a great deal of thought to its agricultural program and has moved away from many programs in which they have been involved. I believe this is brought into sharp focus when we attempt to bring in a capital gains tax. We certainly are increasing the taxes which the farmers must pay to the government. The farmer either must obtain more for his product, or the money must come out of his savings or out of the capital of the farming operation. This is the reason I believe it is most important that we look at what the United States is doing and relate it to our own trade. In a general way, Ottawa's policy in respect of agriculture shows a tendency to restrict our produce, with a few exceptions into the domestic market. I do not think this is a good thing.

Turning to the matter of the basic herd, I believe we must look at this question because, after all, North America virtually is one meat market involving cattle, pigs, and so on. The price structure remains the same; as it goes up in the United States the flow is south, and as it goes up here the flow of produce is north. This means that if our farmers are to survive they must compete on an equal basis so far as possible with United States producers. If we consider all the capital gains provisions involved in Bill C-259 I do not believe it requires any great seer to realize that compared with the Americans our producers will be at a basic disadvantage in the long term.

Everyone seemed to be happy that the estate tax was phased out and replaced by a capital gains tax. This was the proposal of the Minister of Finance, but really it did not mean much because only 25 per cent of the estate tax went to the federal government in any event. Now we are faced with the possibility of an estate tax being levied by the provinces. Many provinces feel they must levy an estate tax. They feel it would be sacrilegious not to levy it because the wealth must be divided.

• (10:30 p.m.)

I suggest that the capital gains tax as envisaged in Bill C-259, as well as the estate tax—and I am sure both of them will be enforced in nearly all the provinces of Canada—will create extreme hardship in agriculture and in the farm units as we know them today. I believe that in the matter of stocks more flexibility is available to people than in farming where an extremely rigid capital structure exists. I believe it is a good capital structure which has provided a high level of efficiency.

The western grain industry, with practically no subsidy, has been doing quite well, and our exports have provided around 10 per cent of our total exports in western grains, not to the United States where we cannot diversify our trading arrangements but to countries where we can diversify our trade. I think the farming industry has been most useful in this respect. As a matter of fact, Canada's growth would have been greatly impeded had large amounts of grain not been exported over the years.

I should now like to turn to the proposal to wipe out the breeding herd as a capital asset. By doing so the government will obviously increase taxes and take people out of the cattle breeding business. The basic herd provisions have not heretofore been codified in the statutes and there are variations from province to province, but until now it has been recognized that a breeding herd is a capital asset. This is a most serious omission in the legislation.

It may be that the tax authorities, not being familiar with the cattle industry, have assumed that the basic herd provision has been nothing more than an arbitrary concession to farmers, a concession which they firmly believe would now be discontinued. We most emphatically disagree. The problem with capital gains in farming is that, as I have said, our tax structure is on a yearly basis—whatever your cash income for that year may be, you have to pay tax on it no matter whether it is a risk dollar, a non-risk dollar or a salary dollar, and the farmer has the problem of saving money in the yearly stages of his farming life to pay for the basic capital needs of the farm.

It is obvious that the purpose of the basic herd concept has not been understood by the tax authorites, for the stated justification for phasing out the provision on the basis that the introduction of a capital gains tax reduces the need for the basic herd provision is invalid and misses the main purpose for which the basic herd provision was

established. It is the argument of beef producers, and I agree with it, that enlightened tax legislation should provide for the definition of a breeding herd as a capital asset. I think we first have to decide whether or not it is right to define a breeding herd as a capital asset. It takes many years to amass a breeding herd. A breeding herd of livestock is analogous to machines in a factory. In the case of the beef breeding herd, the product is calves which are either fed for slaughter or returned to a breeding herd for the production of more cattle. So cows wear out as do machines in the factory.

Let us consider why the loss of the basic herd provision would be such a disaster and would cause considerable difficulties to livestock farmers in increasing their herds as rapidly as they can, more so than at present. I think the old adage is well established, that farmers live poor and die rich. This will be made worse by the loss of the basic herd provision. Let us consider the reasons for this. Obviously, during the early years of establishment of a breeding herd the farmer will have many expenses and little or no income. He will have the cost of buying his cattle, he will have to retain as many as he can and he will have very little income.

He can have a five-year averaging provision, but at the end of the five years he will not be much further ahead than when he started. In the second five years, again he will not be further ahead. During these years, in many cases the farmer may not even be able to fully utilize his personal exemption. Apart from that, he may not have been able to pay into the Canada Pension Plan. Although we hear of citizens who are working very hard and who are useful contributors, they are classified as being poverty stricken because they will not be able to contribute to the Canada Pension Plan.

Thus it can be seen that this tax legislation would mitigate against the satisfactory growth of newly-established breeding herds. This means that the farmer will have to build up his herd over a longer period of time. He will be obliged to sell his heifers in order to generate sufficient income to partially offset his legitimate expenses. During the years of large sales of cattle from the breeding herd, or in fact at dissolution, a high rate of taxation would apply. Also, it would be quite normal for large sales or dissolution to occur in years of lower than normal expense. In other words, almost certainly at some time in his life he will be faced with abnormally heavy taxes.

The Assistant Deputy Chairman: Order, please. The time allotted to the hon. member has expired.

Mr. Blair: Mr. Chairman, one of the sections of the income tax legislation which causes an undue amount of alarm and concern in my constituency is section 31. This deals with the disposition of a taxpayer's income where the chief source of income is not from a farm and where he may in various years have farming losses to charge off against his income. The rulings that have been made with regard to a number of people in this position in my constituency have caused me great distress. In my opinion, the Department of National Revenue has chosen to apply a narrow and restrictive definition to what is the business of farming—

[Mr. Ritchie.]

Mr. Gleave: I am glad to have your support.

• (10:40 p.m.)

Mr. Blair: —with the result that unless a person is a farmer in a large way, or unless he is a farmer who has actually earned a profit in a given year, there seems to be a disposition in the Department of National Revenue to disregard him entirely as a person who is engaged in the business of farming.

I have several examples, unhappily, that come to mind. I know of a man who is a retired serviceman, who has a relatively small pension and who is trying to establish himself as a farmer. He has no great capital resources and as a consequence has had to build up his operation slowly over the years. He has experienced losses, but there is no question that he devotes himself almost entirely to the conduct of his farming operation. Yet because he has not prospered at it immediately, he has been told that he is not sufficiently in the business of farming to qualify for the privilege of deducting the losses from his farming operation from his other income.

I know of another case where a young couple would like nothing better in this world than to establish themselves as large farmers on a prosperous farm, but they have not the capital resources which would entitle them to do that, with the result that the husband has another job and practically every dollar the family earns is devoted to building up the family farm. The financial results of their farming enterprise have not been spectacular to date, but from what they have accomplished I would judge that over a period of time they are likely to accomplish their purpose. In circumstances like these I would suggest it is greatly in the national interest that they should be encouraged. But, again, because they have not prospered, because they have not a great herd of cattle, because they have not a huge collection of farming machinery, the revenue department has determined that they are not engaged in the business of farming and therefore has ruled against the deductibility of the losses of their farming operation from their other income.

I have made many submissions in the course of the last few years against these rulings. This has always resulted in the repetition to me of the various definition sections of the Income Tax Act—the definitions of what is a business and what is farming. If these were wealthy people I am quite sure they would have the opportunity to exercise their right to challenge these rulings in the courts. But it is very difficult to advise people in marginal positions like this to embark on costly litigation and, as it were, to make themselves legal guinea pigs in order to determine whether or not a precise and correct definition is being applied to the words of the statute.

So far as I can see there is no great change in the pattern of these statutory provisions in the new bill, but I hopefully ask the parliamentary secretary whether there are any changes and whether it is intended that the same course of interpretation and administration will apply under the new act. I express the hope that it will not and that the administration of this statute from now on will make a division between that fortunate group in the community whom we have traditionally called hobby farmers, and on account of whom these restrictive provisions were initially put in, and the other group, the bona fide, small,

struggling persons who want to become full-time farmers, so that some balance can be struck in their favour.

Mr. Southam: Mr. Chairman, I took part in the general debate on clause 1 of the government's tax reform bill, C-259, back on September 29. This evening we are now in committee of the whole studying sections 28 to 31 inclusive or, more particularly, those sections of the bill dealing with several aspects related to farming.

Like many other pieces of government legislation, this bill, as time goes by, is coming in for more and more criticism. As the hon. member for Annapolis Valley said earlier in the debate, it is confusion compounded. This confusion is not only related to the sections dealing with agriculture but it seems to be the problem in every area of the 4½-pound, 710-page document that we are examining. I say this because as time goes by members' desks are being piled high with briefs from every sector of our society, pointing out serious defects in the bill affecting their respective areas of concern.

These defects have been amplified and emphasized by the fact that the Minister of Finance has been forced to table over 125 amendments or subamendments to the bill since it was introduced. What he should be doing is taking the recent advice of several provincial premiers. He should shelve the bill and rewrite a proper tax reform bill in the future. In the meantime, the only practical reform clause in this bill, that increasing the income tax exemptions for low-income earners, could be implemented at once by a simple tax amendment that I am sure would be supported by all members of the House.

As several members of the official opposition have already pointed out in this debate, various farm organizations including the Canadian Federation of Agriculture, the National Farmers' Union, the prairie pools, farm cooperatives and various livestock associations, including the widely supported Canadian Cattlemen's Association, have all taken strong exception to many provisions in the bill.

It seems to me that many of the principles of the bill as related to agriculture were adopted from the agricultural task force report. In the view of many farmers and farm spokesmen it appears that many of the suggestions that were put forth in that report, if implemented, would hasten the day of the agricultural industry's demise. The experience we have had with the Lift program and with the proposals set out in Bill C-176, which is now resting quietly on the bottom of the government's agenda, and latterly with the furore created over Bill C-244, the grain stabilization act, along with the clauses in this bill would all indicate that this total load of unacceptable legislation could be the final straw to break the camel's back in so far as the agricultural industry is concerned.

Let us look at a few of the comments submitted by the Canadian Federation of Agriculture. Its members have had access to some good research and have taken the time to make a close study of those provisions of the bill relating to agriculture. Even at the risk of trespassing on the time of the House, and although there may be some repetition here simply because I have not been able to listen to all the contributions made thus far, I wish to put on record some of the submissions made by the Canadian Federation of Agriculture. Under the heading "The family farm corporation," the federation says:

> One general point we would like to make is that all provisions applicable to farmers as individuals should in principle be applicable to family-held farming corporations. We suggest there be some general provision in the law providing for this. This requires definition of what a family farm corporation is. We would suggest perhaps that 80 per cent of all shares require to be held by members of the family, and 80 per cent of the income to the corporation be from the farming operation. This can be important in many connections.

Under the heading "Transfer of a farm within a family, whether by sale or inheritance, without realization of capital gains," it says:

> There is, as we understand it, absolutely no provision for farms to be transferred within a family (except to a spouse), whether by sale or inheritance, without immediate realization of capital gains. This would be true of the sale or transfer of a farm to a son, or inheritance by the son of the farmer. We have been informed that this problem can be avoided in many cases by good estate planning through incorporation of the farm, and this may well be so.

• (10:50 p.m.)

I point out to the parliamentary secretary that every farmer, particularly every small farmer, has not the financial wherewithal to go to tax experts and lawyers for the advice suggested here, but nevertheless it would sometimes result in the wrong decision being made relative to this bill. The brief continues:

> Even in such a case the death of the son, holder of common shares in an incorporation, prior to that of the father, could result in realization of taxable capital gains while the father was still in active charge of the running of the farm, creating severe financial problems.
>
> Beyond this, however, we do not believe that it should in all cases be necessary for the farmer to incorporate in order to achieve stability and continuity of the farm business within the family.
>
> Payment of tax on capital gains out of the tied-up assets of an ongoing family farming operation could and probably would be disruptive, and place the continuation of the enterprise in jeopardy.
>
> We would again very strongly urge that transfer of a farm to the son or daughter of a farmer, whether by sale, gift or inheritance, carry with it no realization of capital gains at that time, but that in later disposition the capital gains be calculated as of from the valuation initially established for capital gains purposes. The $1,000 per annum exemption provision should apply for the whole of this period of course.
>
> Finally, while the federal government has, as far as its own funding is concerned, given up use of estate and gift taxes, this does not settle the question of what may be done by the provinces in this area. Farmers, under your proposals, are still potentially faced with double taxation of the farm on inheritance—something which should at all costs be avoided.

Mr. Chairman, this point was belaboured and discussed at length earlier this evening by interested members. However, I think I should refer to a brief presented by the Canadian Cattlemen's Association on November 1, 1971, which also emphasizes the importance of this legislation. The brief reads as follows on page 6:

> Moreover, it is not inconceivable that various provincial governments might enter the areas about to be vacated.
>
> We believe it is incumbent upon the several provincial governments to clarify their intentions in this area and equally incumbent upon federal government to seek such clarification.
>
> It is unfair that Canadian citizens be asked to contemplate capital gains taxes without being fully informed of the status of succession duties and gift taxes as contemplated by the various

provincial governments. It had been the public's understanding that the proposed legislation would result in a rationalization, co-ordination and simplification of the tax laws rather than a fragmentation and duplication.

It is not difficult to imagine the devastating effects that might ensue should provincial succession duties and/or gift taxes be added to capital gains taxes.

One of the most disastrous effects that is likely to flow from the combined impact of capital gains taxes and succession duties, if instituted in some provinces, will be the incentive thus created for foreign ownership of Canadian farms and ranches. This will happen, we are advised, because foreign owners will be in a position to avoid taxes on both capital gains and succession duties. To the extent that this is true Canadian farmers will be at an extreme disadvantage in competing with foreign investors for ownership of Canadian soil.

We are certain that this disadvantage was not contemplated in the draft legislation.

Mr. Chairman, here again this has been an important issue in western Canada, as I know from the mail I receive and from questions put to me in the boundary areas of Saskatchewan. Farmers there have been facing this problem for some time and are quite concerned about the tax advantages that American farmers would have by coming up here and availing themselves of our natural resources in the form of farmland. I should like the minister or his parliamentary secretary to clarify this point, "We are certain that this disadvantage was not contemplated in the draft legislation." The Cattlemen's Association brief goes on to make the following recommendation on page 7:

We therefore urge the federal government to establish an undertaking with provincial jurisdictions to the effect that, revenue lost to provinces through the discontinuation of federal estate taxes and provincial succession duties be reimbursed from funds made available by the federal government.

To expedite this principle we would recommend further that, should any province impose estate taxes or succession duties;

A tax abatement system be introduced in the federal legislation such that the amount of capital gains tax payable may be abated by the amount of succession duties payable to the province.

As we in the farming industry know, particularly in western Canada, this concern of double-taxation is a very basic problem. Incomes are low as a result of decreasing prices for farm produce, input costs have been accelerating, machinery, repairs, taxes, fuel and high interest rates have all added to the load and any further tax placed on the farmer's back at the present time will be the straw to break it.

May I call it eleven o'clock, Mr. Chairman?

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

SENATE AND HOUSE OF COMMONS—POSITION OF STUDY OF CONFLICT OF INTEREST AND POSSIBLE LEGISLATION

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, on Friday, October 22, as recorded in *Hansard* at page 8926, I put this question to the Prime Minister (Mr. Trudeau):

Mr. Speaker, if the President of the Privy Council were still here I would put this question to him but since he has departed—

That simply meant departed to Nova Scotia.

—perhaps I might put it to the Prime Minister. Some time ago, under the direction of the former President of the Privy Council, now the Minister of National Defence, the government had given some attention to the question of legislation respecting conflict of interest, having in mind particularly Senators, Members of Parliament and high-placed government officials. Can the Prime Minister say what has happened to that study and whether there is any present plan to bring in legislation in this area?

The Prime Minister replied to my question as follows:

Mr. Speaker, the study was pursued so far as we could within government circles. We discussed it among ministers for our own guidance, but we see no possibility of bringing in legislation in the immediate future.

I have to say, Mr. Speaker, that I was somewhat disappointed in the answer which the Prime Minister gave me on that occasion. This subject of the conflict of interest so far as elected representatives and highly-placed government officials are concerned is a very important one and it has received a good deal of study in the United Kingdom, the United States and in other jurisdictions. Actually, in some of these jurisdictions legislation has been adopted or rules have been laid down to prevent as far as possible a conflict of interest or, at least, to make sure that the interests of certain persons are declared.

• (11:00 p.m.)

As a matter of fact, when the present Minister of National Defence (Mr. Macdonald) was President of the Privy Council certain studies were conducted under his guidance. I have in my hand copies of two sessional papers that were tabled by the former President of the Privy Council. One was tabled on Wednesday, July 16, 1969; this is a document of 49 pages. Another was tabled on Wednesday, January 28, 1970; this is a document of nine pages. These, of course, can be found in the sessional papers' office. The point of referring to them is to indicate that the matter is a serious one to which study and attention have been given.

I do not want to be disrespectful about the Prime Minister's answer. However, it seems to me that on Friday, October 22, he was simply saying to me, "We are all right; we have looked into the matter and find we are quite pure, so nothing more need be done about it." I did not think much of that answer and I was glad to learn that the Parliamentary Secretary to President of the Privy Council (Mr. Jerome) was to give me an answer tonight. Here is his chance. I hope he has a better answer to give.

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, it is a very important question that we have been asked to answer this evening and I will be happy to do my best to supply the hon. member with something more than he got from the Prime Minister (Mr. Trudeau). I of course have looked at it and have thought about the answer the Prime Minister gave the other day. Although the hon. member has put his own interpretation on it, that being, "We are pure and do not need to do anything more," I submit that it is the kind of answer that can be interpreted in many ways.

The words, "the study was pursued as far as we could within government circles" could mean, on the one extreme, that which the hon. member has taken from them; on the other extreme they could mean that we are doing everything possible to deal with this important subject. Undoubtedly, since the Prime Minister, according to everybody's understanding, was answering a question which should have been directed to the President of the Privy Council (Mr. MacEachen), since it was that office that had been responsible for the study, the Prime Minister's answer was brief. I think we must look at it in that light.

I think we must put this construction on the answer: The Prime Minister was trying to convey the meaning that everything had been done that could be done and that everything was being done that could be done in continuing the study of this important question and that, indeed, the conflict of interest with respect to all elected representatives is an important subject, it has been treated in that way and we will continue treating it in that way.

There are immense difficulties, of course, in reducing to comprehensive legislation the rules that can eliminate all the fields of conflict of interest that can be contemplated without at the same time restricting too greatly the opportunity for all people to enter fairly into the legislative field as elected representatives. However, as difficult as that may be, I assure the hon. member that it is the desire of this government to do everything possible in that way.

In case the hon. member took from the Prime Minister's answer the impression that the work had stopped, or that the government was satisfied with the study up to that point and was not going to do anything more, I specifically want to assure him that is not the case and not the meaning the Prime Minister intended to convey. In fact, the work is continuing in a very serious vein and at a very serious level at the present time. We hope the study, research and reporting aspect will be completed fairly soon. Of course, depending on the nature of the report the government will carry on to recommend and draft legislation in line with the recommendations that will come forward. It is too early to say at this stage because the study has not yet been completed.

I again wish to assure the hon. member that the study is continuing and that the government is very much concerned about the results of the study. It has gone on at a very high level of government and on the political side as well. In conclusion, we hope the study will soon be completed and if possible, if the study so indicates, legislation will be drafted in due course.

Mr. Knowles (Winnipeg North Centre): That is a great deal better.

EXTERNAL AFFAIRS—CANADIAN-SOVIET COMMUNIQUÉ—EFFECT OF EXCHANGE OF SCIENTIFIC AND TECHNOLOGICAL INFORMATION ON DEFENCE-SHARING ARRANGEMENTS WITH UNITED STATES

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, I am a little curious about who is to respond. I had hoped for the minister's presence or at least the presence of his parliamentary secretary. My question arises out of the most recent agreements of exchange with the U.S.S.R. If I can set the premise which brings me here this evening, I can do this best by repeating the question that I asked in the House the other day. In the absence of the Prime Minister (Mr. Trudeau) I directed the question to the Minister of National Defence (Mr. Macdonald). It related to the Canadian-Soviet communiqué released the other day in which there were at least six, and possibly seven different references to an increase in the level of exchange of scientific and technological information with our allies. The specific question was as follows:

Is the minister satisfied that such an extended level of exchange of this type of information will not impair our capacity to remain within the defence-sharing arrangement with the United States?

The minister replied:

Yes, Mr. Speaker, I am satisfied that it has not been impaired in any way.

I asked a supplementary based on the same levels of exchange of information as outlined in the protocol with the Soviets. I asked whether this would hold true with respect to the level at which we exchange particular scientific and military information with our allies in the United States. The minister replied:

Mr. Speaker, it is a little difficult to measure that exactly, although the level of exchange at the moment is very high.

My concern is with the defence production arrangement with the United States which now provides Canadians with in excess of 110,000 jobs. This is meaningful. There is a very apparent sentiment in Canada today which leads many Canadians to believe that this government has deliberately extended, lengthened or plotted the pipelines of exchange of information with the United States to the point where these two points are in jeopardy: first, the willingness of the United States to remain in the defence production-sharing arrangement with the people of Canada; second, and even put hypothetically, their preparedness to remain in this program with us that will result in a downgrading of the level at which they permit an exchange of scientific and technological information with us.

• (11:10 p.m.)

To illustrate the seriousness of this question I cite one or two other points. First, it is interesting to note that Canadian military and scientific people have received no direct output from such scientific sectors or "think tanks" as the Rand Corporation, for example. I mention this because it is startling and specific and because it highlights the degree to which those involved in science and technology of defence production and defence planning feel that relations between Canada and the United States have deteriorated in recent years.

The question must be faced by the government in light of related economic difficulties. I would welcome from the parliamentary secretary an answer which is a little more frank and forthright than the response given by the minister which indicated that the level at which we exchange technical and scientific information remains very high. I think this is nonsense. The minister was probably carried away by the events of that week, having just returned to the House after seeing Mr. Kosygin off to Cuba. Possibly he was not fully cognizant of the response he gave to the question. To back up this assertion, and in

conclusion, I might say that article II of that protocol, the Canada-U.S.S.R. General Exchanges Agreement, states:

Both governments will encourage and facilitate the exchange of visits by scientists and scientific research workers and the exchange of scientific information.

The whole basis of our defence research production program and sharing program rests entirely on the willingness of the United States to exchange details of highly classified strategic military information with respect to weapons systems, and so on. I suggest that this confidence has been impaired and that the people of Canada deserve a better answer than the one the minister gave the other evening.

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Mr. Speaker, I am happy to reply to the hon. member and to reassure him in his concern about this matter. Canada has entered into a new agreement with the Soviet Union to exchange information on technology for the purpose of promoting mutually beneficial business arrangements between the two countries as part of our program to diversify our trade relationships throughout the world. But I hasten to assure the hon. member that any such arrangements have not and will not infringe in any way upon Canada's long standing arrangements for the sharing of military information with the United States.

Mr. Forrestall: They already have.

Mr. Howard (Okanagan Boundary): I assure the hon. member that any exchanges of information or any sales of material to the Soviet Union have to be agreed to by the Department of National Defence and that no sensitive materials may be exchanged. We have a list of specific materials and items which cannot be exchanged with the Soviet Union. We are obligated in our agreements with the United States to refrain from exporting U.S. technology to the Soviet Union. We honour those agreements and we will continue to honour them.

Furthermore, we have commitments to NATO that we will consult with them on the exchange of materials with any country other than NATO countries, and we honour those commitments and will continue to do so. I can assure the hon. member that his concern is unfounded and that we will continue the course of action we have followed in the past.

CANADIAN NATIONAL RAILWAYS—LAY-OFF OF DOCKYARD EMPLOYEES, ST. JOHN'S NFLD.—GOVERNMENT ACTION

Mr. Walter C. Carter (St. John's West): Mr. Speaker, my question to the Minister of Transport (Mr. Jamieson), as reported in *Hansard* for November 5 at page 9367, was prompted by the recent action on the part of Canadian National in St. John's, Newfoundland, and what I consider to be grossly unfair treatment accorded 28 of their employees. In this particular instance I am compelled to raise two objections. First, I consider that with proper planning and consideration on the part of Canadian National the lay-offs in question were not necessary. Secondly, I take the strongest possible objection to the callous and almost inhuman treatment given their employees by Canadian National officials in Newfoundland, as evidenced by the way the lay-off notices were issued.

Union officials have informed me that on October 25, 22 members of the boilermakers' union and six shipwrights first received word of their impending lay-off. On October 27 the lay-off notices were rescinded. On October 29 lay-off notices were again issued, only to be rescinded again on November 1. On November 2 the men were finally told that on Monday, November 8, their services would no longer be required. What kind of treatment is that to give men who in many cases have large families and have given the best part of their adult lives to service in their trade for Canadian National?

Is it any wonder that these men, as well as their fellow employees have lost confidence in Canadian National management in Newfoundland? How dare they toy with the jobs and livelihood of a large number of people in such a heartless, cold-blooded way! One would not expect that kind of treatment from any employer, least of all from one of the largest corporations in this country. This is just one of many indignities imposed on Canadian National workers in St. John's by management in recent years.

Canadian National's St. John's operation can rightfully boast of having on its payroll a group of dedicated, competent and highly skilled workers. It is unfortunate that the fine attributes of the workers have not been matched by high calibre management as well as the facilities provided to enable them to be in a position to compete with their mainland counterparts and to realize the operation's true potential.

St. John's has been referred to as the service station of the Atlantic. Our geographic position lends itself to a truly exciting prospect in so far as ship repairs and related work are concerned. I am of the opinion that we are not taking full advantage of our potential in that respect and the workers themselves are being denied opportunity for full and lucrative employment. Too often must they contend with lay-offs which have been brought about mainly by inefficiency on the part of management. Today, with the high cost of living and with the normal financial commitments that are expected of family men, C.N. dockworkers in St. John's can ill-afford the luxury of a ten-month work year.

• (11:20 p.m.)

What is needed, Mr. Speaker, is a thorough investigation into all aspects of Canadian National's drydock operation to determine, first of all, the potential of the port as well as an inventory of existing facilities, their capability of being able to cater to our potential under existing conditions and the feasibility of upgrading facilities at the dock which could, in my opinion, result in continuous employment for the existing staff as well as a large number of others who could be employed there.

In Newfoundland there is a widespread feeling that Canadian National has embarked upon a phase-out program. We all know the story of the abandonment of our rail passenger service, a plan that was well calculated and well executed by Canadian National. In recent months we have seen evidence of a repeat performance with regard to our rail freight service. I understand that the coastal

boat service is in danger of being abandoned and I suspect that next on the list will be our drydock operations.

The other day we received an interim report from the railway transport committee concerning the study of a rationalization program for the Montreal-Toronto-Vancouver passenger train services operated by CN and CP. It is regrettable that the second study commissioned by the railway transport committee of a similar nature, wherein they plan to undertake an investigation of other principal passenger services in the Atlantic region by CN and CP rail, will terminate in Nova Scotia.

It is about time Canadian National and the Canadian Transport Commission recognized that a transcontinental railway should not terminate in Nova Scotia but in St. John's, Newfoundland. It is a little ironic that while the railway transport committee appears to be so concerned with respect to finding ways of upgrading a transcontinental railway service in Newfoundland they have adopted an opposite course, because in our province they have apparently adopted different criteria and instead of upgrading that which we had, they have imposed upon us a passenger service that would not be acceptable in any other part of Canada.

I should like also to call upon the powers that be, the Minister of Transport and the Canadian National officials, to show a deeper concern for the plight of our Canadian National dockyard workers, especially the victims of the most recent lay-off. I would also urge them to develop a closer liaison with Canadian National workers in St. John's. I suggest that if and when they undertake a study and investigation of the docking potential of our dock, as well as the capabilities of existing facilities, they involve the heads of the unions at the CN dock at St. John's as well as some of the senior employees who, having spent years working there, have accumulated a wealth of information which I am sure could be of tremendous help to Canadian National in assessing the potential of the dock.

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Mr. Speaker, I am pleased to respond this evening for the Minister of Transport (Mr. Jamieson). He is presently on his way back to Ottawa from Newfoundland.

As explained in the House last Friday by the minister's parliamentary secretary, the situation at the CN dockyard is dependent to a very large extent on the number of projects which CN are able to attract to the yard. As the hon. member knows, there normally is a drop in the workload at this time of year. This necessitates a reduction in the number of employees. Canadian National have advised the minister they are searching actively for more work which could be done in the dockyard and that every effort will be made to keep as many men as possible employed until the time when the coastal boats start coming in for annual maintenance, usually in January.

It is because of the company's attempts to obtain extra work that this confusion arose. The company was under the impression that additional work was coming in and it would be possible for them to maintain employment in the dockyard. But this proved to be false. They were unable to obtain the orders and for that reason confusion arose and the men were laid off again. The minister has had direct communications with the machinist union. They are aware of the efforts that the CNR has made in order to bring additional work to the dockyard.

The hon. member has made a number of valuable points this evening. I will be happy to bring them to the attention of the minister. However, I assure the hon. member that the minister has been in close contact with the CNR and with the union on this matter and he is confident that the CNR is making every possible effort to obtain whatever work is possible in that area to maintain employment in the dockyard at St. John's.

Motion agreed to and the House adjourned at 11.30 p.m.

HOUSE OF COMMONS

Tuesday, November 9, 1971

The House met at 11 a.m.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Monday, November 8, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

The Deputy Chairman: When the committee rose last evening section 28 of clause 1 was under consideration.

On clause 1—section 28: *Farming business.*

Mr. Hees: Mr. Chairman, the sections we are considering now, those dealing with farm problems, are another example of the great number of complexities contained in this bill which require a great deal of examination not only by the House but by the public. Time is required to allow public bodies, particularly farm organizations in this case, to come to Parliament, appear before the agricultural committee and make submissions in respect of their views concerning how these clauses could and should be improved for the good of the farm population of Canada. Time is required so that the suggestions and submissions to be presented to the agricultural committee by the farm groups of Canada could then be thoroughly examined by members of the House in order to make sure that when this bill is finally passed the country will have good legislation and not an uncertain and unsatisfactory act as would seem to be the indication at this point in time.

It is for these reasons that the provincial governments, when they appeared here last week, strongly urged the federal government not to try to maintain its present timetable of completing the consideration of this bill by the end of the year, but to allow more time for thorough examination. These are the reasons the Official Opposition has urged the government to split this legislation into two bills. The first would consist of the exemptions and allowances found in the present bill. Such a bill containing those tax exemptions and allowances would pass the House quickly and become effective.

The Deputy Chairman: Order, please. The Chair feels it is not easy to intervene at this time, but although the hon. member's remarks are very interesting and concern the whole question of taxation he will note that the procedure normally followed in Committee of the Whole is for hon. members to restrict their remarks to the clauses before the committee at that time. The committee has agreed to group different sections of the bill for the purpose of discussion. The hon. member has gone much beyond that and I hope he will come back as quickly as possible to the four sections which are before the committee at this time.

Mr. Hees: Mr. Chairman, I was just on the point of returning to the specific question of agriculture. I have simply referred to the reasons why it is desirable to deal with this legislation in a different way.

• (11:10 a.m.)

In reading the sections of the bill that apply to agriculture with which we are dealing at present, it is quite apparent that those responsible for drafting this bill are certainly not farmers, and not men acquainted with agriculture as a business and its associated problems. There is no doubt at all that in the past there have been flagrant violations by business corporations through loopholes which existed in the tax legislation of the day. But the flagrant misuse of the legislation in the past was not something that was done by farmers. It was something that was done by business corporations. There is no reason for treating farmers in the same way and penalizing them heavily for the sins of business corporations in the past, because in their zeal to close these loopholes so far as business is concerned, those who have drafted this bill have created hardships for farmers in general.

What this bill does is to decrease the incentive to stay on the farm and make a career of farming. Unfortunately this is taking place just at a time when there is a particular need to attract energetic, aggressive young men to stay on the farm and make a career of farming. After all, farming is still the basic industry of this country. The people of this country rely on farmers to produce the food they need during the year. If we do not make it attractive for people to remain on farms and continue farming, we will be in a sorry plight so far as the food we need is concerned as well as the food we export every year which provides us with very important revenue and foreign exchange.

In the province of Ontario today—I would think this would apply to most provinces but it certainly does in Ontario where my constituency is situated—the average age of farmers is between 45 and 55. It is apparent from this fact that young men are simply not farming today. They are leaving the farms, going to cities and making their careers there. The reason they are doing so is that it does not seem to the young people of today that there is an economic future in farming. One of the reasons for this view is the very unsympathetic attitude adopted by the federal government toward farming and farmers in general. One examples is found in the fact that the government is engaged in the process of phasing out the basic herd concept. This is very damaging indeed to dairy farmers in Canada, as all dairy farmers know only too well. We have pointed this out to the Minister of Agriculture over

and over again, but he has turned a deaf ear and does not seem to be interested. He is determined to proceed along the path he has chosen.

The second way in which the government has shown it is not interested in the welfare of farmers is by the introduction of the capital gains tax which will make it very difficult, if not impossible, for a farm, as a viable economic unit, to be passed from one generation to another. Anyone who has examined this legislation knows very well that payment of the capital gains tax which will be levied against the farm when possession changes will require the disposal of at least part of the assets of the farm to pay the tax. This will, of course, further decrease the size of the farming operation, and make it less economic and less likely to survive in today's increasingly competitive farm conditions.

For these reasons I feel that the government should eliminate the proposed capital gains tax as it applies to farms. I think it is important for the government to remember that farmers are in a special category. They cannot pass on any increase in costs, because the prices of their produce are not set by the farmers themselves, but by international, national or provincial forces which are completely beyond the control of the farmers themselves. Thus their prices are completely out of their hands. Their costs are going up steadily, and this is the reason they are caught today in a serious economic squeeze. For this reason, the application of the capital gains tax will make it increasingly difficult, and in many cases impossible, for farms as we know them today to continue as viable operations.

Therefore I say to the government they must realize that farmers are in a special category, and they must start treating farmers in a manner which will make it possible for them to continue to farm economically; which will make it attractive for farmers' sons and daughters to stay on the farms instead of leaving for the cities and factories as they are doing at present. If the government does not do this, in a short period of time this country will find itself in a deplorable situation. We will be short of food because, in a little while, we will be unable to resuscitate farms that have been allowed to run down in the production of the food we need.

So I strongly urge the government, the Minister of Finance and the Minister of Agriculture, to start looking at farming and farmers in the way they have long deserved, and to bring in the kind of legislative measures which help, and do not hinder, the farming operations of today.

Mr. Horner: Mr. Chairman, last evening I was dealing with the subject matter of section 29 concerning the basic herd concept and I said that the capital gains tax in essence has changed the approach of the tax legislation to the basic herd concept. I was appalled that tax reform legislation has been studied for a number of years and yet the government apparently has not considered any other approach to this question. In fact, it appeared to me that in the tax field extensive research and examination had been undertaken on everything but agriculture.

• (11:20 a.m.)

What is the purpose of studying a bill in committee of the whole? It is that the minister and his parliamentary secretary may have the experts with them. Any questions asked can be readily answered. The sources of information are there. Last evening I asked a couple of simple questions. I asked whether they had considered the method by which capital gains tax is applied to the livestock industry in the United States and the use of a similar application in Canada. I told the parliamentary secretary that if he did not know the effect of that application in the United States he should not turn it down but should consider it. Then he replied that they really did not know and his officials before him really did not know.

I warned him that the application of a capital gains tax to the livestock industry in the United States had been in force for a period of years, and I cautioned him that my question was only a lead-in. Really, Mr. Chairman, I was appalled that in preparing a tax bill 707 pages long, which was at least three years in the making, they had not even considered how a capital gains tax is applied to the livestock industry in the United States.

Mr. Mahoney: On a point of order, Mr. Chairman, the hon. member's attributions of comments to me are a grotesque misrepresentation of the question and answer period that we had last night. I hate to ruin your script, Jack.

Mr. Horner: Mr. Chairman, the record will bear out what I said. The parliamentary secretary said he did not know, and he was kind enough to say, "I won't say no; I will consider it." He said he would give the facts today. He said we would be back here at eleven o'clock today and he had reason to believe that this subject matter would be up for debate. He said he would then tell the House how the capital gains tax is applied to the livestock industry in the United States.

I point out, Mr. Chairman, that I was not the first member on my feet today. Before I started to participate in the debate the Chair had asked whether this section would carry. Why is this matter so important? The hon. member for Dauphin put the answer on the record last night. We participate in the North American market, and that applies particularly to the livestock industry. We may be divorcing ourselves from the Americans on questions concerning armaments and the like, but I repeat that our livestock industry shares in the North American market.

Our farmers and ranchers must remain competitive. In ranching and farming the first thing that has to be paid is the taxes. No matter what business you are in this is the case, and it is particularly true in ranching and farming. You have to pay the taxes. First you pay the land taxes, then you pay the income tax, and now you will be paying the capital gains tax.

Last night the hon. member for Dauphin also dealt with the disappearance of the basic herd. Until now the basic herd has been allowed to grow but after December 31, 1971, according to the provisions of this bill, the basic herd ceases to grow. If a man has already built up a basic herd then, out of the goodness of heart of the Minister of Finance, he can maintain it, although he will have to pay capital gains tax on the increased value. But no new basic herds will be allowed to develop.

In the United States the basic herd is still allowed to grow. The Americans have a growing policy. Nixon, the

President of the United States, and Connally have both said they are out to reverse the American import-export trading trend by a total of $13 billion. Agricultural products are one of the United States' greatest exports. They want to get into the European market with their agricultural products. We in Canada want part of the North American market and part of the international market.

Again I put the question to the tax experts who are assisting the minister and the parliamentary secretary: how does capital gains tax apply to the livestock industry in the United States? I have the facts here on how it applies. The second question I pose is: are they prepared to give the livestock man in Canada the same break as the U.S. livestock man gets in the application of a capital gains tax?

The Deputy Chairman: Order. The Chair wishes the hon. member to be fair. He knows that only the minister and the parliamentary secretary may answer his questions in the House of Commons. He should not direct his questions to anybody else, only to persons who are qualified to be members of the House.

Mr. Horner: Mr. Chairman, I thought I was being vividly clear, but in my anger I suppose I wasn't. I was directing my questions through you to the Minister of Finance who is in his place and has his officials before him. The hon. member for Calgary South should know what the livestock industry means to this country. I will take my seat the minute either one of them is prepared to indicate that he will answer the two questions I have posed.

Last night the hon. member for Calgary South said, "Tomorrow at eleven o'clock I will have the facts. We will burn a little bit of midnight oil and we will get the facts." But apparently he is not prepared to put them on the record. They have not said that they will answer my questions. I will repeat them until I get some answers. I am sure they would not want this legislation to pass in ignorance. Surely as legislators we must be knowledgeable about it. If we do not get the answers we must persist until we do, or we must put the answers on the record ourselves and, as I indicated, I am prepared to do that. Considering the generous mood of the parliamentary secretary last might, I want to give him and the minister the opportunity to say they know the livestock industry in Canada has to be competitive with the United States and that if the livestock man in the United States is getting a better deal in the application of the capital gains tax to him they are prepared to consider that.

I could move an amendment to section 29 very easily, but sometimes I find that governments are reluctant to accept amendments from opposition members. Instead I make the request that section 29 be stood until the government has had ample opportunity to study the point that has been made so well by the hon. member for Dauphin and myself, that we share in the North American market and are in fierce competition with the United States.

If the price of beef cattle goes up in Canada, then in come American cattle. If the price goes up in the United States, our cattle move freely into that market. That market has been a safety valve for the Canadian cattleman for years and years. We must remain competitive if we are to stay alive in the livestock business.

Surely one of the key cost factors in any business is taxation. It is only fair that the minister accept the suggestion that section 29 be stood and that the whole matter with regard to the basic herd be reconsidered. Is he prepared to do that? He sits glum and silent, as if somebody had thrown a pail of cold water down his neck.

Mr. Benson: You have got the floor.

Mr. Horner: I am disappointed at the hon. member for Calgary South because sometimes Calgary boasts of being the cow town of Canada and sometimes tries to win the favour of the livestock men. The hon. member for Calgary South should win a little favour right now by honouring the pledge he made to me last night that he would burn the midnight oil and today put on the record how the United States capital gains tax is applied. It would seem that somebody got to him in the intervening hours and told him to sit there and not say a word, to let us blow off steam. He should rise and put the record straight in regard to how the United States capital gains tax is applied to livestock.

• (11:30 a.m.)

I want to explain vividly how the basic herd operates in Canada. The basic herd principle has operated as a growth factor. A farmer in the livestock business could purchase cattle, pay income tax on the money involved, put them into a basic herd and when he retired he did not have to pay income tax on the proceeds of the sale of the basic herd because he had paid income tax on the money going into the herd when it was being acquired. Section 29 says in effect that if you have a basic herd on December 31 you can keep it but we will not allow any more basic herds to be established nor will we allow the basic herds that are established to grow. In other words, they are cutting off the growth factor in the livestock aspect of agriculture.

How does the United States capital gains tax apply to livestock? If you have stock, bulls or females, for over two years you can treat them on a long-term capital gains basis—in essence, the same as our basic herd would be treated with the application of the capital gains tax. The parliamentary secretary nods his head in a negative manner.

Mr. Bigg: He doesn't know.

Mr. Mahoney: Only one year—12 months.

Mr. Horner: If it is only one year that improves the situation.

An hon. Member: Sure it does.

Some hon. Members: Hear, hear!

Mr. Mahoney: It does not improve the hon. member's accuracy.

Mr. Horner: It does not bear witness to my accuracy? I think the committee and you, Mr. Chairman, can bear witness to the fact that I begged and pleaded with the parliamentary secretary to put his accuracy on the record first but he did not believe it could stand up. He did not have the nerve to put his accuracy on the record first; he

did not have the nerve to disobey his senior. He wants to climb up the political ladder so he is a "nicey, nicey" boy.

Mr. Jerome: Be serious.

Mr. Danson: He is not climbing; he is being elevated.

Mr. Horner: I am glad the hon. member added that he is not climbing, he is being elevated. That is it exactly. He knows how to be elevated; it is through being a "nicey, nicey" boy to his superiors. That is not the role that Calgary wants him to play.

Mr. Danson: It is through ability.

Mr. Horner: It is my information that there is a two-year holding period for cattle, females and bulls, and for horses. The American provision is to this effect:

Long-term capital gain treatment will not apply to the sale of cattle and horses acquired after 1969—

This is a new departure.

—unless they have been held for at least two years for draft, breeding, dairy or sporting purposes.

That is very different from our concept. If they are held for two years, in essence they can be put into what we in Canada classify as the basic herd and come under the application of the capital gains tax which will apply on that capital asset. There is no doubt in my mind that a rancher involved in the livestock business—this is the gut issue—is in a better position than his counterpart in Canada after the application of the capital gains tax when the basic herd is dispersed.

I ask the parliamentary secretary and the Minister of Finance through you, Mr. Chairman, if they really think that a rancher in Canada is in much better shape than his counterpart in the United States? Let us examine the situation and see what a rancher in the United States has to contend with. Does he have to feed all through climatic conditions like ours or can his cattle run throughout most of the winter? Everybody knows the answer to that. He has a weather advantage in raising cattle. If we are to compete with him we need a tax break in regard to land costs or in the application of the capital gains tax to the capital asset.

Who is in the better position with regard to proximity to the market? The American ranchers have to feed 220 million people and this tremendous market is close at hand. How far is the midwest from the large population centres of California, Chicago and the eastern states? Not too far. They can move their cattle to population centres north, south, east and west. Ranchers in this country can move cattle to the population centres of central Canada and a portion of the lower mainland of British Columbia, a long way from the ranching areas of western Canada. We are at a disadvantage in regard to both climate and market. We do not have as many people to feed and they are a long distance from the ranching areas. On top of that, this government proposes to bring in a capital gains tax which will remove the basic herd concept and is more detrimental to us than the capital gains tax is to our competitors in the United States.

Already the government is saying, "get rid of the small farmer", and there is no doubt in my mind that they have the same intention regarding ranchers. The rancher does not come to the government begging for assistance or handouts; he wants an even break. What kind of break is he getting? The hon. member for Calgary South is afraid to rise and put the facts on the record. The Minister of Finance smugly sits there and does not answer. The rancher has not come to this government or other governments asking for interference or handouts but he is a skilled lobbyist when it comes to demanding a fair break.

Let us examine the record. Are there a lot of ranchers that have to be put out of business? Are we overproducing livestock?

Mr. Bigg: They are all free men.

Mr. Horner: The opposite is true. The minister in charge of the Wheat Board comes out with a regrazing program. The former premier of Saskatchewan came out with low-interest loans to encourage farmers to go into the livestock business. What are we setting the trap for? Is the livestock man a sucker? He is not, but he comes here and argues that he should be given equal treatment with his competitors.

We are not overproducing in Canada. In fact, we have absorbed a great deal of beef from the southern hemisphere without harming our livestock industry. From time to time cattlemen have complained about the importation of Australian and New Zealand beef, but we have survived.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member but I do so to inform him that his time has expired.

• (11:40 a.m.)

Mr. Mahoney: Mr. Chairman, if the hon. member were to open his ears perhaps he might be able to hear better what is being said here. In the first place, I wish to make it clear that I did, indeed, undertake to look into this matter last night and I came prepared with an answer. At no time during the debate last night did I indicate that the government had not looked at the United States capital gains system because it is obvious that the government has looked at that legislation as well as at other capital gains systems. The United States does not have a tax concept identical with the basic herd rules which have been applied in practice in Canada in the past, but it does permit capital gains treatment on the sale of livestock held for draft, breeding or dairy purposes if it is held more than 12 months from the date of acquisition. For their purposes livestock includes not only cows, horses, sheep and swine but also mules, donkeys, goats, fur-bearing animals and other mammals.

Treated as a capital gain, the United States tax on disposal of a herd could be higher than the tax which would apply to a capital gain of a like amount in Canada. In the United States one-half of a capital gain is included in income and with a top personal rate of 70 per cent the effective rate on such gains would be 35 per cent. In addition, under the recent tax reform in the United States the untaxed half of a capital gain is treated as a tax preference item and subject to additional tax. The additional tax is a minimum tax of 10 per cent which is applied to part of a preference item under a special for-

mula, and it could effectively add about one additional percentage point to the level of tax.

There are a number of differences, Mr. Chairman, between what is regarded as a capital gain in Canada and what is so regarded in the United States. To some extent this is just a reflection of modifications made in the Canadian tax system from time to time to meet our own particular needs. For example, if I may refer to an industry that concerns people coming from the province of Alberta, in 1962, on the instigation of the government then in office, Parliament passed legislation the effect of which was to include the proceeds of oil properties in income and, at the same time, to permit the immediate deductibility of the cost of oil properties. That, of course, is precisely what is suggested with respect to the acquisition of breeding stock, and so on, after January 1, 1972.

Mr. Danforth: Mr. Chairman, this matter is of such vital importance to the Canadian agricultural industry that we must, if we are to represent farmers across this country adequately, deal in much greater detail with the matter we are considering. The parliamentary secretary has admitted that this bill is designed to phase out progressively the basic herd concept. That shows what the government thinks about that particular aspect of farming and demonstrates the government's attitude toward the entire farming business. I therefore wish to direct some questions to the parliamentary secretary and to the Minister of Finance. The officials sitting in front of them may be able to help with the answers.

Would the parliamentary secretary or the minister tell us the basic philosophy behind the government's approach to taxation in the farming field? Has the government considered that the farming industry is not in the same category as other corporations and businesses across this country? We are not just dealing with some type of business; we are dealing with an industry whose peculiarities have been recognized by various governments throughout our history.

Without doubt, in attempting to revise the tax system the government has made a strong attempt, as is evident by the instructions given to those who drafted this bill, to plug loopholes. Some of our larger corporations took advantage of the admitted weaknesses in the old act and, by hiring able accountants and good corporation lawyers, were able to evade certain taxes. Without doubt, many millions of dollars that should have been paid as taxes were not paid and were siphoned off for the benefit of these corporations through various loopholes in the old legislation. Having read some parts of this bill, there is no doubt in my mind that the government has tried deliberately and meticulously to close many of these loopholes. I do not quarrel with that. I think that is good and sound.

In bringing forward this basic revision of the tax structure I do not doubt that the government felt, as do the majority of people generally in Canada, that if the tax system were made fairer, if everyone paid his share of taxes, there could be a general reduction in tax rates. The government felt, in other words, that those who were least able to pay would pay less tax and that in Canada we should adopt a tax system that would be workable, plausible and acceptable. However, in their zeal to make this possible and to follow this prescribed and commendable path they failed, I think, to consider the vagaries of the agricultural industry. They failed to realize that basic principles applying to business corporations and larger industries do not apply to the same degree to smaller businesses and to farming. That is why we are so incensed at what seems to be a deliberate attempt on the part of the government to put through legislation that could adversely affect the livelihood of farmers in Canada.

My colleague has spoken about the fact that we must compete in the North American market. This market is vital for the Canadian agricultural industry. Since the industry can sell in Canada to only about 20 million customers, the industry must export a great deal in order to survive. The very nature of agriculture today makes it imperative for Canadian farmers to employ the very latest methods, the latest implements and the latest scientific techniques. All these are very costly to employ, and if the market is small our farmers cannot use these new techniques because the per unit production cost will be too high. On the other hand, if 30 per cent or more of our cattle production and agricultural production in general can be exported to international markets, Canadian farmers can survive because per unit costs of production will be lower and there will be some chance for profits. If the tax advantage that agriculture has enjoyed in the past is tampered with, if the tax position of agriculture is made less attractive under the provisions of the bill we are considering, as I suspect is happening, the position of agriculture will be precarious indeed.

So I return to my opening statement and ask the government to tell us, before hard and fast positions are reached from which it will be almost impossible to deviate, what the government's basic philosophy is in its approach to the taxation of agriculture. Is the government aware that by removing the basic herd concept it will be destroying the incentive in the future for people to take up that kind of farming? Is it aware that the capital gains tax will make it almost impossible for farms to be handed down from generation to generation? Is it aware that the very nature of farming, and especially the very nature of livestock raising, is not simply a one-generation process? It is not like selling shares, obtaining a sum of money, building a factory and being in business in a matter of months. Building up the basic herd concept with specialized breeding stock sometimes takes two or three generations. In many instances today it is the grandfather who takes pride in the output of a grandson. It is not something that has been developed over the course of two or three years. I wonder whether the government is aware of this.

• (11:50 a.m.)

Something that has troubled me greatly—I wonder too whether the government is aware of this—is the ramifications, especially where the agricultural industry is concerned, if this legislation is passed and the provincial governments are not sensitive to the provisions of this legislation with regard to agriculture. What happens if this taxation of farmers is only a small part of the entire package and farmers and farm businesses are faced with additional estate and income taxes imposed at the provincial level? These are questions to which we must have answers before we are prepared to pass these sections of the bill.

We want to know where farmers will stand in the future. We want to know what the basic view or thrust of the government is where farmers are concerned. Is this measure designed to extract from the farming community the greatest possible revenue for the government while gambling that the farmers can stay in business? Is this the view? Has any consideration been given to a policy that will bring about a viable agricultural industry in order to sustain many thousands of families and provide a high standard of food for Canadians? What is the thinking of the government? This is what we are interested in and must know. This is what the cattlemen, hog producers, tobacco growers and producers of fruits and vegetables across this country are asking today. To date, the only source of information has been chartered accountants. The stock answer of every chartered accountant I or any farmer has queried is, "I am sorry, we haven't the foggiest idea; this bill is massive and complex and it is going to take time to digest." This is not good enough. While it is being digested, processed and regulations drawn up, if the basic concept is that farmers are going to pay a higher degree of taxation the ultimate result will be the destruction of too many substantial farm units across the country that we cannot afford to lose.

Something that has been causing increasing alarm among those in agriculture has been the disposition of our basic herds, high production dairy animals and some of our top-notch breeding herds because of the fact the economic climate today is not such as to create an incentive for these businesses to continue. The economy of today is such that there is a balancing of the scale. Good, substantial farmers may or may not have a possibility of getting out of farming. Unfortunately, a tremendous number of farmers are in debt to such a degree that they cannot get out unless they are forced to do so. I am speaking of those who still have a choice. If they are undecided now, my fear is that the imposition of a greater tax load, which cannot be passed on to any other source but must be taken out of the dwindling profits of their business, will cause the whole agricultural economy to collapse. As all hon. members are aware, this would be to the detriment of Canada.

These are some of the questions we feel must be answered before we proceed too much farther with these sections of the bill.

Mr. Downey: Mr. Chairman, I have one or two questions I wish to ask the parliamentary secretary. One is with regard to the definition of farming as found on page 569 of the bill. It reads:

> "farming" includes tillage of the soil, livestock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing and the keeping of bees, but does not include an office or employment under a person engaged in the business of farming;

How would a farm manager or a son who may be working for his father and endeavouring to get into the business fit in here? Are any concessions going to be made with regard to whether he will be considered a farmer, and will he be eligible for the normal deductions of a farmer at the time he is entering into farming operations? I am referring to someone working for a farmer in the capacity of manager.

[Mr. Danforth.]

Mr. Mahoney: If a farm manager or son were employed in that capacity, he would be an employee and would report the income he receives from the proprietor of the farm as personal income. Of course, the amount of wages or salary paid to him would be an expense of the farm and deducted from the farm gross income when calculating the taxable income.

Mr. Downey: This would not help a farm manager. Suppose he had a portion of the ownership of the farm at the time and had a few cattle or something else upon the owner's property and was trying to establish himself. We are interested in some provision for him while he is trying to become established. There are many cases of farmers working in oilfields, roughnecking on drilling rigs, who are having a hard time. Has any thought been given to extending the definition of farmers to include this type of situation?

Mr. Mahoney: Mr. Chairman, the person in the situation the hon. member described would be a farmer in relation to the activities he carries on with the cattle or whatever he was operating. If he were operating a part of the land on shares and so on, his personal status would be determined by what he is doing. To the extent that he is receiving salary or wages he is an employee. To the extent that he is farming or raising cattle in some way on shares, he is a farmer and reports his income as such.

Mr. Downey: Is it correct to say that if 51 per cent of his income came from work outside the farm he could not be classified as a farmer?

Mr. Mahoney: No, Mr. Chairman, that is not correct. The hon. member should refer to section 31 which reads:

> Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income—

Certainly in the situation that the hon. member described where a person is being paid to manage a farm, and also running his own herd this is his own farm income. However, the principle or chief source of income would be a combination of farming and some other source of income. I think the exclusion at the beginning of section 31 takes him out of the category of general farmer and away from the limitations to which the hon. member has referred.

Mr. Downey: What I am interested in is the proportion of income. My point is that there must be a definite income ratio. At what point can a man be classified as a farmer? Just what is the criterion? Is it something which is at all negotiable? Is it a matter for a ruling by the department? Is there any humanity being exercised in this regard?

• (12 noon)

Mr. Mahoney: Again we are in an area where it would be a question of fact, subject to the usual right of appeal under the act. If the hon. member were to describe a particular situation to me I would be glad to refer it to the revenue department and obtain an opinion as to how the ruling would go. I imagine it might be very difficult for a person who derived 5 per cent of his income from farming and 95 per cent from other sources to convince people

that he was a farmer in the first year. On the other hand, someone who had been carrying on a farming operation for years and whose income from farming had dropped, for some temporary reason, to 5 per cent of his total income in a particular year might still be allowed to continue on the basis that he was a farmer.

While I have the floor I must apologize to the hon. member for Crowfoot for an error I made in connection with timing as applied to herds in the United States. He was right in referring to two years. This is an instance where they did change the timing from a one-year period to a two-year period in their 1969 tax revisions.

Mr. Horner: I admire the honesty of the hon. member for making that correction. It used to be one year but, frankly, they found there was too much hanky-panky so they made it two years, which is a little more rigid. When the parliamentary secretary spoke of 12 months I said this would be better for the stock raiser. That remark led me to believe that the parliamentary secretary did not understand the concept at all, when he did not believe that 12 months was better than two years.

I understand that when the parliamentary secretary rose to speak he made the remark that I should keep my mouth shut and my ears open. That is an awful remark to make to a fellow by the name of Jack Horner. I well remember the old nursery rhyme: Sticks and stones may break my bones but names will never hurt me. I also recall the saying—it is one the parliamentary secretary should remember: Stones that are hurled with harsh intent, a man can use to build his monument. The hon. member can hurl all the stones at me he likes, but that will not further the debate or elevate the discussion in any way. Nor does it elevate the parliamentary secretary as the Parliamentary Secretary to the Prime Minister suggested should be done.

I am quite serious about this question of the application of the capital gains tax to the basic herd. Perhaps I should explain the effects a little further. What the basic herd does is to allow ranchers or dairymen to pay income tax on money as they earn it. When they retire or sell out they then sell the basic herd as a capital asset. They do not have to pay income tax on the sale of the capital asset. With the application of the capital gains tax they will have to pay capital gains tax on the increased value of the capital asset. But they will not be required to pay income tax on the capital asset. We have to take a look at the averaging principle to see how this applies.

In this tax legislation we are being presented with an averaging principle applicable to all people. The basic purpose of this principle is to take into account the application of the capital gains tax. How will the averaging principle affect the farmer? The parliamentary secretary says it is the same as it was. He says there are no changes. I ask this question. With the advent of the capital gains tax, is the averaging concept as useful to the man engaged in the livestock industry? That is the crux of the matter. The answer is no.

Let me give an example, Mr. Chairman. Suppose I am in the livestock business and I am getting along pretty well. I have had some good years and I average. Suppose I averaged last year the preceding five years right up until 1970. Let us suppose that through no fault of mine I suffer a severe heart attack and have to sell out. I have a basic herd. Capital gains tax will apply on the basic herd but I will not have to pay income tax on the proceeds of the sale. Under this legislation, if it comes into effect, let us suppose a young farmer has averaged up until last year. He has no basic herd because he cannot build up a basic herd. He has averaged every year he can average. He has to sell out through no fault of his own. What effect does the averaging have? He cannot average because he has averaged all his five preceding years. This bill does not provide a forward averaging principle for a farmer. No way. Suppose he has suffered a heart attack and cannot work and his family has to be provided for. He cannot put the money into a government annuity. He has got to buy a house and live somewhere else. He has to pay. The averaging principle is not as good now with the introduction of the capital gains tax. The livestock man needs a basic herd concept as well in order to ensure that he can put aside money which will not be taxable in the event he has to sell out and still live. It is as simple as that.

I cannot understand the cold, heartless attitude of the government. While I do not like it, while I complain loud and long, I can understand their attitude toward the wheat farmer. They say: the farmers are producing too much wheat; we must get them out of business. It is a negative attitude but at the same time I can understand what they are thinking. I do my best to alter their thinking in this regard. But there is no similar situation involving the livestock men. They are not overproducing. Indeed, many consumers across Canada will say they are not producing enough and this is why the price of beef on the table is so high.

Why is the government trying to get rid of the men engaged in the livestock industry on the one hand while on the other the minister responsible for the Wheat Board says he intends to provide $40 million over the next ten years to get more people involved in the livestock industry? Why are we taking these steps on the one hand and destroying the competitive position of the industry on the other? It is beyond my comprehension. I have tried and tried to understand it. I lay awake most of last night trying to figure out the reasoning of the government in this regard. The American rancher can put cattle into a holding position provided he has kept them two years. They do not call it a basic herd down there. In essence, Mr. Chairman, what he has is a capital asset, and if he sells out he is not subject to high taxation rates on the sale.

• (12:10 p.m.)

A little while ago the parliamentary secretary said that these things have to be considered. He said the United States farmers pay a higher rate of tax, that the top rate was 70 per cent. Who gives a hoot what the top rate is? Only a very few ranchers fall within the rop rate, about one-quarter or one-tenth of one per cent. They are people like Bing Crosby, though he would probably regard his ranching operations as income from another business.

I am talking here about the heart and the guts of the ranching industry. Certainly the average rancher does not fall within the top brackets. Indeed, they are in a lower bracket than they are in Canada. Let the parliamentary secretary rise to his feet and correct himself in this

respect, because that is the fact. This bill will hurt the cattle industry in Canada, a cattle industry that will be and has been subject to severe competition on the North American market.

I do not have to recite to the House the effect of the outbreak of foot and mouth disease in 1951 because it is well known. As a result of that outbreak we were cut off from the North American cattle market and right away cattle prices dropped ten cents a pound. We have just recovered from that low of the early 1950's. Although the outbreak of foot and mouth disease did not hurt the cattle industry as such in Canada, it did cut us off from the North American cattle market and caused a drop in price. That is why I ask whether we should adopt a piece of legislation that almost does as much harm and certainly hampers and hinders the cattle industry of Canada.

It has been suggested that I want to hold up this bill. I do not want to hold it up for the sake of holding it up, but I am on sound and firm ground when I contend that in this bill we are being coldhearted to the best part of Canada's agricultural industry. We are being insensitive. I do not think any adjective would be too strong to describe the attitude displayed by the parliamentary secretary and the minister in this debate and their reluctance to put forward facts. When goaded to they then have to correct themselves later and accept the facts I put forward.

People ask me why it is Liberal policies have been so firmly rejected in western Canada. These policies have not been bad in all cases; the reason is the callous attitude adopted by the government. For example, the Prime Minister says in Winnipeg, "why should I sell your wheat", showing an indifference that people out west have not recovered from yet. The attitude that the government is displaying toward the livestock industry in removing the basic herd contributes to the indifference.

Westerners are generous, bighearted and will soon forgive a man and give him a second chance. But that man has to show interest and concern for the west. He has to demonstrate that he is learning and is sympathetic to western problems. This government has not shown that it is. Operation Lift was an example. The government said to the farmers: "Here it is; buy it. If you don't like it you can lump it, because we are going to eliminate the surplus of wheat." The farmers did not like it and they had to lump it.

Then the government introduced its grain stabilization bill and there was much heated argument over it. The prairie agricultural ministers came to Ottawa to discuss it and asked the government to reconsider it because it was unacceptable. But the government said: "No, we are not going to make any changes to the bill". Here once again I am on solid, concrete ground. The government has not even studied the application of the capital gains tax to the U.S. cattle industry, yet they are prepared to implement such a tax as far as the Canadian cattle industry is concerned. Once more this shows lack of concern and indifference.

I am thankful, Mr. Chairman, that this lack of concern and indifference has fully registered on the people of western Canada. If the hon. member opposite gets to his feet and says that the hon. member for Crowfoot is just a loud mouth and does not know what he is talking about,

[Mr. Horner.]

that he is just blowing off steam and if we hear him out it will be all right, then that is one thing. But when he stands up and says that I should keep my mouth shut so my ears can hear and then 15 minutes later has to correct himself and say that I was right and he was wrong, then whose ears should be opened, would you say, Mr. Chairman? I think that illustrates who it is that should be listened to.

I led into this subject as gently and as quietly as I could with all the finesse that I could muster last night. I started to ask a few questions. I asked whether the government had considered the United States situation and the parliamentary secretary was kind enough to say: "Well, we will not make a decision yet; we will take a look at it". Again today I suggested that if the government does not like having to listen to my repeating myself and haranguing the government about its callous indifference, let the hon. member opposite stand clause 29 so it can be reconsidered. They can indicate that they are not going to buy my suggestion, or adopt the United States system, but let them say they will take a look at my suggestions and also examine the application of the capital gains tax. Then at least the government will indicate that its ears are open and that some of the comments made on this side of the House are penetrating. But apparently the government is not even prepared to do that.

As I look across the House I observe that the great defenders of government farm policy are nowhere to be seen. The great advocates on the Prairies, these great defenders of agricultural policy, these livestock and grain men, are just not around. They are all represented by one man who looks as though he might be prepared to speak on this subject, and I hope he does. I think he is indicating that he will, so at least I have been penetrating his ears, something that I can assure the committee is appreciated in all corners of the House.

This issue is an indication of why government policies are not accepted in western Canada. The minister in charge of the Wheat Board gives us the answer: "Well, I guess we didn't sell our story well enough". What did the Prime Minister say in Calgary this summer about Bill C-176? He said that the people out there had been listening to false prophets. He also said: "You Liberals in western Canada have not sold the story well enough". No matter what the story is, Mr. Chairman, it has to be sold if it is to be accepted. You have to convince people that the government is interested in them, that the government is trying to help them. Once they are convinced of that you can then explain how you are going to help them. However, if a man is convinced beforehand that you are not trying to help him he will not listen to you. He will not take your medicine or benefit from the salve that you rub on his wounds.

• (12:20 p.m.)

I have pointed out vividly that the United States cattleman is in a better position in respect of capital gains than is a Canadian. I have pointed out why we should be in a better position. Cattlemen in the United States have proximity to large markets. They have a favourable climate. The livestock industry in Canada suffers from pretty severe winters. Let the hon. member for Meadow Lake tell us about ranching in northern Saskatchewan. Let the hon. member for Dauphin tell us about the situation of ranch-

ers up north. They will tell you about the winters. Perhaps some of the ranchers in the foothills close to Calgary South may enjoy a climate somewhat equal to the climate many ranchers experience in the United States. However, not all of us can live in the sheltered belt of the foothills; not all of us can enjoy the chinooks in the southern part of that province. Many of us have to raise cattle where the going is tough. We should have a tax break in order to be competitive.

We might ask the former head of the products division of the Department of Agriculture, Ralph Bennett, about this situation. He has addressed many groups across Canada and has said that the price of our cattle always hinges upon the price in the United States, on what is going to market in the United States and on what is going to market here. The price received is governed accordingly.

When we look at the price received we must take a look at the cost of production. We must look at the costs in order to arrive at the net position of the livestock man. Is the livestock man in Canada in a better net position than the livestock man in the United States? No. Machinery costs and all other costs right down to a lariat are higher in this country. I once used the word "lariat" and the press never forgot it. Even a lariat can be bought more cheaply in the United States than in Canada. The price of fencing, wire, machinery, saddles, lariats and all these things used in the livestock industry is less in the United States than in Canada. Taxes on land are another item. The taxes on ranch land in the United States are no higher than they are in Canada. In fact, land cost in some areas is cheaper in the United States.

I notice, Mr. Chairman, that you are about to interrupt me and therefore I shall finish very quickly. There is no doubt in my mind that the cost of production is cheaper in the United States than it is in Canada and therefore we should have a tax break and not a tax increase.

Mr. Mahoney: Mr. Chairman, I should like to make it very clear that we are always willing to accept the more worth-while suggestions of the hon. member and are quite prepared to stand section 29 if that is the disposition of the House.

Mr. Horner: Thank you.

The Chairman: Perhaps the Chair did not understand. Is there a suggestion that section 29 be stood?

Mr. Mahoney: Yes, Mr. Chairman. Of course we are still debating sections 28, 30 and 31.

The Chairman: The Chair would like to put the matter in order to make sure that representatives of all groups are agreed. The suggestion is that section 29 of this group be stood and that the committee proceed with its consideration of sections 28, 30 and 31. Is that agreed?

Some hon. Members: Agreed.

Mr. Burton: Mr. Chairman, may I ask what the intention is in terms of proceeding further with clause 29 if it is to stand?

Mr. Mahoney: I beg your pardon. I did not quite catch the question.

Mr. Burton: I want to find out what the intention of the government is or what action the hon. gentleman has in mind in respect of proceeding with this section. Is it to stand on an indefinite basis?

Mr. Mahoney: Yes, indefinitely. Obviously we will have to come back to it some time.

The Chairman: Is the committee agreed that section 29 shall stand.

Some hon. Members: Agreed.

Clause 1, section 29, stands.

Mr. Nesbitt: Mr. Chairman, the agricultural sections in this tax bill are of great interest and concern to anyone involved in the agricultural industry either directly or indirectly. One very worrisome part is section 29 which the parliamentary secretary has suggested be stood indefinitely. As a result of this section being stood I shall not comment on the question of the basic herd other than to say I very much hope that when arrangements are made concerning how to deal with this particular section the government will agree to send it to the Standing Committee on Agriculture so that witnesses may be called and points of view presented in order that we may have a much better understanding of the dangerous possibilities of this section as it now stands. The parliamentary secretary has indicated that the government is very glad to receive constructive suggestions which would improve the legislation, and therefore I hope his seniors will follow out his good will in this regard. There may be other sections of this tax bill which should also be referred to the committee, but I will make my comments in that regard on another occasion.

One further argument for sending this bill to the committee is that while it is all very well for the government to say that the matter of tax reform has been under public discussion for many years—and we agree that it has—while there was discussion in very general terms of tax reform agriculture-wise and every other way when the white paper on taxation presented by the minister was before us, no one in the country, including members of this House, knew what the specific proposals were to be concerning tax reform in general and agriculture in particular until June 18 last. As has been mentioned in the House on many occasions, even the tax experts in the country do not understand the full implications of the bill. Certainly certain parts of the bill could be passed now, as has been suggested by my colleague the hon. member for Prince Edward-Hastings. I believe this would be a good idea because it would benefit the taxpayers in the lower income brackets and the elderly. Certain parts of the bill, however—not only section 29 but others as well—I believe should be referred to the Standing Committee on Agriculture because it is quite obvious that the bill has been drafted by law officers of the Crown who are not familiar with farming. This fact is quite obvious because of the way in which the bill is drafted. One cannot blame them because they are law officers of the Crown and it is their business to draft legislation. But it is difficult to draft good legislation when you are not familiar with the type of industry for which you are legislating. It would be very helpful if not only section 29 but also the other sections were referred to the committee.

I cannot understand why there is such a great rush to shove this legislation through by the end of the year. Perhaps the Prime Minister has set a deadline for the Minister of Agriculture, the Minister of National Revenue and the Minister of Finance and has said that it must go through—period. Although I cannot see any great reason for the rush, perhaps the government may be considering an election and wishes to be in a position to say that it got the tax bill through in a hurry. That may be the reason, but even from the government's point of view this may not be helpful since it might cause a good deal of flak against the government. We heard a good deal about tax reform through the years and about how great it would be. Now that we have the legislation before us, an enormously complex document of 595 pages of small print plus hundreds of amendments with the possibility of more, surely there is no hurry to rush it through in five or six weeks. It should be given careful consideration.

• (12:30 p.m.)

Having said that, I suggest there is another point which the parliamentary secretary might take into consideration. In the sections that we are now discussing the government does not seem to be particularly interested in changing the basic concept with regard to the taxation of farms and farm businesses. Certainly it will be very difficult for farms to pass from father to son and for farms to be kept in the family. It is true that the tax can be spread over a period of years, but if you are going to deplete the working capital of a family farm corporation or a family farm this will cause serious problems in carrying out the farming operation. Most farms are pretty short of working capital as it is, and certainly this kind of legislation will not help.

It has been alleged by a number of members in the House and by competent authorities in agriculture outside the House that the taxation which under these proposals is to be levied on agriculture may have the effect of not only driving people out of the farming business but of preventing younger people from entering the farming business. This has been mentioned by the hon. member for Wellington-Grey-Dufferin-Waterloo, the hon. member for Prince Edward-Hastings, the hon. member for Kent-Essex and by others who have some concept and some knowledge of what they are talking about, not to mention various agricultural organizations which have commented on the matter. It is a pretty serious problem if there is any substance to these allegations, namely, that farming may well cease to be the basic industry of Canada, which it still is, and become a very minor industry provided it is not wiped out altogether.

The government, I have noticed, is almost in a panic when allegations are made regarding our environment. If somebody says that our waters are being polluted and that in five years we will cease to have fresh water in Canada, the government virtually panics and takes great pains to check into such allegations. I am not opposed to the government doing that, but when the government decides to look into some of these matters it is highly selective. The government moves quickly on matters that have an emotional appeal to the public such as insecticide poisoning which is dangerous to people or wildlife. These matters are looked into by the government even when such allegations prove to be incorrect after further study, as now appears to be the case with DDT. However, when much competent opinion is expressed in this case that the present proposals will put farming out of business, there does not seem to be any rush by the government to look into the matter, to hear these complaints or to send these sections of the tax legislation to a committee for further study.

It seems to me that if there is any kind of substantial or serious allegation that the basic industry of our country will be put out of business, it should be given careful consideration. There is no doubt that some of these allegations may be pretty hairy, so to speak, pretty wild. I am sure some of them are. On the other hand, there is sound and well informed advice in this regard and I think the government would be well advised to look into this advice before it moves so hastily and for no reason, as anybody can see.

The government should consider everything that is presented in the House and we should hear experts on why tax changes should be made. We do not want to drive the agricultural industry out of business. We do not want to become dependent on imported food. Just imagine anyone being told five or ten years ago that Canada might become an importer of food such as butter or milk. I gather from what the Minister of Agriculture said the other day that pretty soon we will be faced with importing butter and milk products before the end of the year because we are facing a shortage. This is something we should consider very carefully. We should consider the social implications, our international trade, our relations with the United Stated and many other things that are of concern in this case. For this reason, a careful study should be made.

I have touched on these matters in general and I will have more to say on them later. However, I am glad to hear that the parliamentary secretary has stood section 29 and I hope he will use his influence to send that section concerning the basic herd concept to the committee on agriculture. I also hope that this will be possible with other sections as well. As I have already said, we are dealing with many far-reaching problems with respect to the future of agriculture in this country, and I can see no reason for hastily passing these four sections without proper study when clearly they were drawn up by people who have no knowledge of farming or agriculture.

Mr. Burton: I was pleased to hear the statement of the parliamentary secretary a few minutes ago when he undertook to stand section 29 concerning the basic herd provision in the income tax bill, and I trust that the time allowed for consideration will result in some satisfactory solution to the problem. The parliamentary secretary is aware of some of the suggestions made by members of our party and of the fact that we did press for a change in the government stand on this matter. Contrary to the impression which the hon. member for Crowfoot attempted to leave a few minutes ago when I stepped out of the chamber for a few minutes, members of my party have been very active on this matter. I say this without in any way denigrating the efforts of some of his colleagues as well as of himself on this particular matter.

When the government has this matter under consideration I hope it will give adequate consideration to the situation of small as well as large livestock producers. The position of the small and medium livestock producers must be given serious consideration. The small producer is often in a difficult position because he may not be able to afford or may not find it economic to acquire the skilled assistance and the expertise that may be necessary to take full advantage of the provisions which may exist in the tax law. In fact, some provisions may operate in a different way for a small, individual producer than for a large producer or a large incorporated enterprise. When the government reconsiders the matter, I hope it will give full consideration to the particular problems of small and medium livestock producers because I think the government has admitted in relation to other proposals which have been brought before the House and comments which have been made by ministers and officials of the government from time to time that a real problem exists in Canada with respect to small farm operators who are living on a low farm income. Ways and means must be found to assist these small farmers to expand their operations and to develop viable economic units. This should be taken into account in the framing of tax proposals concerning the treatment of livestock producing because one of the major areas of agricultural production and expansion is centred in livestock production.

Some real problems exist in Canada at present because more and more of our livestock production is becoming concentrated in the hands of large producers and of corporate enterprises carrying on specialized operations where in fact the owner of the operation is completely or far removed from the operation itself. It is a different sort of situation, an entirely corporate type of situation, compared with the traditional links that have existed in the family farm type of operation, or an operation in which there was an association between the ownership of the operation and the labour input of the operation. Thus I hope the government will give the fullest consideration to the operations of small producers and will come up with proposals that can be passed by Parliament and meet with the approval of all interested parties in this regard.

• (12:40 p.m.)

There is just one other aspect I want to raise, and I hope I may be permitted to place it before the government at this time. If the parliamentary secretary has any comments to make on this proposition I would be pleased to hear what he has to say. Yesterday it was noted in the debate that the effect of the change with regard to the basic herd provision would be to force many farmers to change over to an accrual type of farm accounting from the cash type of farm accounting, even though the option exists in the act. However, the practical effect would be to force many farmers to move over to an accrual type of accounting. It seems to me that this poses some other problems because there are many instances of farmers who are engaged in a mixed livestock and grain operation. Those farmers may be forced or may feel that their best option is to go into a livestock type of operation. But that still leaves the grain operation to be considered, particularly in the prairie provinces. The parliamentary secretary and the government will be aware that a farmer has no real control over the time when he may be able to market his grain. This is entirely dependent on the setting of quotas. The question of when market opportunities may arise is determined entirely by the decisions of other people. The farmer does not have control over his own situation. He cannot exercise control over when to ship his products to market.

I think the parliamentary secretary will agree that this is one of the basic reasons for keeping the cash accounting option open for farmers. This is one of the factors. But what is the situation with respect to a mixed livestock and grain operation? Will the farmer who finds himself in a position of having to switch over to accrual accounting with respect to his livestock operation be forced to use accrual accounting with respect to his grain operation? It has been suggested to me that this in fact would be the case. This would pose many serious problems for many farmers.

There are many farmers who, in recent years, have been forced to keep the grain they have produced in storage for a period of several years, in some cases for periods of up to five years. This, of course, would mean that a serious problem would be faced by some of these farmers who had been forced to keep their grain in storage for an extended length of time. Thus I hope the parliamentary secretary will be able to comment on this matter and also consider any changes that may have to be made or should be made in order to clear it up.

There is one other point I want to take up at this time. It has to do with a section which is not before the committee at this moment but is related to our considerations at this time. I refer to section 12(1)(*g*) as found on page 26. Section 12(1) provides for amounts to be included as income from business or property. Paragraph (*g*) then deals with the matter of payments based on production or use. It reads:

(*g*) any amount received by the taxpayer in the year that was dependent upon the use of or production from property whether or not that amount was an instalment of the sale price of the property (except that an instalment of the sale price of agricultural land is not included by virtue of this paragraph);

That does provide for an exclusion so far as this paragraph is concerned, but I want to clarify with the parliamentary secretary whether that means that there are other instances where in fact such an instalment of the sale price would be included in the computation of income? Are there other circumstances where this would be the case? I would hope the parliamentary secretary would be able to clear up this point when we are on a discussion of farm matters.

I also want to ask some questions with regard to section 31 of the bill, following up on the questions which were raised by the hon. member for Battle River. Section 31, of course, has to do with the matter of losses from farming operations.

As I understand the answers given by the parliamentary secretary to some of the questions posed, if it is considered that a person is engaged in a farming enterprise such that his object is to gain income from that enterpise, even though he may be combining his line of work with farming, or in fact at the same time he is carrying on another line of business, possibly carrying on a business of some sort, a store operation, a trucking operation, or possibly

he is working for a wage—there are many instances near large urban centres where a person is living on a farm and is gaining some income from the farm and at the same time he is working for a wage, and I suppose in many cases actually making more by way of taxable income from his other line of work than he is from the farming operation itself, nevertheless the entire line of work he is carrying on might be regarded as one operation in many respects—my understanding is that if in fact a loss is incurred in the farming operation in circumstances such as that he will be able to write off that loss in computing his taxable income. I want to clear that matter up.

I am interested in knowing just how far the scope of this section extends. What are the guidelines? Is this simply a discretionary section where in fact the Department of National Revenue will have to develop its guidelines, will have to develop regulations as time goes on? Or just what is the case? I would be interested in knowing more about the concept involved in this particular section.

I suppose I might even make reference to the fact that there are some farmers who are also Members of Parliament. What is the situation with regard to them? Are they to be included? I do not wish especially to draw attention to that, but it is simply one example of the type of situation that may exist and that should be considered.

I also want to deal with the question—it may have been adequately answered already by the parliamentary secretary—that has to do with the problem of the variability of farm income. If I understood the parliamentary secretary correctly, there may be a situation where a person is engaged in farming together with another line of work, and in some years his major source of income may be from farming but in other years he may have a very low level of income from farming or may incur a loss. What then is the situation in this regard? There are any number of combinations of circumstances that a person might run into and that might occur, and I would like to have further clarification from the parliamentary secretary on this matter as well.

I want to conclude by saying that I am happy the government has agreed to reconsider the section concerning the basic herd. I hope some way will be found to come up with an adequate solution to this problem because I think it is very important to the future of the agricultural industry. It is a very important matter in relation to programs which might be carried on by this government and by the governments of various provinces in an attempt to diversify the agricultural industry, to expand livestock operations, and thus to work toward a more healthy agricultural industry than we have at the present time.

Mr. Mahoney: Mr. Chairman, the hon. member for Regina East posed so many questions that perhaps I should take the opportunity to answer them, at least as much as I can, while they are fresh. Personally, Mr. Chairman, and I am very much aware of the contention of the Canadian Cattlemen's Association that somehow the removal of the basic herd concept would impel ranchers to move from the cash to the accrual basis, I must say that so far the continuity of the logic of that argument has escaped me. That, of course, is one of the reasons why we have suggested that we not deal with section 29 at this time.

At the moment, of course, with the basic herd a rancher pays for his stock with tax paid dollars. In a sense he is paying a little more tax in advance so that he will have a tax-free capital gain out of it at the end, if he feels this kind of planning is presumably to his advantage. Just why the farmer would feel impelled to switch from the cash to the accrual accounting system as a result of this particular provision in the bill, I do not know.

I think I should point out to the hon. member, and to the cattlemen, that they have drawn an analogy between this situation in which, if the rancher or the farmer did decide to make this move, would be a voluntary move and the provision for the move to the accrual accounting system by professionals. In the case of professionals, of course, the changes in the act will require that they change from cash to accrual accounting. It was felt appropriate that some transitional provisions be allowed in that case. In the case of farmers and ranchers any such change from a cash to an accrual basis would be voluntary and the desirability of transitional provisions is not apparent.

• (12:50 p.m.)

The hon. member referred to section 12(1)(g). This, of course, is a section that remains unchanged from the existing act and the exclusion of agricultural land was noted. The type of property that would be included in that would be other resource properties, for example, mining property, the sale price of which is in essence related to prospective production although it may be expressed in capital terms. That is type of situation which this particular section, one of long standing, is intended to cover.

The parameters of the gentleman farmer and his definition have been discussed here and basically this comes under section 31(1). The section says:

> Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income—

What is contemplated is that he is a bona fide farmer and is not just dabbling in farming as a hobby. There are no regulations under this section and there is no change in it from the existing act. The question of whether he is or is not a hobby farmer is one of fact. It is one that is open to appeal through the usual procedures if the taxpayer disputes the initial ruling of the assessor. I am afraid I cannot be very helpful to the hon. member in defining that much further.

As I indicated earlier to the hon. member for Battle River in reply to a similar line of questioning, particular situations can certainly be referred to the Department of National Revenue and we can get examples of what the rulings have been in these situations in the past. I did suggest to the hon. member that in all likelihood a person would have some difficulty if only 5 per cent of his income was derived from farming and 95 per cent from other sources. It might be difficult for him to establish himself as a bona fide farmer in the initial circumstances. On the other hand, if he had been and was a bona fide farmer and for some reason or other his farming income had dropped off, there is no reason to think that he would be excluded as a farmer. It is my understanding that once he is a farmer or his income is derived from farming and

some other source, the special averaging under section 119 is available to him.

Mr. Burton: I have a couple of follow-up questions. I may have missed something that the parliamentary secretary said with regard to section 12(1), but my question was related to the bracketed portion of that section on page 26. Is there some other area which would bring in an instalment of the sale price of agricultural land—unless the parliamentary secretary is suggesting the case where agricultural land was sold for mining purposes or something like that? Was that what he meant?

Mr. Mahoney: No, Mr. Speaker, I just wanted to make it clear that agricultural properties are excluded from this whole provision. If an agricultural property is sold for cash in the customary way on an agreement for sale or with a mortgage back there is no problem but you can have a situation where agricultural property is sold for a share of the crop over a period of years. While we want to be sure that this is regarded as an income transaction, when it comes to other resource industries, a mine or oil property or something like that, we also want to make sure that a similar sale of agricultural property is regarded as a capital transaction rather than an income transaction.

Mr. Burton: With regard to the situation concerning accrual accounting that the parliamentary secretary responded to, will it be possible—

The Chairman: Order, please. I have to interrupt the hon. member to report progress. I would not want him to ask the question and then not give the hon. parliamentary secretary time to reply.

Progress reported.

Mr. Deputy Speaker: It being one o'clock I do now leave the chair.

At one o'clock the House took recess.

AFTER RECESS

The House resumed at 2 p.m.

ROUTINE PROCEEDINGS

ENVIRONMENTAL POLLUTION

REFERENCE OF POLLUTION OF OCEAN TO STANDING COMMITTEE—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Frank Howard (Skeena): Mr. Speaker, pursuant to Standing Order 43, I seek the permission of the House to move a motion of urgent and pressing necessity, namely:

That this House, knowing that tankers and freighters are frequently smothering or poisoning our undersea gardens and that there is loss of marine life as a result thereof and having the desire to co-operate with the Minister of the Environment in his declaration that we must take a coastal initiative herewith refers to the Standing Committee on Environmental Pollution the question of the need to extend Canada's jurisdiction seaward to include the continental shelf and slope.

The urgency of the matter is so self-evident that I do not desire to embark on any explanation.

Mr. Speaker: The hon. member might find it difficult to do this under the terms of Standing Order 43. He will first need the unanimous consent of the House. I will inquire whether he has this unanimity. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity. The hon. member's motion cannot be put at this time.

MOTION TO ADJOURN UNDER S.O. 26

COMMUNICATIONS

BELL CANADA APPLICATION FOR INCREASED RATES—REQUEST FOR INVESTIGATION

Mr. David Lewis (York South): Mr. Speaker, I ask leave, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles), to move the adjournment of the House under Standing Order 26, for the purpose of discussing a specific and important matter requiring urgent consideration, namely, the indefensible application by Bell Canada Limited for a substantial rate increase in a year of record profits and the need to examine the purposes of the requested rate increase and, generally, to seek more effective ways of preventing Bell Telephone from abusing its monopoly position to exploit its customers.

Mr. Speaker: The hon. member for York South (Mr. Lewis) has given the Chair due notice of his intention to request leave to move the adjournment of the House for the purpose of debating the matter stated by him. There is little doubt that the matter raised by the hon. gentleman is of national interest and of much concern to Canadians generally. Having said that, it remains for the Chair to determine whether the proposed matter meets the requirements of Standing Order 26 in that the question is such that it requires immediate and urgent consideration by this House.

It does seem to the Chair that Parliament, by virtue of the Railway Act, has delegated its authority to the Canadian Transport Commission and has established machinery and procedures for the purpose of dealing with applications for rate increases by the Bell Telephone Company.

It also appears to the Chair that the hon. gentleman, in the main, is asking for a review or a reconsideration of the statutory powers of the Transport Commission. That is my understanding of the closing words used by the hon. member in his notice and I quote, "to seek more effective ways of preventing Bell Telephone from abusing its monopoly position to exploit its customers". It may well be that such a review or reconsideration of the powers of the commission might be desirable, but it does not seem to

me that a debate under Standing Order 26 is the appropriate or the effective method for such a review.

I appreciate that the hon. member for York South might feel that it may be futile to debate the matter after the commission has taken a decision, but as the Chair stated on June 22, 1970, the normal functions of a statutory body in relation to an application for an increase in tolls should not constitute a matter for urgent debate under the provisions of Standing Order 26.

ORAL QUESTION PERIOD

POLLUTION

ALLEGED SUGGESTION CANADA EXTEND CONTROL ZONE—GOVERNMENT POLICY

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Prime Minister. Was the Minister of the Environment stating government policy when he suggested that Canada would extend her pollution control zone 100 miles into the Pacific and 400 miles off the coast of Newfoundland? If this represents a statement of government policy, does the government propose to introduce legislation and might we expect to receive such legislation in the near future?

• (2:10 p.m.)

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I am informed by the minister that he never made such a statement. I would be interested, for the record, to know where this quotation comes from.

Mr. Stanfield: It comes from a speech made by the Minister of the Environment yesterday; that is where it comes from.

Some hon. Members: Oh, oh.

Mr. Trudeau: Is the hon. member quoting the speech?

Mr. Stanfield: I was paraphrasing the speech.

Some hon. Members: Oh, oh.

Mr. Stanfield: Mr. Speaker, if I were to make a long quotation from the minister's speech the Prime Minister would be among the first to object.

Mr. Speaker: Order. Perhaps the Chair would be the first to object. The hon. Leader of the Opposition might like to ask a supplementary or to rephrase the question.

Mr. Trudeau: Quote his words.

Mr. Stanfield: I am asking the Prime Minister whether the Minister of the Environment was stating government policy when he said yesterday that Canada should extend her pollution control zone 100 miles into the Pacific and 400 miles off the coast of Newfoundland.

Mr. Trudeau: Not only was he not stating government policy, but he did not make the statement he is quoted as having made.

[Mr. Speaker.]

Mr. Speaker: The hon. member for York South.

Some hon. Members: Hear, hear.

Mr. Speaker: I apologize to the hon. member for York South. He will have to wait for the applause. The hon. Minister of the Environment is rising on a question of privilege.

Mr. Davis: On a question of privilege, Mr. Speaker. In the course of a carefully prepared address yesterday, I made no reference to extending anti-pollution activities 100 miles or 400 miles beyond our territorial limits. I did, in an early part of the speech, describe the extent of Canada's continental shelf, and those mileages which the Leader of the Opposition mentioned are the mileages which correspond to the outer limit of our shelf.

Mr. Speaker: Order. There seems to be debate as to what was said or what was not said, and that matter cannot be raised by the hon. gentleman or by the opposition as a question of privilege.

INQUIRY AS TO ANNOUNCEMENT OF REGULATIONS COVERING TERRITORIAL WATERS

Hon. Robert L. Stanfield (Leader of the Opposition): A supplementary question, Mr. Speaker. I have no intention of entering into debate. I should simply like to ask the Minister of Transport at this time whether he can indicate to the House when the government will be announcing the regulations necessary for it to fulfil its limited objective with regard to the control of pollution within our territorial waters.

Hon. Donald C. Jamieson (Minister of Transport): I anticipate it will be within a matter of a few weeks. I cannot give the hon. member an exact date but a draft has been prepared and circulated to the various interested parties for comment. I do not anticipate there will be a delay of more than a few weeks.

Mr. Speaker: I think the Chair should recognize the hon. member for York South.

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COMMUNICATIONS

SALE OF SUBSCRIPTION LISTS OF TORONTO "TELEGRAM" TO "STAR"—REQUEST FOR INVESTIGATION.

Mr. David Lewis (York South): Mr. Speaker, I wish to address a question to the Solicitor General. Can the minister inform the House whether personnel of the R.C.M.P. and/or personnel of any department of government have been ordered to investigate, and whether they are investigating, the books and related documents of the defunct Toronto *Telegram* concerning the manner in which it sold its subscription lists and goodwill to the Toronto *Star*, or any related subjects?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, I am not aware of that, but I will be glad to inquire and report to the hon. member.

[*English*]

SALE OF TORONTO "TELEGRAM" ASSETS—REQUEST FOR INVESTIGATION OF POSSIBLE TAX EVASION.

Mr. David Lewis (York South): While waiting for this minister to inform us, perhaps tomorrow, may I ask the Minister of National Revenue whether he can inform the House whether he has ordered an inquiry or investigation into the manner in which the Toronto *Telegram* sold a part of its assets and the manner in which it has arranged for the future sale of other parts of its assets, to make certain that this scheme is not one which is deliberately intended to evade tax liability which would otherwise arise in the recapture of write-offs for depreciation and similar write-offs?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, under the terms of the law passed by this Parliament matters of the sort referred to by the hon. member are confidential. I can assure him that the department will be carrying out its responsibilities.

* * *

[*Translation*]

NATIONAL SECURITY

VIOLENT DEMONSTRATION—INTRODUCTION OF ANTI-WRECKERS LAW—POSITION OF PRIME MINISTER

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Prime Minister.

Yesterday during his visit in Quebec City, the Prime Minister mentioned an anti-wreckers legislation and stated to his listeners that the federal government was drafting one. Is the Prime Minister ready to tell us when the government plans to present such a bill in Parliament?

Right Hon. P. E. Trudeau (Prime Minister): I am afraid, Mr. Speaker, that the member has been wrongly informed. I did not refer to the legislation, but on two occasions, I think, once during a press conference and another time at the CEGEP, the matter of anti-wreckers legislation has been brought up by one of my questioners. This is what I said and what the House already knew: As a result of the expiry of the exceptional legislation last December, we have presented a resolution suggesting that the House should deal with the matter, saying that we would be pleased to know the views of members of the other parties regarding the importance of such a law.

I repeated what we had then said in the House, namely that I thought there was a loophole in the present laws when it comes to facing certain violent and anarchic situations.

Mr. Speaker: Does the hon. member for Témiscamingue wish to put a supplementary question?

Mr. Caouette: Yes, Mr. Speaker.

I appreciate the Prime Minister's answer, but I should like to know, since this is a criminal matter which is under federal jurisdiction, whether the organizers, that is fellows like Chartrand, Laberge and others, would definitely be considered as organizers of "wreckers" demonstrations, such as the ones that we have experienced—

Mr. Speaker: I do not feel that the question, as put, is in order. Unless the hon. member is prepared to change the wording, he will appreciate that it is impossible for the Chair to let him put his question.

Mr. Caouette: Mr. Speaker, I shall rephrase it.

Would such a legislation be directed against the organizers of "wreckers" demonstrations?

Mr. Speaker: There again I believe that the question, as put, is hypothetical.

* * *

[*English*]

PRICES AND INCOMES COMMISSION

STUDY OF INFLATION—INQUIRY AS TO PUBLICATION

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I have a question for the Minister of Consumer and Corporate Affairs. On January 18 last the chairman of the Prices and Incomes Commission promised to carry out a series of research studies into the question of inflation and to make public the results before the end of the year. Have these studies been completed and when may we expect the results to be made public?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): Mr. Speaker, I know that that commitment has been fulfilled by the commission and that a great deal of research work is underway, but I shall have to inquire of the chairman exactly when he expects publication of this work.

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ROYAL CANADIAN MOUNTED POLICE

ALLEGED INTENTION OF GOVERNMENT TO REMOVE "ROYAL" FROM NAME—REQUEST FOR STATEMENT

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, in order to allay the fears and the anxieties of members of the Royal Canadian Mounted Police, I should like to ask the Prime Minister whether he is prepared to give his assurance that the government has no plans at the moment nor does not intend to remove the "Royal" from the designation "Royal Canadian Mounted Police".

Right Hon. P. E. Trudeau (Prime Minister): That is the first I have heard of this suggestion, Mr. Speaker, but I will be prepared to take it under consideration.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: Mr. Speaker, petulance is no answer, even for the Prime Minister. The same kind of frivolous answer was given when I asked last year whether the Queen's Printer was going to be abolished, and the change took place during my absence.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: I was absent because of illness.

Mr. Speaker: Order, please. Perhaps the right hon. gentleman would ask his supplementary question.

Mr. Diefenbaker: I would ask the Prime Minister this, Mr. Speaker, and I do not want a frivolous reply. Is it or is it not a fact that this government now has plans to remove the word "Royal" from that designation? That is a simple question.

• (2:20 p.m.)

Mr. Trudeau: Well, Mr. Speaker, if the member will look at my answer tomorrow in *Hansard* he will find I said that this is the first I heard of such a suggestion. Therefore, it follows that we have no such plans.

Mr. Diefenbaker: That is fine.

* * *

NATIONAL DEFENCE

COST OF DESTROYER CONSTRUCTION PROGRAM—DATE OF DELIVERY OF SHIPS AND POSSIBILITY OF COMPLETION OF WORK AT EAST COAST YARDS

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, I wonder whether I might direct a question to the Minister of National Defence arising out of the continually mounting cost in respect of the DDH program. I should like to ask the minister whether he could indicate to the House if any of the four ships will get out of the river yards before the end of this year and perhaps he might indicate whether plans are being formulated to complete the work on these ships either at the government dockyard in Halifax or at one of the east coast yards.

Hon. Donald S. Macdonald (Minister of National Defence): I can inform the hon. gentleman that the plans for the ships are as I mentioned before the Standing Committee on External Affairs and National Defence; that is to say, three of the ships will be delivered from the yards during the course of 1972 and the fourth during the early part of 1973.

Mr. Forrestall: Mr. Speaker, I wonder if the minister could indicate to the House whether he would be prepared, sometime prior to the end of the year, to give a statement at the earliest possible opportunity to the Standing Committee with regard to the cost estimates of this program to date.

Mr. Macdonald (Rosedale): As the hon. member knows, Mr. Speaker, I gave a very elaborate statement on the contract to the committee. I would be prepared, however, during the course of the committee's consideration of departmental estimates, to go again into the question if the committee wishes.

[*Later:*]

Mr. Forrestall: Mr. Speaker, my further supplementary is to the Minister of National Defence. I should like to ask him whether he would be prepared to answer the first part of my earlier question, that is, is the department giving consideration to having the completion of the final work on the DDH's done in the dockyard at Halifax or in one of the east coast yards.

Mr. Macdonald (Rosedale): I suppose even after the ships are delivered, and have undergone their trials, there may be some work to be done on them as a result of the trials. It depends on how much work. Essentially, I would not think any work prior to commissioning would be done in east coast yards. These ships would be completed in the manufacturing shipyards.

POSSIBLE SALE OF CF-5 AIRCRAFT TO VENEZUELA—PURPOSE OF REPLACEMENT BY TWO-SEATER VERSION

Mr. Doug Rowland (Selkirk): Mr. Speaker, I do not know whether my question is supplementary but it relates to the possible sale of 20 CF-5 aircraft to Venezuela and the statement that they would be replaced in the Canadian Armed Forces by a two-seater version. I should like to ask for what purpose the two-seater version would be employed.

Mr. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, as indicated in the white paper on defence published in August and as I indicated in response to a question last week, it would be the intention to use some of the CF-5 aircraft for the purpose of replacing the T-33 aircraft which is now at the end of its life as the advanced trainer. The proposal would be either to convert existing single aircraft or if there were sales under the aegis of my colleague, the Minister of Industry, Trade and Commerce, to construct additional duals.

POSSIBLE PURCHASE OF HIGH SPEED AIRCRAFT—PURPOSE OF TRAINING IN USE OF HIGH SPEED AIRCRAFT

Mr. Doug Rowland (Selkirk): Mr. Speaker, is it anticipated that the Department of National Defence will be purchasing additional aircraft capable of speeds in excess of Mach I and if so what kind and for what purpose. If not for what purpose are these trainers to be employed?

Mr. Donald S. Macdonald (Minister of National Defence): Well, I might remind the hon. member that the CF-101 aircraft as well as the CF-104 will continue in service, probably until the end of this decade. It is for that purpose that training in advanced high-speed aircraft is desirable.

REASON FOR SALE OF CF-5 AIRCRAFT

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, since the minister assured us a year ago when questioned on this matter that the CF-5 was completely satisfactory for the use of the Canadian armed forces, and would be used by the Canadian armed forces, I should like to ask now why the government is in such a hurry to sell these planes.

Mr. Speaker: Order, please. That, of course, is a debating point. The Chair will recognize the hon. member for Dartmouth-Halifax East, who raised this matter in the first instance, for a last supplementary and then go on to the next subject.

THE CANADIAN ECONOMY

UNITED STATES ECONOMIC MEASURES—INQUIRY AS TO MEASURES REQUIRED OF CANADA TO OBTAIN AMELIORATION

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): May I direct a question to the Minister of Industry, Trade and Commerce. In view of the meeting which was held at the end of last week between high Canadian and United States officials, is he now in a position to convey to the House the measures which the U.S. government is requesting Canada to adopt in order to obtain some amelioration of the economic steps which President Nixon announced on August 15?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): No, Mr. Speaker. These conversations will be continuing.

ALLEGED DESIRE OF UNITED STATES THAT CANADA REVALUE DOLLAR

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): In view of the statement which appears in the New York *Times* quoting certain American officials to the effect that the solution of the American balance of payments problem requires a revaluation of the Canadian dollar, may I ask if this is one of the proposals that has been put before the Canadian government, and is the minister able to assure us that the fact the dollar was allowed to increase 9 per cent since May 1970 is all that the Canadian government is prepared to do at present?

Mr. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Personally I am not aware that this suggestion might have been made to the Canadian government, but I will take notice of the question for the Minister of Finance to answer tomorrow.

Mr. Douglas: May I ask the minister whether he is telling the House that after discussions of last weekend, he is still not able to tell the people of Canada what the preconditions are?

Mr. Speaker: Order, please. The hon. member is asking the same question as he did in the first instance.

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CONSUMER AFFAIRS

DRUGS—RESPONSIBILITY FOR SURVEY OF PRICES

Mr. P. B. Rynard (Simcoe North): I should like to address a question to the Minister of Consumer and Corporate Affairs. In view of the fact a recent survey on drug prices was carried out in Canadian cities by the Department of National Health and Welfare, was the minister abrogating his duties or did he ask the Department of National Health and Welfare to carry out this survey?

Mr. Speaker: Order, please. I suggest to the hon. member with respect that the question asked in those terms is not in order. I will not go into the details of the question as aked, but it is certainly not acceptable from the procedural standpoint.

Mr. Rynard: May I then ask the Minister of Consumer and Corporate Affairs whether he ordered this survey.

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): This particular survey was, of course, ordered by the Minister of National Health and Welfare, but the two departments and the two ministers have worked very closely together on this program.

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INDIAN AFFAIRS

CONVICTION OF INDIAN UNDER GAME LAWS OF ALBERTA—REQUEST FOR AID IN APPEAL TO SUPREME COURT

Mr. G. W. Baldwin (Peace River): I should like to ask a question of the acting Minister of Indian Affairs and Northern Development whose day it is to languish in the House. Is there any intention on the part of the government in respect of a treaty Indian called Cardinal, whose conviction was upheld by the appellate division of the Supreme Court of Alberta for an infraction of the game act of the province, despite the defence of the treaties under which this Indian lives, to facilitate an appeal to the Supreme Court of Canada and help to defray the costs of counsel for the Indian?

Hon. Martin P. O'Connell (Minister of State): I will bring that question to the attention of the minister when he returns.

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REGIONAL ECONOMIC EXPANSION

ALLEGED DESIGNATION OF AREA IN BRITISH COLUMBIA TO FINANCE ROAD CONSTRUCTION AND PAVING OF ALASKA HIGHWAY

Mr. Robert Borrie (Prince George-Peace River): I have a question for the parliamentary secretary to the Minister of Regional Economic Expansion. In view of the special agreements with Newfoundland, New Brunswick and Nova Scotia to finance road and bridge constructions in these provinces, is the department preparing plans to designate north of the 52nd parallel in British Columbia as a special area to provide financial assistance for the construction of roads and paving of the Alaska highway?

Mr. John Roberts (Parliamentary Secretary to Minister of Regional Economic Expansion): This is not the minister's day in the House, but I will bring the question to his attention. I think I can say, in a general way, that it is the practice of the department to keep suggestions of this kind under constant review.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh!

Mr. Bell: They even told him to get a haircut.

Inquiries of the Ministry

• (2:30 p.m.)

ENERGY

CONSULTATIONS WITH UNITED STATES—REASON FOR DISCONTINUANCE

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, my question is directed to the Prime Minister. Yesterday the hon. Leader of the Opposition asked the Secretary of State for External Affairs about his consultations with the provinces in connection with energy exports, referring of course natural gas and crude petroleum, to the United States, and also with reference to the consultation going on between Canada and the United States. In reply, and I paraphrase what he said at that time, the minister said that the talks between the United States and Canada are not going on at the present time. Would the Prime Minister tell us why it is these consultations have ceased at this time, in view of the fact that the United States is requesting more energy from Canada, and that means the export of natural gas?

Right Hon. P. E. Trudeau (Prime Minister): Well, Mr. Speaker, they are requesting, and they are indeed buying, more energy from Canada at this time. Concerning the talks themselves, I answered this question about a month ago and gave the reasons for the change. We are not yet in a position to resume them.

Mr. Woolliams: May I put this question, Mr. Speaker? I think I can put it very simply. Could the Prime Minister now tell the House why those talks have ceased? Perhaps I could put it even a little more clearly. Have those talks ceased because this is a form of retaliation by the government against the imposition of the surtax by the United States, which is discriminating against western Canada at this time?

Mr. Speaker: Order, please. The second part of the question, as asked, is argumentative. Perhaps the Prime Minister might reply to the first part of the question.

Mr. Woolliams: I will rephrase it then, Mr. Speaker. I did not intend it to be argumentative.

Mr. Speaker: Order, please. The hon. member will be recognized for that purpose.

Mr. Woolliams: Thank you very much. Could the Prime Minister tell us what are the reasons that those talks have ceased? Is the reason I suggested one of the reasons that the talks have ceased?

Mr. Speaker: Order, please. The hon. member was given an opportunity to rephrase the question. He did not rephrase it, he just repeated it along with his argument. I suggested to him that it was in the form of an argument. Maybe the Prime Minister should be allowed to reply briefly, and then the Chair will recognize the hon. member for Shefford.

Mr. Woolliams: Well, Mr. Speaker, may I rephrase it and leave out the last part?

Mr. Speaker: Order.

[Mr. Bell.]

Mr. Woolliams: Mr. Speaker, I don't think it is argumentative, with the greatest respect.

Mr. Speaker: Order, please. I allowed the first part of the question. I indicated that I had no objection if the Prime Minister wanted to reply to it.

Mr. Trudeau: Mr. Speaker, there is a certain kind of chicken that lays an egg, and then turns around and eats it. I think that is what the hon. member is doing.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh.

Mr. Woolliams: Mr. Speaker, I am going to treat that answer with the kind of contempt it deserves. I would say to you, with the greatest respect, this Prime Minister needs the kind of defence he got this afternoon, because he is not capable of answering.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please. I doubt whether the hon. member has improved the situation at all. He saked an argumentative question. It was ruled out of order, and it is still ruled out of order. The hon. member for Shefford.

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[*Translation*]

EXTERNAL AFFAIRS

INQUIRY AS TO INTENTION OF GOVERNMENT TO INVITE PRIME MINISTER OF CUBA TO VISIT CANADA

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I wish to direct a question to the Prime Minister.

Following the Cuban Prime Minister's decision to visit many countries, has the Canadian government or the Prime Minister invited him to visit Canada, as other communist heads of state have done recently?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, no such invitation was tendered. But, unless I am mistaken, the Prime Minister or President of Cuba, whatever his title may be, has come to Canada before. In fact, he has visited the province of Quebec. He did not come to Ottawa, but he was given a cordial welcome in Quebec.

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[*English*]

COMMUNICATIONS

APPLICATION OF BELL CANADA FOR INCREASED RATES—POSSIBLE SUBMISSION BY GOVERNMENT TO TRANSPORT COMMISSION

Mr. Arnold Peters (Timiskaming): Mr. Speaker, in view of the newest application by Bell Telephone to the Canadian Transport Commission for increased telephone rates, I would like to ask the Minister of Transport if it is the intention of the government to make a submission to the Canadian Transport Commission before the legal deadline of December 10, in order to protect the interests of the Canadian public?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, although in most matters I answer in this House for the Canadian Transport Commission, this is a matter which comes within the purview of my colleague the Minister of Communications.

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HARBOURS

PICTOU, NOVA SCOTIA—IMPLEMENTATION OF PLANS FOR IMPROVED FACILITIES

Mr. Elmer M. MacKay (Central Nova): Mr. Speaker, I have a question for the Minister of Transport. While at the same time expressing my appreciation for the work which is being done to improve the ferry facilities at Caribou, Nova Scotia, could the minister tell us whether there is any chance of implementing the third phase of the long arranged and awaited port improvements for the town of Pictou, in view of the widespread dissatisfaction being expressed by the Board of Trade and local industry?

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker. I will be glad to send the hon. member a copy of the latest report. I was down to take a look personally at the situation recently. There are some plans for improving it, but I think there are some differences of opinion at the local level as to what should be done.

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POLLUTION

PULP AND PAPER MILLS—REQUEST FOR ASSISTANCE IN COST OF INSTALLING CONTROLS

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, I wish to direct a question to the Minister of the Environment. In view of the fact there are marginally profitable pulp and paper mills in regions possessing little alternative employment, would he advise if the government will contribute to the cost of additional pollution controls incurred under the terms of the pulp and paper effluent regulations when production processes are modified or improved?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, provisions for assistance for existing plants is being discussed. I might add that under the present income tax regulations it is possible to get a two-year write-off of new investments of this kind.

BOWATER—REQUEST FOR SPECIAL CONSIDERATION FOR COMPANY IN VIEW OF HIGH COST OF INSTALLING CONTROLS

Mr. Jack Marshall (Humber-St. George's-St.Barbe): As a supplementary question, Mr. Speaker, in view of the fact that the President of Bowater Pulp and Paper Mills at Corner Brook has indicated that it will cost $11 million to introduce the anti-pollution measures, would the minister investigate this allegation in order to help this company avoid a situation which could cripple completely the economy of that city?

Hon. Jack. Davis (Minister of the Environment): Mr. Speaker, I would be surprised if the investment required would add up to one-tenth of that amount.

PULP AND PAPER EFFLUENT REGULATIONS—INQUIRY AS TO EFFECTIVE DATE

Mr. Frank Howard (Skeena): Mr. Speaker, I wish to direct a supplementary question to the Minister of the Environment. Since the pulp and paper effluent regulations do not now apply to any mill in Canada, would the minister be able to set out some timetable of expectations when, as a result of negotiations or desire on the part of his department, those regulations will come into effect with respect to all the mills that now exist?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, those regulations apply now to any mill under construction or any mill built in the future. They will apply on a negotiated basis, often through the provinces, to existing mills as well.

Mr. Howard (Skeena): Mr. Speaker, I am quite aware that what the minister just said is contained within the regulations. I asked, since the regulations do not apply to any existing mill, and their application is going to be negotiated with each mill, can he set out any expected timetable as to when they will be applicable?

Mr. Davis: As I said before, Mr. Speaker, they do apply now to mills which are under construction. For existing mills the timetable will be set by negotiation mill by mill, having regard to the economic circumstances of the firm and the community in question.

Mr. Howard (Skeena): As a further supplementary question, Mr. Speaker, since the minister is completely evading the issue, would he be prepared to refer this subject matter to the Committee on Environmental Pollution?

Mr. Speaker: Order, please.

POSSIBILITY OF LEGISLATION TO EXTEND CANADIAN CONTROL BEYOND TERRITORIAL SEA LIMITS

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, my question is related to the broader issue of pollution of the seas. In view of his statements yesterday can the minister say whether he plans to introduce any legislation to extend Canada's pollution control authority beyond the territorial sea limits set out in existing legislation?

Hon. Jack Davis (Minister of the Environment): The answer is no, Mr. Speaker.

INQUIRY AS TO AGREEMENT WITH FRANCE CONCERNING CONTROL OF OIL EMISSION INTO THE SEA

Mr. James A. McGrath (St. John's East): Mr. Speaker, I would like to direct a supplementary question to the Minister of Transport. In connection with the proposed regulations under Bill C-2, which are now presumably in the drafting stage, can the minister tell the House whether agreement has been reached with the government of France with respect to the implementation of the provi-

sions of this bill off the south coast of Newfoundland and in the area of St. Pierre and Miquelon?

• (2:40 p.m.)

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I cannot say for certain whether a legal agreement has been reached between the government of Canada and the government of France because, I repeat, that would presumably be a matter for the foreign ministers of both countries. I can say that I, personally, have visited St. Pierre and Miquelon and have discussed it on a personal basis with the governor. An operational plan has been agreed to by both parties, but whether or not that plan has yet been implemented by any treaty, I am afraid will have to be answered by the Secretary of State for External Affairs.

Mr. Speaker: Order, please. We will be running short of time soon and there are quite a number of supplementaries yet to be asked. The hon. member might ask the last supplementary on this subject, then we will go on to the other questions.

Mr. McGrath: As a supplementary, I should like to ask the Prime Minister if agreement has been reached with the government of France regarding that country's treaty rights off the south coast of Newfoundland with respect to St. Pierre and Miquelon. I am thinking of this Parliament's provisions with respect to pollution control and conservation.

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I do not believe those various matters are under discussion. The matter of fisheries is under discussion and, at an earlier stage, I believe the matter of seabed resources and mineral resources had been under discussion. However, I know of no treaty having been reached, subject to the answer of the Minister of Transport that the Secretary of State for External Affairs may have negotiated something of which I have no knowledge. I can say there has been no agreement reached in a formal manner.

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REGIONAL EXPANSION

DEPARTMENT ADVERTISEMENT IN "GAZETTE"—REASON FOR NOT PRINTING IN ENGLISH

Mr. Raymond Rock (Lachine): Mr. Speaker, I have a question for the Minister of Regional Economic Expansion and in his absence for his parliamentary secretary. Why was an advertisement placed in the Montreal *Gazette* last week by his department entitled "Des Subventions à la mesure de votre industrie" not printed in English?

Mr. Speaker: That question should be placed on the order paper.

[Mr. McGrath.]

POLLUTION

PULP AND PAPER MILLS—LACK OF CONTROLS AT FOREST PRODUCTS COMPANY—DISCUSSION WITH GOVERNMENT OF MANITOBA.

Mr. Robert Simpson (Churchill): I have a question for the Minister of the Environment and I shall endeavour to ask it as a supplementary to previous questions on the subject of pollution being caused by effluent from pulp and paper mills. Can the minister say whether further discussions have taken place between officials of his department and the government of the province of Manitoba on the pollution being caused by the Churchill Forest Products Company at Le Pas, Manitoba, where the minister himself indicate no pollution control was in effect at the present time?

Hon. Jack Davis (Minister of the Environment): Yes, Mr. Speaker, there have been discussions between our own departmental officials and those of the province of Manitoba. A program has been discussed and the schedule will incorporate the new standards which have been announced.

Mr. Speaker: Order, please. The hon. member for Churchill will be allowed a supplementary, but I have to bring to the attention of hon. members that there are just a few minutes left before the end of the question period. I am counting on their co-operation on behalf of their colleagues.

Mr. Simpson: I wonder if the minister could indicate whether any deadline has been set for the proposals to be put into effect?

Mr. Davis: I think so, Mr. Speaker, but I do not have them in mind.

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TRADE

CANADA-U.S. AUTO PACT—POSSIBLE ALTERNATIVE FOR SAFEGUARDS—GOVERNMENT POLICY.

Mr. Edward Broadbent (Oshawa-Whitby): I have a question for the Minister of Industry, Trade and Commerce. Can the minister inform the House whether the government of Canada last week presented to the American officials a proposal which they would accept as a replacement for the safeguards which currently exist in the Canada-U.S. agreement on automobiles?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): I cannot answer that, Mr. Speaker, except by saying that the discussions on the subject of the automotive agreement are continuing. On my left side, I have people saying that Canada should have abandoned the safeguards a long time ago, while on the other side I have people who say—

Mr. Speaker: Order, please.

Mr. Baldwin: How about the people behind you?

Mr. Speaker: Order, please. At this time I must bring the hon. minister to order. The hon. Leader of the Opposition.

[*Later:*]

Mr. Broadbent: My supplementary to the Minister of Industry, Trade and Commerce is to ask whether the government presented to the American officials an alternative proposal to the safeguards, and does the government at present have a policy position which it would consider as an acceptable replacement of the safeguards which exist?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): I believe we have one, Mr. Speaker, but it would not be terribly wise to announce it today.

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THE CANADIAN ECONOMY

SURVEY OF INVESTMENT INTENTIONS IN CONSTRUCTION MACHINERY—REQUEST FOR MEASURES TO STIMULATE INVESTMENT AND ENCOURAGE EMPLOYMENT

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to ask the Minister of Industry, Trade and Commerce a question arising from the survey of investment intentions conducted by his department which shows an intention to increase investment in construction, machinery and equipment by a mere 3 per cent in 1972 as opposed to 10 per cent this year. Could the minister tell the House whether his department or the government proposes to adopt any measures to stimulate investment which will encourage employment?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): The statement is more intelligent than the use that is made of it, Mr. Speaker, because it points out a number of factors that are changing now. Among those is the announcement recently made by the Minister of Finance of cuts in taxation for corporations and individuals.

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AIR TRANSPORT

STOL AIRCRAFT—GOVERNMENT SUPPORT FOR DEVELOPMENT

Mr. P. V. Noble (Grey-Simcoe): My question is for the Minister of Transport. Has the government decided to continue to support parent companies in the development of the STOL airliner, the DM C-7, or is a better solution to the problem under consideration?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, if the hon. member is referring to the DH C-7, the de Havilland aircraft, which I assume he is, there has been no change since I made the announcement some time ago. We are continuing to give encouragement to that particular project.

Inquiries of the Ministry

CANADIAN BROADCASTING CORPORATION

PROPOSED PROGRAM ON SPRINGHILL MINE DISASTER—OBJECTIONS FROM MINERS

Mr. Robert C. Coates (Cumberland-Colchester North): I have a question for the right hon. Prime Minister. Has his attention been drawn to a telegram sent to him by miners from Springhill, Nova Scotia with regard to a proposed program announced by the CBC about the 1958 mine disaster and their strong objections associated with this program? If so, has the Prime Minister taken any action on the subject?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I do not have any notice of that telegram and I will look into the matter. However, even if I have received it, I do not suggest that I would make any attempt to control the CBC. I would merely refer the matter to the Secretary of State for consideration and perhaps transmittal to the CBC.

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EXTERNAL AFFAIRS

INDIA—REQUEST TO SEND DRIED POTATOES TO AID IN FOOD SHORTAGE

Mr. Heath Macquarrie (Hillsborough): I should like to direct a question to the Minister of Agriculture who, according to the roster, is here today. In light of the serious marketing difficulties of the potato growers of eastern Canada and considering the terrible food shortage among Pakistan refugees in India, is the minister considering taking some initiative in assisting in a crash program to provide vast quantities of dried instant potatoes to the people in dire need in India as requested by Oxfam of Canada?

Mr. Muir: The minister is still in Assiniboia.

[*Translation*]

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, in answer to the hon. member's question, I can assure him that all foreign aid is extended through the External Affairs Department. However, if the hon. member is asking the Agriculture Department to supply potatoes to any one, as he is suggesting it, we will be pleased to comply with his request since there seems to be a surplus on the market at this time.

* * *

[*English*]

ENERGY

ALLEGED PROPOSAL BY UNITED STATES TO CONTINUE EMBARGO ON ENRICHED URANIUM FROM CANADA

Mr. Maurice Foster (Algoma): I have a question for the Minister of Industry, Trade and Commerce. In view of the recently announced policy proposal of the United States Atomic Energy Commission to continue the embargo on enriched Canadian uranium for the United States market to the late 1970's from the previously announced date of July, 1973, does the Canadian government intend to for-

mally protest this policy proposal to the United States Atomic Energy Commission?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, this temporary embargo—and I underline temporary—was established in 1964 and still exists. We have protested, as a government, on a number of occasions. The protest I remember most vividly is the time three ministers of the Canadian government gave a note to the ambassador of the United States in Ottawa saying that this measure was a "non-GATTable" one, if I may use that word. We have repeated these views since, and we are preparing to make them known again to the United States Atomic Energy Commission.

GATT NEGOTIATIONS—ACCESS TO UNITED STATES MARKET FOR CANADIAN URANIUM

Mr. Maurice Foster (Algoma): Can the minister say if access to the United States for Canadian Uranium market is one of the items on the agenda of the mid-November GATT talks, and if so can the minister say if all reasonable pressure will be applied to have the United States market open to Canadian uranium in mid-1973 as was previously provided in the United States policy?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): I think I have mentioned before, Mr. Speaker, that this is one of the items on which we have strong views to express to the United States.

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SHIPPING

COASTAL STEAMER SERVICE—TERMINATION OF SUDSIDY TO VANCOUVER ISLAND SERVICE

Mr. Thomas S. Barnett (Comox-Alberni): My question is for the Minister of Transport. Are all subventions paid by the water transport committee to coastal steamer services being terminated as of the end of the year or is it only the service on the west coast of Vancouver Island which is being singled out for this action?

Hon. Donald C. Jamieson (Minister of Transport): I do not recall any general withdrawal of subsidies, Mr. Speaker. I know there have been some in different parts of the country. Perhaps the best thing I could do is advise the hon. member that I will get details for him from the Transport Commission.

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POLLUTION

POSSIBLE DANGER FROM DAMAGED TANKERS BEYOND TERRITORIAL WATERS—GOVERNMENT ACTION—RESPONSIBILITY FOR DECISION TO ACT

Hon. Robert L. Stanfield (Leader of the Opposition): I have a question for the Minister of the Environment arising out of the statement at the bottom of page 13 or 14 of his recent speech to which reference has been made. He referred to action taken beyond our territorial limits. In view of the fact that the minister has indicated legislation will not be introduced, I should like to ask whether it is his view and the view of the government that this kind of action is now authorized by the government?

• (2:50 p.m.)

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, the action to which the Leader of the Opposition refers is one in self-defence or self-protection taken in the event of a tanker breaking up or in the event of a ship containing toxic chemicals being in difficulties near our shore but, conceivably, outside our territorial limits. I stated that it would be essential for Canada to act in its best interests and, indeed, the best interests of all countries and to deal with that kind of situation at once.

Mr. Stanfield: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. We have just about run out of time. The Leader of the Opposition may ask a supplementary, after which the Chair will recognize the hon. member for Témiscamingue.

Mr. Stanfield: Mr. Speaker, may I ask the minister whether he proposes to exercise his judgment and make a decision as to when this kind of intervention should be made beyond our territorial waters?

Mr. Davis: Mr. Speaker, I am sure that if that action were taken, it would be only taken with the support of the government as a whole.

* * *

[*Translation*]

AIR CANADA

REQUEST FOR DC-9 AIR SERVICE IN ROUYN-NORANDA AREA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I would like to ask a question to the Minister of Transport.

I asked him several times in the House if he could not appeal to Air Canada so that it may improve its service in Rouyn-Noranda. Is the minister in a position today to say if eventually and very soon Air Canada will be willing to provide DC-9 service in that region?

Mr. Speaker: I feel that such a question should be put on the order paper or discussed on adjournment.

[*English*]

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

On Clause 1—section 28—*Farming Business*

The Chairman: When the committee rose earlier, section 28 was being considered. Shall section 28 carry?

Mr. Burton: Mr. Chairman, when the committee rose at one o'clock, I was in the process of asking the parliamentary secretary some questions about the group of sections we were discussing. I wish to pursue a couple of matters that I feel have not been dealt with adequately. Specifically, I wish to ask the parliamentary secretary to clarify what the situation will be if a farmer carrying on a cattle and grain operation decides, for a variety of reasons, to go to an accrued accounting system, which would apply to his cattle operation. For instance, it may be better for him to do this. Is he then forced to make his calculations with respect to his grain operation on an accured accounting basis, or would it be possible for him to deal with his grain operation on a cash basis.

I ask this because there are special problems facing many grain farmers in Canada who, by force of circumstances may be circumstances in which, since one portion of their operation may be in livestock, it would be of benefit to them if they could switch over to an accrued accounting basis. My question is this: In a situation like that, can they use the two systems?

Mr. Mahoney: No, Mr. Chairman.

Mr. Burton: Mr. Chairman, is the government giving further consideration to bringing in changes in this regard? Has it received representations on this matter. What is the situation? Is any change possible? Why can the government not consider allowing both types of accounting procedure to apply to the type of operation I have described?

Mr. Mahoney: Mr. Chairman, the right of farmers and fishermen to report on a cash basis is regarded as an option that is beneficial to them. So far as I am aware, there have been no serious representations to the effect that we should allow them to pick the accrual method of accounting for any particular aspect of their operation where it is to their tax advantage to do so and, at the same time, allow them to retain the general benefit under section 28 with respect to reporting on a cash basis. I am not aware of any serious representations in this regard. Actually, I am not aware of any representations like these, other than those that the hon. member himself may be making now.

Mr. Burton: Mr. Chairman, I think the point has been raised earlier. Of course, I am not sure what the definition of "serious" might be.

Mr. Mahoney: I am not suggesting the hon. member is not serious.

Mr. Burton: I was under the impression that this matter had been raised, and that it had received some consideration. I know there may be complexities in dealing with this matter. However, it deserves further consideration and I hope the government will give it that further consideration.

Mr. Mahoney: Mr. Chairman, I certainly was not trying to imply that the hon. member was not serious in his suggestions at this time. I ought to say that we have received, during the course of the whole tax reform debate, literally tens of thousands of letters and it is quite possible that some such suggestions came forward. However, there is no instance of such a representation standing out, so far as I can recall.

Mr. Burton: Mr. Chairman, I still cannot understand why the government thinks it would not be possible to make some provision like that. If there is an explanation, I would be interested in hearing it. It seems to me that the problem here ought to be considered in the light of some of the points I raised before the noon adjournment. I think the government should bear those points in mind in framing sections of the act that specifically affect the agricultural industry.

May I briefly move on to section 31, which I had mentioned to the parliamentary secretary before lunch. The section deals with losses derived from farming operations and the right to write those losses off against income derived from another source. I want to mention to the parliamentary secretary the problem involving farmers who are just starting up their operation and who are incurring heavy losses, or some losses at any rate, in the initial years of the operation. I mention a hypothetical situation which I think can easily be translated into reality.

Let us say a farmer is starting up in a manner which would certainly meet the requirements of the government and the Department of National Revenue; in other words, he is a bona fide farmer. In the initial years of his operation he incurs losses. Since the averaging provisions are weighted over a five-year period, the incidence of his income in future years may be such that he will not gain much benefit from the averaging provisions. I just want to ask, first, whether a farmer starting up his operation and incurring losses, and at the same time engaging in other work which he must often do in order to survive and in order to be able to carry on his new farming operation, can qualify under the provisions of section 31. Also, how will this situation fit within the framework of the time period that is involved. How will this provision work in that period before the farmer can put himself in the position of actually earning an income, as defined for taxation purposes?

• (3:00 p.m.)

Mr. Mahoney: Mr. Chairman, I think the hon. member will appreciate that perhaps the term "qualify" under section 31 is not proper because section 31 is a limiting section rather than a section that offers any particular advantage to a bona fide farmer. What it does limit is the opportunity for people only dabbling in farming to offset their losses against other sources of income. There is no reason why a person entering into farming for the first time cannot avail himself of the opportunity of offsetting his losses not only against farm income, but against other sources of income. The whole question of fact revolves around whether or not his chief source of income is a combination of farming and other income as a lump or whether, really his chief source of income is whatever profession or business he is carrying on elsewhere and his farming activities are a hobby arrangement.

Mr. Burton: Mr. Chairman, I appreciate the comments made by the parliamentary secretary on this matter. I am glad to have the assurance he has given us, although some of the problems involved in averaging still exist, particu-

larly as they apply under the new rules which were under discussion earlier, and with regard to the basic herd problem.

There is one other area which I want to explore briefly with the parliamentary secretary. It has to do with section 28 of the bill. This concerns the question of cash accounting and accrual accounting. As I understand it, section 28 provides an opportunity to farmers to use a cash accounting basis when reporting their income. At the same time, there is a provision that a farmer can switch over to accrual accounting only with the concurrence of the minister, and only upon such terms and conditions as the minister may prescribe.

I note there is a general rule under which the minister can lay down terms and conditions for any switch-over to accrual accounting. Does the taxpayer have any rights? Does the taxpayer, who may either find it to his advantage or feel he is being forced to switch over from cash accounting to accrual accounting, have any rights in the field now before us in terms of any transitional rules? I raise this because obviously the switch-over from one system of accounting to another can pose some real difficulties for the taxpayer. In view of some of the provisions of the bill, the government must feel there is some advantage in some cases to an accrual system of accounting. They have written into the bill in a number of places transitional rules which allow a time period to make adjustments or changes.

Unless I missed some point with regard to any change-over that farmers may wish to make from cash to accrual accounting, I see no provision which will give the taxpayer any rights in terms of being able to take advantage of any transitional rules in order to make the adjustment and the change-over more easily. I would like to have the comments of the parliamentary secretary on this matter. Are there any such transitional rules within the act that are not subject to discretionary authority in the hands of the minister and, if there is no such provision, is the government prepared to give any consideration to changes along this line?

Mr. Mahoney: Mr. Chairman, in this particular case there is no provision for transitional rules. The hon. member is quite right. However, the point he is missing is that the switch from cash to accrual accounting would be voluntary as far as the farmer is concerned. It has not been considered particularly appropriate to provide transitional rules that will take care of that situation because presumably he would not make the decision to switch unless it was to his advantage to do so.

On the other hand, when we talk about accrual accounting that professional people have to do from the beginning of the new tax system on, we are talking about a situation where we are requiring them to change from cash to accrual accounting and where this is being imposed upon them by a change in the law rather than a voluntary act on their part. It does seem appropriate to have transitional provision in this situation.

Mr. Burton: Mr. Chairman, I wish to comment on what the parliamentary secretary has just said. I recognize the point he has made that the matter of changing over from cash to accrual accounting by a farmer is a voluntary proposition, whereas in fact it is being required for some other occupational groups. At the same time, it still leaves open a question which, as the parliamentary secretary indicated this morning, is still under debate. While there is no provision under the proposed law that will force a farmer to change over from cash to accrual accounting, in fact there may be provisions in the law where the practical consequences of the provision, and I refer to the basic herd provision, will be that the farmer has no choice or finds in the long run that is the only way out for him, to make a switch-over from cash to accrual accounting.

The parliamentary secretary indicated this morning that he did not quite follow the argument being made by some people in this regard that this would be the effect of the proposals, particularly as contained in section 29. However, he wanted to have section 29 stand so that the government could give the problem raised further consideration and try to gain a better understanding of some of the objections raised. In light of this situation, the matter of transition from cash to accrual accounting for farmers requires and deserves further consideration as well. I commend such an approach to the parliamentary secretary. I hope he will follow a course of action similar to that which he followed this morning.

Mr. Mahoney: Mr. Chairman, I really do not think the hon. member wants us to stand this section. I am sure he would want to leave the option open to farmers to report on a cash basis. Transitional provisions, where appropriate, are contained in Part III.

Mr. Burton: I rise on a question of privilege, Mr. Chairman. I do not know whether the parliamentary secretary was implying this or not, but I want to make it clear that there was nothing in my remarks that could be interpreted as suggesting that I do not want farmers to have the option open to them of staying on a cash accounting basis.

Mr. Mahoney: I am sorry, Mr. Chairman. I understood the hon. member to suggest that we should treat this section as we did section 29 and stand it while we consider his suggestion. I was simply saying that I do not agree that standing this particular section will serve the purpose, because I am sure we all want to pass this section. The transitional provision are comprised in Part III of the bill rather than in Part I. That would be the appropriate place to introduce transitional measures such as the hon. member is suggesting.

• (3:10 p.m.)

Mr. Burton: Could the parliamentary secretary tell us whether he is prepared to give consideration to this question of transitional provisions?

Mr. Mahoney: The only thing I can say is that we are continuing seriously to consider all representations. As to what disposition will be made, I cannot forecast, but I really doubt that in this particular case transitional provisions will be permitted. However, we shall study the matter. As the hon. member is aware, the representatives of the Canadian Cattlemen's Association have been visiting various Members of Parliament and officials in the Department of Finance for the past few days trying to persuade them of the validity of this argument that somehow or other something in this bill will impel ranchers to switch from a cash to an accrual basis. Up to now, the

validity of their argument has escaped me, but it is before us and we are listening to the representations very seriously.

Mr. Rynard: Mr. Chairman, I think all of us recognize the important place the farmer occupies in this country. When we look into the future we see that the population will be doubled in the year 2,000. Today, over half the population of the world is lacking in either quality or quantity, and in many cases it is quality. In Canada in the year 1900, one man was able to produce enough food for one other person. Today, a farmer produces enough food to feed approximately 40 people. I mention this because it shows the extent of the increase in the productivity of the farm sector in Canada.

Over the years, Canadian agriculture has been built up to the place where we have been a net exporter. Particularly is this true of certain classifications. Our cereals have been in demand in many countries in the world which would have run short of food if they had not had the granaries of Canada to supply that grain which we can produce cheaper than anyone else in the world, with the exception of the United States. The farm unit of 1900 has come from the binder and reaper to the huge combine of today which threshes as it cuts. From the farms, the grain goes to the elevator to be stored for shipment elsewhere and in grain alone we were able to reach close to $1 billion in exports. This will underline the importance of the farm sector.

On the dairy farms of Canada, cattle are being shipped to many of the nations of the world. Our cattle are in Japan, Australia, Mexico, South America, Italy, almost any country in the world. The Canadian farmer deserves a pat on the back for what he has done in the breeding of cattle. I am pleased to know that the section containing the basic herd provision has been allowed to stand because a farmer who was able to build a basic herd has reaped tremendous dividends. From these herds came the cattle which were exported. I am sure the Minister of Finance knows of many farms that have been brought up to a high standard as a consequence of this provision, with the result that breeding cattle was shipped from them all over the world. If these cattle were not exported, they were used to upgrade the breed in Canada. So today we have cows of the Holstein breed producing upwards of seventeen to twenty thousand pounds of butterfat per year and the world average is about six thousand pounds. This is an illustration of what a terrific job the Canadian farmer has done.

I well recall one farm operation. It is a very interesting farm operation which is carried on today by the sons of the original owner, and the basic herd was started with cattle obtained from the sale of the Mount Victoria, just outside the City of Montreal. Those of you who have been in the cattle game will remember that one of the herd's sires which was sold was the Emperor of Mount Victoria, and the other one was Marksman. These two animals left their imprint across the whole of the Holstein field, not only in Canada but in the United States. The same thing can be said of beef cattle produced, and I regret very much that similar procedures will not be possible under the new bill so that a young man could start to build his basic herd as a previous generation could do.

To make myself clear, in establishing a basic herd you buy your cattle and can add to them from time to time. If you have to borrow you pay interest on that money. If you have earned it, you pay income tax on it. In any event taxes are paid on the investment, so the government can not have it all its own way.

After the herd is established and producing, the farmer will upgrade that herd, knowing that he will get a higher price for his animals if they are more desirable and will produce more. This is an incentive for every farmer in the purebread livestock field. Take the Purina people who are one of the big animal feed companies on the North American continent. They have developed a herd from grade cattle. The production of this herd went up from somewhere around 8,000 to over 14,000 or 15,000, pounds of butterfat annually if I remember correctly. All these cattle grew in value over the years.

Now, I want to congratulate the minister and the parliamentary secretary on allowing this basic herd provision to stand. It is interesting to note that in the early days of the budget our understanding was, and it was made clear across the country, that estate tax would be wiped out when capital gains tax came in because it was to take its place. Now, there seems to be some hedging on this principle and the government is saying: Well, if four provinces come in then we shall collect the tax. This is like saying: Boys, come and get the taffy; all you have to do is walk across the floor. It is my contention that this section of the bill should be set aside until the government has consulted with the provinces and knows what the provinces are going to do. Otherwise, you are going to have one province taxing more than another province and we will end up with the same hodge-podge tax structure that we had before. If this does not turn out to be the worst jumble when you are through with it that you have ever heard of, I am missing my guess.

Farms are being abandoned across Canada at a rapid rate. I am sure the parliamentary secretary knows this. You ask the government if it is their purpose to drive the farmer off the land and in his place put the large food operator and chain stores. Well, this would be a great combine, wouldn't it? They would set prices at whatever figure they required in order to obtain a profit. It is my belief that in many cases we should try to encourage more farmers to stay on the land and raise their families. I think it would be to the benefit of all Canadians to accept the principle of subsidizing these farmers on small farms up to a certain rate of production on their cattle, pigs, sheep and other livestock so that they could stay on the farm and raise their families there. From a social standpoint, this would be very desirable when we consider that at present there are 600,000 unemployed in this country. This would allow the farmer to raise his family on a farm, rather than having to move them off the farm to become a statistic on the unemployment rolls in some city.

• (3:20 p.m.)

If you ask why it is that many boys and girls leave the farm today, the answer is perfectly obvious. During their young lives they have seen their father and mother working and struggling to make ends meet while their counterparts in the cities are well dressed and have all the material advantages. So, is it any wonder that when the

opportunity comes the young people leave, especially when the government does away with those incentives that are needed so badly in the farming industry today?

President Nixon has stated that United States farmers will not be forgotten in the period of adjustment and surcharge, and he promised to provide price support levels for farmers in order to permit the free movement of commodities in world markets. These include direct payments to bring returns up to a specified goal. This is a vital matter both in Canada and the United States, inasmuch as many of our products have to be exported and compete in markets of the world. This indicates that if the door to world trade in agricultural products is allowed to slam shut in the months ahead, the consequences to the Canadian economy will be disastrous. Where would we be today had we not sold $1 billion worth of grain two years ago? If hon. members review the financial picture that year they would soon discover where we would have been.

The Minister of Agriculture seems convinced that market prospects are bleak indeed—

The Chairman: Order, please. I regret to interrupt the hon. member but I have been listening to him carefully and I was hoping that fairly soon he would deal with the three sections now before the committee, section 28, which deals with the method of computing the income of a taxpayer engaged in a farming business, section 30, which deals with expenses incurred in clearing land, levelling land and laying tile drainage, and section 31, which deals with losses incurred by farming where the chief source of income is not necessarily from farming. Essentially, these are all matters concerned with the calculation of a farmer's income. I hope the hon. member will try as much as possible to keep his remarks relevant to these sections.

Mr. McCleave: Mr. Chairman, may I speak to the point of order? I was listening to the remarks of the hon. member for Simcoe North, and I thought he was trying to take a rational approach to the problems confronting farm operators in Canada. I am a little at a loss to know whether we should hold ourselves strictly to the exact wording of the sections before us or whether we should not be allowed to carry on a debate on legitimate matters of tax reform. That is a big question for the Chair to answer, but it was my understanding when we embarked on our study of individual sections or groups of sections that we would be allowed to range reasonably far so long as we stayed within the general confines of the measure before us.

I thought the hon. member for Simcoe North was discussing taxation in terms of the problems it creates for farmers, which I should have thought was hardly ranging over the whole waterfront of taxation reform. If that is the case, then I think he should be allowed to continue his remarks. I think Your Honour would have to agree that he is not a member who strays wide and far, but generally keeps within the very narrow limits. I would hope Your Honour would be inclined to be reasonably generous—indeed, I must say Your Honour has been so in this whole debate and I make no criticism whatever of the Chair—and allow a certain latitude of debate.

[Mr. Rynard.]

Mr. Horner: On the point of order, Mr. Chairman, there is a moot point in which I think the Chair might be interested. Section 29 deals with the basic herd. If the government now decides to change it, then the transitional period in section 28 will have to be changed, too. Section 28 provides that where the income for a year shall be deemed to be an amount equal to—and then a computation follows. In other words, it might be beneficial for a man in the livestock business who does not have the advantage of establishing a basic herd to go on the accrual system. Once he does that, he cannot revert to the cash system because under section 28 he is locked in. Therefore, since section 29 has been stood, section 28 would appear to be interrelated. That point may not have caught the attention of the Chair up to now.

The Chairman: Is the hon. member for Saskatoon-Biggar rising to the point of order?

Mr. Gleave: Yes, Mr. Chairman. I should like to point out that I raised this question yesterday evening. The parliamentary secretary said, as reported at page 9444 of *Hansard*:

> In the spirit of the debate we are entering into I am quite prepared to try to range over the field of taxation of agricultural enterprises. I do not think there has been very much in the speeches we have heard until now to indicate that we are dealing strictly within the terms of the four sections before us. I suggest, on the basis that the points are important, that they must be dealt with at some point during consideration in committee of the whole. Perhaps if we deal with them in the context of these four sections being our opportunity to deal with agricultural matters specifically, we will not have to re-cover the same ground when the particular sections involved come up for discussion.

The parliamentary secretary then went on to point out that we had dealt with and agreed to the averaging provisions, but that this should not necessarily preclude our debating them again. I did not disagree with the parliamentary secretary at the time. In fact, I intervened on the point of order only to try to establish how we should proceed. I have to agree with the parliamentary secretary that there are matters outside these four sections that do come within the ambit of our discussion. Even though one subclause has been allowed to stand for discussion at a later point in time, I think we must still refer to it from time to time in order to relate other proposals that we shall be making to that particular provision.

The Chairman: The Chair only wants to comment that I interrupted the hon. member for Simcoe North, not with the intention of trying to hold the hon. member or any other hon. member closely within the confines of the three subclauses. However, I want to say to all hon. members that the Chair does have a responsibility. Notwithstanding the opinions of the parliamentary secretary and the hon. member for Saskatoon-Biggar, both of whom I respect very highly, the occupant of the Chair from time to time is the one who has the responsibility to make such decisions.

• (3:30 p.m.)

The hon. member for Halifax-East Hants and the hon. member for Crowfoot are very good advocates. I have no intention of attempting to limit the debate beyond what is reasonable. I must say I thought I should draw to the attention of the hon. member for Simcoe North that he might have been going a little wide of the subject when

dealing with export markets. This, I believe, does relate to agriculture but I think the hon. member for Saskatoon-Biggar has pointed out it might be reasonable to confine references to taxation to those relating to the farming business. I think if we did that, no one would be confined too closely.

Mr. Rynard: Mr. Chairman, I realize the bind you are in because this is a very complex bill. I would say immediately that it should be referred to the committee on agriculture because it is so complex. If we are to be limited to any one point in it, then we will not have sufficient field, as the hon. member for Saskatoon-Biggar has pointed out, in which to do what we must do. We must try to cover the field on it or we will have to come back to it again and again.

I suggest without hesitation that it be referred to the Committee on Agriculture. I want to thank those members who have helped define how far this debate should go and along what lines. I am sure, Mr. Chairman, no one understands better than you the complexities of this bill, because you were raised on a farm and grew up in a farming community. You know what I am speaking about when I say that agriculture in Canada has developed to the point where we are proud of it. We do not want to sacrifice it through some bill which would tax everything which comes along. It was my distinct understanding that when the capital gains tax came in the estate tax was to go out. Now, we find there is some hedging on this which disturbs me because I feel most members thought this would be the case. Now, there would seem to be an attempt to have both types of tax because if the estate tax is established in four provinces it will likely spread across Canada, either in that form or in some other form which will be substituted for it.

Because I believe it is very apropos, I want to say that between the years 1949-1970 the average disposable income of the Canadian people after taxes and deductions has just about tripled, whereas food prices are about one and one-half times what they were in 1949. I am talking about the good deal the consumer gets in buying food. This does not take into account either that Canadians are eating more meat, poultry, fruits and vegetables. Putting it another way, it took the income from 20 hours of work in 1949 to buy one week's supply of food for a family of four. In 1970 just about half the number of hours were required. One may ask why this is so, and why the farmer has had such a small increase in the price of the products he grows. It simply means that each man in agriculture today is producing far more than his predecessor. With his machinery and the available technology, he is growing new grains and is using fertilizers. As a matter of fact, for every man engaged in agriculture a job is created for four other people. It is probably worth-while to note that the machinery and equipment which the farmer buys today costs him two to three times what it cost in 1949, and he receives less than 50 per cent of each dollar spent as compared to 60 per cent in 1949.

These are the points I wish to bring to the attention of the parliamentary secretary. The tractors, trucks and machinery used by the farmer have all been produced in industry where there have been strong labour unions to bargain for the increases in wages. As hon. members may have noted, nothing like this has occurred in the farm sector, nor has there been any special benefit or shorter hours for the farmer over that period of time. It comes back full circle to the point that if the farmer is not going to be viewed in the light of what is transpiring, is not to be given the opportunity to build up, develop and obtain something for his labour and, in the final analysis, be able to accumulate an estate which will not be taken away by estate taxes or capital gains taxes, he will have no incentive to keep on farming.

There is another point with which I should like to deal. This is the matter of the hobby farm which involves perhaps the millionaire who makes his living in some other line of work but establishes a farm and brings in thoroughbred cattle to the area. I could name dozens of these people. They improve the breed of cattle. Some of these people actually live on these farms. I want to ask the parliamentary secretary what is proposed in respect of this type of farmer, and how it is proposed that he be treated. Some of these people, as the parliamentary secretary knows, have sold animals valued at $50,000 or $60,000. I could name these people. They have provided bulls and other animals to the small farmers in the community. This has helped the other farmers upgrade their animals. In the long run, this is of great benefit to the farming community. I would ask what the thinking is on this whole matter.

Mr. Mahoney: Mr. Chairman, we propose to continue to treat hobby farms exactly as they have been treated in the past. They can offset their farming expenses against farming income and then take any net loss and deduct $2,500 of that from their other income and then take half the difference of the balance of loss up to an aggregate of $5,000. I am sure if the hon. member for Simcoe North had had an opportunity to do his own research rather than rely on the notoriously unreliable research department of the Progressive Conservative caucus, he would not have misrepresented as he did the position of the government on the offered, collection agreement in respect of succession duties with the provinces which choose to go into the death tax business.

The hon. member suggested that the federal government somehow was reneging on the commitment contained in the June 18 budget, and in this bill, to discontinue the collection of estate and gift taxes. That is simply not true. It could not be further from the truth. The federal government has said that in four provinces which do not presently have the machinery to collect these taxes—and this excludes the provinces of British Columbia, Quebec and Ontario—if those provinces adopt for themselves a fairly uniform succession duty system, the federal government, through the Department of National Revenue, will for a fee collect those taxes for the provincial governments. But it is very clear it would be the provincial governments that would be levying the taxes and it must be in respect of provincial governments which are not presently levying taxes of that nature. This, of course, is the result of a request from certain provincial governments who have expressed an interest in possibly levying that sort of tax.

Mr. Rynard: Mr. Chairman, I thought the parliamentary secretary would have learned by now that people in glass

houses do not throw stones. He talks about research. I want to refer him to the research the Department of Finance did when the minister was out a half billion dollars on a couple of occasions. He should not bring up the matter of research now. He should be ashamed to do it, sitting alongside the Finance Minister. I would like to ask whether it was the intention of the government to say to the people of this country and to members of this House that they were abolishing estate taxes and were replacing them with a capital gains tax. This was my understanding of it. Now, they come along and say, "if you boys want more estate taxes, we will collect them for you". I leave it to the judgment and to the wisdom of hon. members here to decide if that is not coaxing them into collecting more taxes. They misled the public.

• (3.40 p.m.)

Some hon. Members: Hear, hear!

Mr. Gleave: I have a few remarks to make regarding what the parliamentary secretary pointed out, namely, that there is nothing in the bill that would force a farmer to operate on the accrual system. This reminds me of the old army gag which was, "we cannot make you do it, but we can surely make you wish you had". That is about the size of it, because if no change is made in the section which was set aside for the time being, then many farmers who have a combined livestock and grain production would probably find some problem in using the accrual system for livestock, for beef and dairy herds, for swine, sheep and so on. If they did that, it would compel them to do the same for the grain part of their operation. The difficulty with the accrual system arises in the west particularly in connection with the grain or cash crop, because farmers might be in the position of having to put a value on the inventory and pay taxes on the sale. They may have to borrow money to pay the tax on a yearly basis. I want to make this point again, since it seems to have been overlooked.

In considering these sections, one sees that there are some other factors which should be taken into account. Another matter is the capital gains tax. In the first section with which we are dealing, we find that a fairly simple method of declaring income is to use straight-line depreciation, and the standard practice on most farms is to use the straight-line method in setting up depreciation, sometimes an old machine is traded in for a new machine, and the new machine is paid for. In this type of transaction, the capital recovery method will be used, that is capital gains, and under this method, when the deal is made any difference between depreciated value and trade in value of the used machine is deemed to be an actual income, half of which will be taxable. Those who favour the capital gains tax will ask "why not, since the individual made a capital gain?"

However, I would like to call to the attention of those responsible for drafting these provisions to the fact that these sections will have the effect of changing to a considerable degree the method of buying and selling machinery in western Canada. I suppose that this would also apply to eastern Canada and to other parts of the country. There is no actual cash gain in this transaction. Generally, the farmer will be forced into a position where, instead of following the general practice of trading in old machinery, which gave him the advantage of setting it off for depreciation, he will be purchasing new machinery at the best discount price that is offered. He will not be trading in the old machine but will rather auction it off and half of whatever money he makes on it will be subject to tax, or else he will leave the machine on the farm and not bother with it. This provision will drive down the market value of machinery. I certainly expect this to happen if no provision is included allowing farmers to operate as they have been doing in the past.

It may be the considered opinion of those responsible for drafting the bill that a change should be made. If that is their opinion, then perhaps they may be willing to say so, but I wonder whether the full effect of the proposals have been thought through and considered by those who are making changes in this act. I may say, for the information of those responsible, that a major dealer in western Canada has suggested to farmers that if they want to purchase a machine for cash he will give them a handsome discount and if they want to bring in their old machine he will call an auction sale and sell it for them. This is one way of doing business, although it is not the general practice. It results in some inconveniences and in some serious adjustments in the methods of farmers purchasing machinery and of dealers selling machines to farmers.

So I bring this to the attention of those responsible. I do not know whether or not they wish to consider it. Perhaps they do not give a damn. If that is so, then let us forget about it, but the farmer will care what this does to him because I know very well that farmers trade in their machines and thus recover in book value some amount on the old machine on which they will have to pay tax. But they will not have any cash money with which to pay it. Actually, no money comes into his pocket as a result of the deal, and so he will not be very happy. It is an added cost to his operation. There is actually no real profit.

• (3:50 p.m.)

You get back to the same thing as you do with grain on the accrual system. If you make money, you can pay some tax on it, but if you do not make money, and a profit is merely imputed to you and you have to pay tax on that because of some bookkeeping procedure; it is pretty rough on you. As I say, I do not really know whether those responsible have considered this, whether they have bothered to go to machinery dealers and farm organizations, and listen to how these deals are made.

I know that the farm organizations have made representations to the minister. At least I have a letter saying that they made representations to him, and they have complained bitterly that he, and the others responsible, ignored their submissions. Whether this particular matter was discussed and the people concerned did not understand it, or chose to ignore it, is something I do not know.

If this section is allowed to stand today, I hope that those responsible will use part of the weekend to talk to some of the dealers and farmers, and as a result become better prepared to deal with the section and make some adjustments to it. I really cannot see how a capital gains tax could apply to those kinds of operations. Essentially, in those cases it is not really a capital gain in the same way as a capital gain is realized when one purchases a

piece of real estate, sells it a number of years later, and makes $2,000, $1,000 or $500 on the transaction. There is quite a difference between the two.

With respect to the cash accounting system and the accrual system, it seems to me there should be no question about the farmer's right to choose. If we are going to follow the provisions made for the basic herd, then there should be a provision that if a farmer or rancher wants to put his cattle herd on the accrual system he may leave the rest of his operation to be accounted for on the cash system. This is a situation which has to be recognized, and steps taken to deal with it. I hope the minister will give these matters some consideration.

Mr. Ritchie: Mr. Chairman, I think that a discussion on section 28 dealing with the assessment of a farmer's income for income tax purposes opens up the whole subject of taxation of the farming industry in Canada. As I understand it, primarily section 28 has been lifted from the old income tax act, but when we consider the way in which it will be amended in the future, we must examine it carefully.

In my opinion, this new tax bill will bear heavily on the farming population. It will change their mode of farming, change their manner of living, and change the whole taxation structure as it relates to farming. Provision for a capital gains tax applicable to farming is the main feature added to section 28. Up to the present, capital gains have not been a factor in the farming industry, but now substantial tax payments must be made on them.

It has been said that over the years, as a result of ministerial discretion and taxation rulings, capital gains have largely been included in income, the exception being with respect to farming, some property income, and stock market gains. Now, stock market gains will be taxed, but for the stockholder the value of the dollar with which he will have to pay his capital gains tax will be reasonably related to the investment he made. But this will not be the case with farming.

Due to the low liquidity of farming over the years, due to the tendency for an individual to be a farmer for a certain period of his life, say 20, 30, 40 or 50 years, capital gains become more important to a farmer. I really do not see how you can have an estate tax as well as a capital gains tax applied to the farming industry. You can have one or the other, but I doubt that you can have both. If you have both the result will be a tax jungle because a number of provinces have indicated they are going to retain and even increase estate taxes. Premier Schreyer of Manitoba, my home province, says he feels that the estate tax should stay. He has said that $5 million would be lost to the province if it were eliminated. This is not an enormous amount of money, but considering that the average Manitoba gain from estate tax is around $3 million, it appears that he hopes to retain that tax, and probably increase it.

• (4:00 p.m.)

If a farmer should die without making some provision, his estate may well be faced with a substantial tax burden and a capital gains tax on the land. All his depreciated property will revert to its original cost, so that the $15,000 tractor which had depreciated to $5,000 may very well be valued at its original price. In other words, the depreciation has been recovered. In addition inventory on the farm will automatically become cash income so far as the government is concerned. It could easily happen that 15,000 or 20,000 bushels of grain would be sitting on the farm because there would be no market and no quotas, yet the estate must settle on the basis that this is readily turned into cash. Similarly, with livestock. Even though it is not readily saleable, the estate will be faced with the problem of turning it into cash. Then, the farm estate is faced with the considerable problem of capital gains.

The problem of taxation in farming deserves much more importance than it has been given. We have to consider the competition of the Canadian farmer, and so we must look at our overseas markets. In grain, we are in competition overseas with the biggest producer of grain in the world, the United States. Some of the sales that the United States has made since 1967 have been phenomenal, and our farmers must meet this competition. For instance, the dollar value to farmers in the U. S. of soy beans crushed and exported increased by 60 per cent. In the past ten years, per capita consumption of vegetable oils in the United States increased by almost one half. Exports of wheat, corn and milo to Japan increased by 650 per cent in the past ten years. All of these products are in competition with ours. The United States government has repeatedly warned their farmers that agriculture is regarded as a growth industry, and the means by which rural America can share in the nation's growth. Most of United States agriculture's potential for market growth is in world trade, not in the home market. If the United States were to quit fighting for export markets it would have to cut back sharply in its production. Every year perhaps one-third or more of the acreage in the United States is lying idle or growing reduced crops. This becomes most important when considering the tax structure of our own industry. Further statistics show how important the United States regards its agriculture exports. Last year the record was $7.5 billion and this year the goal is $10 billion. We have to ask ourselves how we can help the farming industry in the export market.

We must look at the growth potential of the market here and in the United States. The population increase has dropped substantially and the growth rate which was 2.5 per cent a few years ago is now 1.5 per cent. In the United States, it is one per cent or less. Technology in agriculture enables us to grow increasing amounts of food, but if we have less mouths to fill the surplus will have to be exported to the other markets in the world. Our main competitor here is again the United States, although in meat products we have the continental North American market.

To return to taxation, the farmer is faced with more taxes than he has paid in the past and, as a result, the farming industry cannot expand and will support fewer people. It will be less able to meet the export challenges. If it were not for the grain export industry, Canada might be a major importer of agricultural products because there are some things we cannot grow in this country, such as citrus fruits. In 1968, there was actually a net agricultural deficit.

Now, I propose to deal with taxation as it applies to income earners and farmers throughout Canada. Most farmers operating small farms operate on a cash basis,

and the more one sees of it the more attractive it becomes in many ways. The Income Tax Act offers such things as the accrual basis or the unincorporated farm, but all of them have disadvantages. The advantage for the small, unincorporated farm of a reduced rate of taxation was evident in the old legislation, but this has been partially wiped out by raising the tax from 21 per cent to 25 per cent and by the projected decrease of the corporation tax to the end of 1972 back to 43 per cent and the proposal to drop it in the future to 46 per cent. There is no doubt in my mind that in coming years it is likely that corporation tax will decrease, thereby making the unincorporated farm less attractive.

In the future, the farmer will have to get his money from savings, from what is left after his personal income tax is paid. Through farm credit and so on, governments have been providing money for farmers to expand and buy new equipment but many people believe that this has created an unhealthy situation. Many farmers are burdened with a government loan and are faced with problems when the market drops. The government is the landlord. I do not think the government should own the bulk of the land. Often a farmer will spend a lifetime paying off a mortgage to the government. This is one area where we will have to consider the matter of farm income. The vast amount of money lent to farmers on farm credit has, on the whole, been beneficial but after certain changes perhaps these loans should not be made. I think this is a very onerous tax structure.

• (4:10 p.m.)

Most farmers need money to pay for their land, their house, and their living expenses. The amount that will be left to them after they have paid their taxes will not be greater than it was before. The new personal tax rates are no better than they were previously and, after farmers have paid their income tax, they will not necessarily retain more income out of which they can carry on farming and save as well. That, I think, is cause for concern. In days when farm costs were relatively low, and when farm capitalization was low, personal income tax rates did not matter nearly so much. These rates, however, will become increasingly important in the future as it becomes more and more costly to farm and as farm capitalization rates increase. A tractor costing $15,000 is commonplace these days and a half section, three quarter or even complete section in western Canada is considered minimal as a farm unit. These units must be paid for out of the income an individual can generate. However, the progressive rate schedules in the income tax legislation militate against an individual's being able to put away money in an orderly way so that he can meet his debts.

Under the new personal income tax rates, a man earning $8,000 per year or so will pay as much as or perhaps a little more than he paid in the past. The report on the white paper proposals for tax reform by the Standing Senate Committee on Banking, Trade and Commerce had this to say at page 17 of that report:

—your Committee is gravely concerned that the White Paper proposals would increase the burden on married couples with incomes ranging from approximately $8,500 upwards, thereby including those taxpayers who are generally described as the middle income group. In addition, the proposed rates schedules do not give effect to the fact that all of the provinces will probably not adopt a uniform tax rate of 28 per cent of the new federal taxes so that the effect on the middle income group will therefore be more extreme because there will be more taxpayers in that category and closer to the top levels of that category. This middle income group is the group in Canada that must be relied upon in the main for skilled technical training and executive and managerial ability.

I am sure that many will agree that a farmer today must exercise technical, managerial and executive abilities.

We should also consider our middle income groups and see how they will fare as compared with middle income groups in the United States. The report I alluded to, goes on to say at page 18:

The increased tax rates applicable to the middle income groups would increase the already existing adverse disparity between rates applicable to such groups under the Canadian and the United States tax systems, and would have the inevitable effect of contributing to the gradual emigration of skilled workers and those with executive talent from Canada.

The committee could not agree with certain statements made in the white paper which compared Canadian and United States income taxes. Since we are dealing with taxation, any such comparison is significant.

The Assistant Deputy Chairman: Order, please. I regret to say that the hon. member's time has expired.

Mr. McCleave: Mr. Chairman, may I suggest that the committee may be agreeable to allowing the hon. member to complete his remarks. His is a reasoned speech.

The Assistant Deputy Chairman: Is that agreed?

Some hon. Members: Agreed.

Mr. Ritchie: Thank you, Mr. Chairman. May I say, in closing, that these progressive rates of income tax are especially important to farmers who must, out of income retained after taxes have been paid, find the money with which to pay for farm operations.

I ought to have mentioned that in the white paper the question of income splitting is discussed. We are told that income splitting in the United States brings certain advantages. I am reminded that in North Dakota, the state which is just across the border from my province, a man earning $30,000 a year who splits his income will pay only about $5,000 in taxes, whereas in Manitoba a man earning a like amount would pay considerably more, around $12,000. When you consider the difference in taxes paid, it is small wonder that people across the border who can save their money can cross over to Manitoba and buy up almost half a section every year.

Mr. MacKay: Mr. Chairman, at the outset I wish to disassociate our research department from anything I have to say, so that they will be absolved of any blame and will not bear any discredit for my remarks. In view of the remarks made by members on the other side of the House, I agree with the comments made by my colleague, the hon. member for Simcoe North. I agree that probably our own research department is not too deficient, especially when one considers the inaccurate and optimistic statements that have emanated from the research department of the government side and their failures to conform to economic reality.

Having said that, I wish to address myself briefly to a couple of subsections of section 28 dealing with aspects of administration, and then to some of the other subsections related thereto. First, may I ask the Parliamentary Secretary to the Minister of Finance whether, for the purposes of section 28(1), the government intends to include fishermen? That is, when we speak of the possibility of people in the farming business being able to make use of the cash method of accounting, are we to include fishermen as well?

Section 28(1) reads in part:

For the purpose of computing the income of a taxpayer for a taxation year from a farming business, the income from the business for that year may, if the taxpayer so elects, be computed in accordance with a method (hereinafter in this section referred to as the 'cash' method)—

I am wondering if the government intends to give fishermen the benefit of this type of privilege that is given to farmers. If so, I suggest with deference that this should be specifically spelled out in section 28(1). I also wonder, when we consider subsections (4) and (5) of section 28, whether there may be difficulty in determining especially in the case of subsection (5), what type of income is being referred to. Probably the difficulty may be resolved if one looks at some of the definitions of income in sections 5, 9 and 56 of the act. Possibly there may be an onus there on the taxpayer as there is with respect to subsection (4), when we talk about the value of certain items that might be included in inventory.

It seems to me, when we consider these particular questions, of onus that we must, of necessity, consider the important step that the government has taken with regard to section 163(3), namely, introducing for practically the first time in this legislation, so far as I am aware, the concept that the burden of proof, at least for the purpose of assessing penalties, is on the department. If I am able to stay within the rules of relevancy, it seems that this is something that has not been dealt with to any extent so far in this discussion. I feel this is a very important point. The Income Tax Act, as well as the proposed legislation, are very complex. They will affect most Canadians very directly.

• (4:20 p.m.)

In connection with the philosophy of permitting the taxpayer to put down the burden of proof to a limited extent, I think the government is to be commended. However, I suspect it would be far better if this philosophy were carried on throughout the act. For example, as opposed to the Criminal Code, it is not in the spirit of the philosophy of section 163(3) that a provision be permitted that gives an information laid under the Income Tax Act a pre-eminence over the same or related type of information under the Criminal Code.

Section 244 refers to an information or complaint. It reads:

An information or complaint under this Act may be laid or made by any officer of the Department of National Revenue, by a member of the Royal Canadian Mounted Police or by any person thereunto authorized by the Minister and, where an information or complaint purports to have been laid or made under this Act, it shall be deemed to have been laid or made by a person thereunto authorized by the Minister—

This is the part to which I object:

—and shall not be called in question for lack of authority of the informant or complainant except by the Minister or by some person acting for him or Her Majesty.

This is not in the spirit of the very commendable attitude shown by the government in section 163(3). I question whether it is a good provision to have because it permits the government, through its agents in the department, to take away a defence that would be available under the Criminal Code. I do not think the Income Tax Act should be pre-eminent over the Criminal Code.

Section 243 is also interesting. It states that if a person has the unfortunate experience of running afoul of the Criminal Code and the Income Tax Act, and the criminal courts assume jurisdiction as the result, and I quote:

—the court has in any prosecution or proceeding under this Act, no power to impose less than the minimum fine or imprisonment fixed by this Act and the court has no power to suspend sentence.

This is repugnant as well, and should be looked at. I do not say this in criticism only, but in good faith hoping the parliamentary secretary will take it under advisement. In considering this bill as a whole, it is a fair comment to say that this is not so much tax reform as a tax revision. Although there is a need for a substantive and complete revision, we should not neglect the area of administration, and the attitude and procedures adopted by the departmental officials. There are some quite rough procedures involved in the provisions of this act, section 231 and following. While they may be necessary in some cases, they should be carried out with the greatest possible respect for the rights of Canadians. With this in mind, I raised this particular point.

There is another matter of more than ordinary interest. I do not think it has been dealt with, although I may have been absent for part of the time. In addition to the points raised by my colleague, the hon. member for Simcoe North, there is another factor that affects the well-being of the farmer, any land owner or taxpayer. He seems to get "whipsawed", not only because of the fact that estate taxes are being contemplated or retained by the provinces and capital gains are being imposed by the federal government, but we are told by knowledgeable tax accountants when having property appraised and making elections under this so-called tax free zone how taxpayers will value their property. Waiting patiently in the wings is the municipal assessor. He takes a considerable bite from the savings or revenues of most Canadians. The average Canadian does not care to whom he pays the tax. He only knows that when he pays, it hurts.

I can readily see the case of a tax appeal in a municipality. A man may obtain the services of a professional appraiser and have his property valued for his own particular purposes as high as is fair and reasonable for the concept of capital gains. When appealing his taxes at the municipal level, he will be asked whether he has had his property appraised recently. Being under oath, he will naturally have to say yes. The municipal assessor will probably thus get information that will completely destroy this man's chances of having his property appraised for taxation purposes on the same basis as those in that particular district.

We have imposed upon the Canadian taxpayer a rather cruel dilemma right from the bottom to the top as far as

taxes are concerned. Unless the federal government is prepared to take administrative steps to give an abatement to a taxpayer or to avoid some of these rather obvious difficulties, the person with much real estate will be jeopardized to a very great extent. I realize that much of what I could say has already been said by those more able than myself, but I did wish to bring these points before the committee. I thank the committee for its attention.

Mr. Peters: Mr. Chairman, with regard to these four sections, the government has received considerable advice from farm organizations. It is now receiving considerable advice, unwelcome though it may be, from the opposition members concerning a very specific problem. The problem is, how to properly tax rural agriculture and at the same time not put the agricultural industry out of business, particularly as a farm unit, and the role that a farm unit has in a community. Bill C-259 may create disparity between communities and the rural sections that make up the rural way of life in our nation.

The government has not been prone to take advice. In this field, many in the opposition who are offering advice do not have the latest word on the subject. We have seen the government proven wrong before. They were certainly proved wrong yesterday in Assiniboia. At a late date they took their bill to the farmer in western Canada and he gave his answer. The answer was not the one the government sought. It has almost destroyed the credibility of the minister responsible for the Prairie Grain Stabilization act. Therefore, the government should be very cautious about bulling through a piece of legislation, particularly as it affects farmers.

• (4:30 p.m.)

The parliamentary secretary has agreed that further consideration should be given to subsection 29. I ask him to agree to stand the other three sections which affect farmers, and I ask him to do this in order that these matters be referred to the Standing Committee on Agriculture. The cattlemen have expressed to Members of Parliament a number of fears present in their minds with regard to the future of their industry, fears which are applicable to other segments of agriculture as well. The parliamentary secretary has told the committee that he does not understand these representations, that he does not understand the basis of their objections. I can sympathize with him. I myself have some knowledge of this subject but I do not profess to understand it, or how it works. The government has shown that it does not know everything about agriculture. Frankly, I would think the late J.C. would be hard-pressed to understand all the facets of Canadian agriculture. The agriculture committee is the forum at which these subsections would secure the attention of all the organizations which are interested. Their representatives would appear before the committee and make representations.

Surely, Mr. Chairman, the point of tax legislation is to raise revenue without at the same time killing the golden goose, or taxing one segment of the economy along lines which it cannot support. I have always found farmers to be in a totally different position from anyone else when it came to finance, when it came to getting what they believe they deserve from governments, when it came to their ability to pay taxes or their ability to provide a product whose price in many cases does not cover the cost of the operation. The mere fact that they have been able to stay in business is proof of their ingenuity. I suggest we should apply some of the ingenuity of the farm community to devising a tax structure so that we can get out of the agriculture industry a fair tax return for the Canadian public while at the same time maintaining both the rural economy and the level of food production that the nation requires.

Maintenance of the rural economy is an important consideration; I shall not go into all its facets now, but it includes preservation of the environment, the quality of the lives of the people who live on the farms and of those in the communities they sustain. We should bear in mind that it would be a serious thing indeed to jeopardize the national food supply. And we should be thankful that our food is presently produced at a very reasonable cost in a nation where incomes are fairly high and where a high standard of living is enjoyed. We have done very well and I suggest that the bureaucrats should not suddenly declare that they know all the answers, and know how to extract taxes from this industry, without taking into account all the other considerations involved. It is very nice, no doubt, to get an accrual income out of agriculture. They sure as hell should have tried to get that out of agriculture in western Canada when for five, six or seven years, grain was lying in the fields. Nobody could have liquidated their grain because it was not a saleable commodity. Farmers can remember when they burned grain because it was cheaper than cutting wood—and all they had to do was to supply an axe and some muscle to cut the wood.

It is all right for a doctor, for example, to say that the extra money the government wants to collect can be considered as income. Most doctors today have decided that instead of following the medical scale of returns for visits as set out by colleges of physicians and surgeons they will follow their own scales. Most of the money, anyway, is paid by the federal government in conjunction with provincial governments under various medicare schemes. Compare the situation of professional people with the situation in which farmers often find themselves. They may have large stocks of a commodity on their premises but they are not able to sell it.

In the case of grain, a government agency has been set up to dispose of it, and when the government itself has not been able to sell a product it seems foolish to me that the Department of National Revenue should say to a farmer: You have an accrual income from the products you have on your farm and now you must make a cash payment to us. Mr. Chairman, that is one heck of a good way of socializing agriculture in Canada. I heard the parliamentary secretary say he was against socialism. Yet here is a way of socializing farms. Look back over the last 15 years of the history of western Canada. Had we enforced payment of taxes under an accrual system related to what was produced by those farms we would today own most of the farms in Canada, including those which have oil wells under them.

Mr. Mahoney: What are you complaining about?

Mr. Peters: I am not that kind of socialist. Maybe supporters of the Liberal party are. I do not believe we have to steal from the farmers by means of the tax structure, by establishing an accrual system which makes them pay on the commodities they produce before they sell them. That is actually what the subsection before us will do under the guise of providing equality for the farm taxpayer when compared with others who have been forced into adopting the accrual system.

The parliamentary secretary asked what I was complaining about. Mr. Chairman, in Saskatchewan they elected a CCF government which was a pseudo-socialist government. One of the first acts of that government was to pass a law providing that no farm could be foreclosed for non-payment of taxes. I am sure that had there been an accrual system in effect, the law would have applied to income tax as well. No true socialist, no one who has socialistic leanings, would approve a tax structure whose main purpose was to get control of the land into the hands of the government. Surely, we would pay for the land, we would make concessions, we would do a number of things. But we would not steal it by imposing an unfair tax structure.

• (4:40 p.m.)

I don't know all the answers. I have never been able to determine how a basic herd was established in the first place or how it can be increased. The income tax authorities did not understand it very well, either. I remember my father discussing it with them. At one time he was in charge of the economics department of the federal Department of Agriculture in Ottawa, on loan as an economics adviser from the government of Ontario, so he did have some knowledge about this. Yet he ran into continued difficulty with the income tax department over this complex question of a basic herd. He educated them for some days and I dare say he came out of the discussions very well. Although some of the farmers in my area had not established a basic herd, they were not on an accrual basis, either.

I am reminded of a problem that I once had with the Ontario government over a blind pensioner. Walking down the street one day the pensioner met the welfare officer. He told the welfare officer that he had just sold a cow and a calf, and when he was asked how much he received for them replied he had got $275 for the cow and $60 for the calf. Whereupon the welfare officer returned to his office and cut off his pension, reporting to Toronto that he had received $260 for the cow and $60 for the calf and that this should be regarded as income.

Mr. Knowles (Winnipeg North Centre): You have just lost $15.

Mr. Peters: My arithmetic is of no help, but the story is the same.

Mr. Horner: He was selling a capital asset.

Mr. Peters: I found it very difficult to persuade the department of welfare in Toronto that just because this pensioner had received this very substantial sum for the cow and the calf the money was not all profit. He had had to feed the cow for three years; he had to clean the stable, provide a barn and do everything else necessary to provide sustenance for the cow, including cutting hay and planting grain. I explained that the calf happened to be a by-product of the energy he had expended, and that if the farmer received as much as $20 or $30 clear profit on the transaction he was doing real well. After lengthy telephone calls, the welfare department finally agreed that the amount received was not a profit, that it was not similar to getting a job at a factory and being paid for your labour. Many factors were involved in the production of a cow and a calf and only a small part of the payment was profit.

The same is true of accrual income. After all, how is a farmer going to be fair to the tax department and to himself? I am sure the Minister of Finance understands the problem. Rich farmers in Kingston must have come to see him occasionally when he was an accountant to ask him to prepare their books. I suggest that with the limited amount of information with which they would provide him, he would be very hard pressed to do an honest job of accounting on their behalf.

After all, farmers have not had an accountant's education. Their bookkeeping is sloppy. Whenever they sell an animal the proceeds are put in the bank and they make payments when they have to. Then, at the end of the year, they know whether they have made a profit and they supply the income tax department with information that satisfies them. Normally, most farmers do not pay very much tax because at the end of the year they do not have very much income.

In view of the provisions in this bill, the farmers are going to need specialized assistance. Is the minister suggesting that he will accept Farm-Can figures or is he going to accept only the Department of Agriculture figures? I see the adviser to the minister indicating he does not know what that is. The government has been trying to get a uniform accounting system and have asked the farmers to send in all their bills and receipts each month so the government can compute a farmer's income. They come up with a profit or loss figure rather than an accrual figure and the two systems are totally different. The Ontario government is working out the same kind of system with the agricultural college at Guelph, because they realize that farmers often do not know whether or not they are making money.

I remember talking to a farmer who had a herd of pigs. He told me the price of feed had gone up, that things had happened to the market and that he was going to lose $10 on each little pig. I asked him why he didn't go to the stable with a hammer and hit them over the head before they cost him $10 each, and he looked at me as though I were crazy. He was not sure even after he had sold them whether he had lost $10 or made $10. It is not so much a question of farmers cheating; they simply do not know what is their financial position. This is why they require specialized help in preparing their accounts. This will allow the government to collect the proper tax. If the farmers are overly generous with the government, they go broke. If they are not, the Minister of Finance squeals for more money. This is why special consideration must be given our farmers.

I am not talking about industrialized farms or vertically integrated farms. I am talking about the bulk of the farmers in our rural economy who run a farm with their

families and who wish to leave the farm to their sons. The sons stay on the farm instead of getting an education or a large income in industry.

The Assistant Deputy Chairman: Order. I regret to interrupt the hon. member but his time has expired.

Mr. Peters: Are you sure my 20 minutes is up, Mr. Chairman?

Some hon. Members: Continue.

The Deputy Chairman: Order. It is my duty, pursuant to Standing Order 40 to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Simcoe North—health; the hon. member for Grenville-Carleton—education; the hon. member for Selkirk—public service.

The hon. member for Meadow Lake.

Mr. McCleave: Mr. Chairman, may I rise on a point of order. I do not think the hon. member for Timiskaming was trespassing beyond his time or over-stretching the patience of the committee. I am sure we would all like to hear him complete his speech, if Your Honour would be pleased to recognize the hon. member for Meadow Lake afterwards.

The Deputy Chairman: I must have the unanimous consent of the committee to let the hon. member continue his remarks.

Some hon. Members: Agreed.

• (4:50 p.m.)

Mr. Peters: I will not abuse the privilege. I was only making an impassioned plea on behalf of the farmers who I believe have a different type of problem from that of other people. They have never budgeted for lawyers fees, for accountants fees or for bookkeeper's fees. They are really not in a position to establish an accrual accounting system at this time. The minister is here, and I know he comes from a municipality which is surrounded by a rural area. I only suggest to him that we stand these other three sections and refer them to the Agriculture Committee for study. I mentioned that the Canadian Federation of Agriculture had made representations. Other farm organizations also have made representations, all of which have hinged on these two or three particular problems. The solutions suggested have not been identical in each case but the representations have been sincere. I therefore ask the minister to give consideration to some study of the problem by the agriculture committee. We will be with this legislation for a long time. I am not suggesting we will be with the income tax bill as such for a long time, but that we will have to live with the income tax act for a long time.

I realize the government believes we should have larger, more economical farms. I also realize there is an advantage in having large, easy to understand units. I am sure, however, the government will also agree there is a large number of voters in this country who are either one generation removed from the farm, or who may even still be close to the rural economy, who believe there is a way of life in Canada in ownership of land which does not involve only the hobby farmer but which involves a way of life which is to be protected. I therefore make the plea that the minister consider referring this to a committee where we can specifically hear people on the particular subjects of concern. It would even seem to me that if this section were omitted when the bill is passed that would not be too bad. We could use the exceptions which are already there and, for a period of time, give consideration to what the best method is to solve this problem. The minister may have a better suggestion, but I make the plea that at least he give consideration to our obtaining some information from the farm organizations themselves concerning what might be a more equitable farm tax structure, without at the same time making it more difficult and more expensive for people to carry on in medium and small-sized farms in Canada today. We should make it possible for those people to continue the normal way of life they have chosen.

Mr. Cadieu: Mr. Chairman, I listened to this debate with a great deal of interest. I could not help but note the manner in which the parliamentary secretary, who comes from that great cattle country in the Calgary area, answered the hon. member for Crowfoot this morning when he was speaking on the very important topic which we were debating at that time. I am sure that when he goes back to his constituency he will have a little explaining to do to some of the cattlemen in that great area where cattle have been produced for so long and so well. I believe the hon. member for Crowfoot made a very important point when he referred to the situation of the Canadian cattlemen as compared with the position of the cattlemen to the south, and the problems our cattlemen face which are not faced by cattlemen in the United States. He referred to climatic conditions and many other conditions such as population. We must be on a competitive basis. I certainly think that the hon. member for Crowfoot got right down to the meat of the problem which these cattlemen face.

We must have competition. I am glad we do have competition among the livestock people. This is what the livestock men have fought for through the years. This is what they want to see continue. I believe the government was very lax in studying the situation of the United States cattlemen with regard to the basic herd. Since the government has not looked into this, I think that instead of standing only section 29 we should stand also sections 28, 30 and 31. If we stand one section, I believe we should stand all four sections because they are all very much connected. If we are to scrap the basic herd concept—and this has been talked about—then we might just as well scrap a good many of the livestock men because they will be forced out of business altogether. We might stop and think about the amount of money the various provincial governments have lent, for the purpose of setting up young farmers in areas which are adaptable to livestock production. For the life of me I do not understand, when we have the provincial governments trying to do something about keeping these boys and girls on the farms and providing them with a low rate of interest in order to get set up, why the federal government should be putting on this squeeze.

I am sure many of these people would not be very interested in continuing much further because it is

already very difficult for them to become established on a farm. After taking a good look at the situation, I cannot understand why this government would come in with such a bill. I do not think the government is listening to the people or is paying attention to what is going on in respect of the farm population. I would have thought the government would have given much more study to this matter. When one looks at the farming situation today, it is evident that farmers have not been able to pay the minimum wage. I think this is a shame.

I do not understand why farmers should not be able to pay the minimum wage and thereby be in line with those enterprises which they have been instrumental in establishing in the first place. For instance, why should not the livestock man or the farmer be able to pay the same wages that are paid by telephone companies, power companies and highway construction companies. The farmers are the people who were instrumental in bringing about these developments. Now, they find themselves in a predicament. We talk about unemployment. It is terrible to think of the number of people who are unemployed.

• (5:00 p.m.)

If you go to a farm or to a ranch and try to hire a man you will see what you are up against, because in some provinces what farmers are getting for their produce does not even provide them with a minimum wage. I think this is a shame and the government should take a good, hard look at these provisions before they talk about what they will do with the basic herd concept.

Farmers find themselves in a predicament. I made a check on this in my own district very recently—and it is a pretty good district. In certain sections of that country I could scarcely find a farmer who could make a go of it unless he was subsidizing his holdings through some other method—his wife was teaching, nursing or working in other ways to help subsidize the farm or the farmer was moonlighting, driving a school bus, doing construction work or some other work in order to keep his farm together. If the government does not know this, it should take a look at the situation. Very few small farmers today can make a go of it without subsidizing their farms. This should not be the case.

If this bill passes, farmers will be driven off their farms, and I think this is a shame. I have taken a good look at what is going on in the farming community and I find that the trouble lies in the fact that farmers are forced to produce at lower prices than have prevailed for years. You get 60 cents for barley, 40 cents for oats and $1.20 for No. 3 wheat. This is what the farmer is up against. This government will make it utterly impossible for him to stay on his farm. I cannot for the life of me understand why the government does not listen to the people and find out what is going on. People in Saskatchewan made their opinions known last night. The government should take a good look at the situation before coming in with a bill such as this.

I believe that the basic herd concept has been set up by regulation. I am not sure that it has been set up under the act. I think the four sections should be stood. They should be sent back to the committee on agriculture for further recommendations. It is a waste of time for us to sit here and debate such a bill, and it is almost impossible for the House to pass these provisions on farm taxation. If these sections are sent to committee, the committee might come up with a sound report and we might find out what the basic herd concept really means. Many of the basic herds that have been set up are registered herds. Many young people who in the past few years have been starting out in the farming business have not been able to establish a basic herd, and they will be very disappointed. I do not know why they should want to carry on and I do not understand why the government would not want to do something about this problem. They will find that these provisions will destroy many pure-bred herds.

I should like to make a few remarks regarding the capital gains tax on used machinery. We must take into account the cost of new machinery now as compared with what it was three or four years ago. If a farmer has to pay capital gains tax when he trades old machine for new machinery, at a time when he must pay almost twice as much for a new machine, I do not see how he will ever be able to buy machinery for farming.

We do not need to confine ourselves to the Prairie. Let us consider any rural area and we will see how disappointing it is for the sons and daughters of farmers to be unable to carry on the family farm. It is next to impossible and I do not know how many will be able to do it. Several provincial governments are trying to help out farmers in this situation, but here we have the federal government wrecking the whole works in trying to bring in a bill such as this.

I do not see any point to standing only section 29. I believe the four sections should be stood because they are related to each other. I do not know where the government thinks it is going with this kind of legislation affecting the farming population of Canada.

Mr. Guay (St. Boniface): Would the hon. member allow a question?

The Deputy Chairman: This can only be done with the permission of the hon. member who has the floor. Does the hon. member for Meadow Lake allow the hon. member for St. Boniface to ask a question?

Mr. Cadieu: I did not hear the question, Mr. Chairman.

An hon. Member: It has not yet been asked.

The Deputy Chairman: The Chair was only seeking the acceptance of the hon. member.

Mr. Cadieu: Yes, Mr. Chairman.

Mr. Guay (St. Boniface): I would ask the hon. member for Meadow Lake a question with reference to the basic herd. What is the difference between a young couple who are being helped by the provincial government and his own situation on the farm, where he has a large herd of cattle? In other words, the hon. member has a large stock of cattle, while the young couple has not yet established one. Could the hon. member explain the difference between his case and that of the young couple?

Mr. Cadieu: Yes. There is no difference, because my farm could not carry on if it were not for my sons whom I want to set up. There is no difference at all between the young couple who get a loan from the provincial govern-

ment and my sons who receive my assistance in setting up a farm.

Mr. Howe: I do not want to take up too much time today because yesterday I made some comments with reference to these items. However, there are one or two matters on which I should like to seek the advice of the parliamentary secretary. One of them arises from the brief of the Canadian Federation of Agriculture which contains a section headed "Guidance to the farmer". It reads:

> The problems for the farmer in dealing efficiently with the problems he faces in the period of transition to the provisions of the new bill will be very real, and it is important that he be as fully aware as possible of what he should do to set his records in proper order, and in all other respects arrange his affairs to his best advantage. The problems involved in establishing valuation day records of assets, and valuations on them, are one example here.
>
> We very much approve the government's intent to prepare working guides to aid taxpayers in such problems. These should be clear in layman's terms and widely distributed.

• (5:10 p.m.)

I hope the government takes note of the words "These should be clear in layman's terms," because that is the difficulty with this bill. It is very complicated for the ordinary individual, and in fact many of us in the House of Commons have great difficulty with it and are not sure that we understand it.

> One should be prepared, we believe, directed to the specific problems of farmers.

I presume this one has been prepared, but I wonder whether during its preparation the farming organizations were asked for their advice. They are the representatives of the farmers. I would think that before a pamphlet such as is described here is sent to farmers, the farm organizations should have an opportunity to examine it and determine whether it does the job it is supposed to do.

Although section 29 has been stood, there are one or two questions about it that still perturb me. There are matters the government should take note of when deciding what to do about the section. Earlier today the hon. member for Simcoe North talked about people who raise special breeding herds to be sold for breeding stock. From time to time we hear about people who have developed outstanding animals. I have a particular interest in this matter.

One of my constituents has been breeding Charolais cattle—in fact two people have been doing so—and just the other day one of those cattle was sold for $53,000. No doubt the income tax people have already heard about it. I wonder what the provisions in this bill would do to an individual like that, who spends a lot of time raising pure-bred stock and eventually has the satisfaction of going to a sale and getting a price—not always as high as the one I have mentioned—for an animal to which he has given great attention, keeping records of blood lines and doing all the things that lead to good breeding. This is a special case. There is another special case that should be considered. As I mentioned yesterday, there is the case of the junior farmer or 4-H club member who is given an animal each spring to rear and who sells it at a fall fair. Representatives of packing companies attend the fall fairs and bid on such animals. Generally the young person gets more than the market value of the animal. But there is one particular case that has come to my attention.

[Mr. Cadieu.]

Young people have won what we call the Queen's Guineas at the Royal Winter Fair in Toronto. I am not sure how much that amounts to in cash, but I well remember that some years ago a steer that won the Queen's Guineas at the Royal Winter Fair was sold for about $5 a pound on the hoof. Such animals are bought by firms such as Simpsons, Eatons or meat packing companies, for promotional purposes. Sold at that price, the cash realization, taking into account the value of the prize, was around $7,000 or $8,000. Such things have to be taken into consideration when examining this bill.

My hon. friend from Meadow Lake and other hon. members have argued that all these sections dealing with agriculture should be stood. Personally, I do not know why this voluminous bill was brought in at this time and why a deadline was set to get it through by the end of this year. After all, it will affect the lives of practically everybody in Canada. It is important to a great many people. So far as many of us can see, only those people who will receive increased income tax exemptions and who will be taken off the income tax rolls will benefit from it. But probably by the time the bill goes through and is enacted the cost of living will have increased to such an extent that their so-called savings will have melted away.

Therefore I would add my voice to those who are suggesting that not only should these sections be stood for the time being and sent to a committee for further consideration, but I think more time should be taken to examine all sections of the bill to ensure that when it is passed it will represent the best job that can be done on tax reform.

Mr. McCleave: Mr. Chairman, for the next few minutes I will not engage in small talk on farming but deal with large philosophical questions. That will give Canadian Press a chance to go out and have a glass of water until approximately 5.27 p.m., since I became dead in their eyes as the result of a speech I made last week in this debate.

I would like to make one remark and raise several questions regarding this part of the debate. This arises out of the fact that as I travel through part of my constituency I am struck by the number of small farm places that have been vacated. In other words, I am struck by the death of small farming operations in my part of Canada. I believe that this sort of thing is also happening in other parts of the country.

To establish the bona fides for my remarks let my say that none of my ancestors for at least two generations of which I am aware, nor I myself, has been qualified to run a farm—and if we attempted to do so we would immediately find ourselves in great peril. So I am not posing as an expert on the death of the small farm, but I am posing perhaps as a philosopher on the question of why this sort of thing should happen. In East Hants one can see a prosperous community of farms and also many farms that have been vacated. Therefore we know that the institution of the small farm is imperilled.

Mr. Chairman, it is very difficult to gather one's thoughts when there is such a babble from the backbenches on the other side, even though it does not appear on the record. There is one question I wish to ask the parliamentary secretary. Granted that a new income tax act should not only be a document of reform to overcome some of the problems I have mentioned on about 15 or 20

occasions in this debate—it should also be a document to point the way to the future.

• (5:20 p.m.)

From the philosophical point of view, I wonder if the parliamentary secretary or the minister could tell us whether there is anything in this document which tends to save the small farming operation in Canada. Frankly, I do not think there is. But perhaps there was some good intention which was lost in the discussions and which would show that our children and grandchildren could adopt farming as a way of life. I think I should have first put the question: Is there any way that one would be encouraged to establish a farm? The second question would be: Will there be any incentive to operate a small farm unit?

These are basic questions and I do not think we have the answers. We have been dealing with questions regarding farming operations of monumental size, but if we are to establish some sort of equity in taxation we should also establish a policy with regard to what we want to build in Canada. When I drive down the highway for about 20 miles in East Hants and see 40 or 50 vacant farm buildings, I must ask the question here and I think I should have an answer.

Mr. Mahoney: Mr. Chairman, a number of questions have been raised by hon. members. I am sorry that the hon. member for Central Nova was not able to remain, because he asked some of them. However, most dealt with appeal, enforcement and administration sections of the bill rather than those currently under consideration, so perhaps an opportunity will arise to respond to the hon. member when those sections are before us. I do not think I should take the time of the committee now to respond to them, since he is not here. However, I should like to congratulate him on the fruits of his own research as opposed to that of the research department referred to earlier.

During the afternoon there have been a number of suggestions that something could be accomplished by referring these sections—not just section 29 but others—to the Standing Committee on Agriculture. I think hon. members opposite are doing a disservice to committee of the whole which is charged with the responsibility of dealing with this bill, and also to the work of the Standing Committee on Finance, Trade and Economic Affairs. Over a long period of time the latter committee heard representations from agricultural organizations and individuals concerned about agriculture and had the opportunity to report and make recommendations.

The hon. member for Battle River was very active in this regard, as was the hon. member for Dauphin and the hon. member for Regina East who served full-time on that committee. They are men with an agricultural background. In addition, on a number of occasions we were honoured with the presence of the hon. member for Kent-Essex, and on one or two occasions we even had the hon. member for Crowfoot join us when matters of particular interest to him were being considered.

Mr. Horner: When time permitted.

Mr. Mahoney: Hon. members opposite, as well as those from this side of the House who served well on the committee, had opportunities to advance the views they are now advancing. The Finance Committee has done its work and nothing useful would be served by agreeing to the suggestion that has been made.

The hon. member for Wellington-Grey-Dufferin-Waterloo was not able to remain for the answers to his questions, but perhaps he will read *Hansard*. I should point out that the area of information services to which he was alluding is the function of the Department of National Revenue which will be bringing forth various publications for the guidance of taxpayers under the new system. Accordingly, the hon. member might wish to raise that matter with the Minister of National Revenue, but I seriously doubt that the Department of National Revenue will be in a position to finalize the material until Parliament has passed Bill C-259 and it has become law.

The question of the desirability of this information getting into the hands of taxpayers might impress itself on all members of the House. I very much agree with the hon. member that it is desirable that taxpayers be informed very soon, and in layman's language, of the best way to adapt, where necessary, their business practice to the requirements of the new system. Until that time comes I think it would be regrettable if many taxpayers who do not already find that their business affairs require them to rely on professional tax advisers paid money to people currently advertising their services in anticipation of the forthcoming tax system. Until the tax bill becomes law, those tax advisers are not in a very good position to give concrete advice on matters of real application under the forthcoming law.

I reiterate that I hope the general body of taxpayers does not take the bait of the many advertisements that are appearing on a "scare" basis inviting them to spend money in anticipation on a bill that has not passed Parliament. The Department of National Revenue will be making a real effort to give explanatory material in layman's language which will, hopefully, eliminate the necessity for professional tax advice for all but the small minority of taxpayers who now find themselves in need of that kind of advice. I thank the hon. member for giving me the opportunity to put that comment on the record. The hon. member went on to raise the question of breeding stock which had also been raised by the hon. member for Simcoe North. Rather than repeat that answer, and as he is absent, I would refer to the answer I gave the hon. member for Simcoe North.

The hon. member for Halifax-East Hants invited me to participate in this debate on a philosophical basis. Mr. Chairman, I have enough trouble trying to do what I think I am competent to do without discussing agriculture on a philosophical plane.

Mr. Horner: You are wise there.

Mr. Mahoney: Accordingly, Mr. Chairman, I must decline that very wise and thoughtful invitation.

Mr. Horner: Mr. Chairman, I would like to pose a few brief questions with regard to section 28. The parliamentary secretary tended to reject the concept of referring section 29 to the Standing Committee on Agriculture. I do

not know whether he was going to refer section 29 or all these four sections to that committee, but he seemed to reject that idea. Perhaps when he rises again he could give the committee a preview of exactly what study will be given to section 29 now that it has been stood.

Surely they did not just stand it in order to enter it again in the same form. Surely they would like to convince us that they will thoroughly examine it to see whether it is detrimental to the industry. I would not like to see it entered first thing tomorrow and our debating the same thing again. The parliamentary secretary should give us a preview of the government's thinking now that we have agreed to stand section 29. Will they be soliciting the advice of stock breeders and cattlemen? How will this apply to breeding stock in hog production? This is a very important point, because pathogenetic pre-breeding stock in the hog industry is an important facet of that industry.

• (5:30 p.m.)

Could the parliamentary secretary also outline for us, briefly, the purpose and meaning of section 28(4) which concerns with changes in residence and tax payable by those who are no longer resident in Canada? Could he tell us what implication this subsection has with respect to the computation of one's income tax, whether on a cash or accrual basis?

Mr. Mahoney: Mr. Chairman, the hon. member has invited me to indicate what is the nature of the consideration that will be given to section 28 that was stood at the suggestion of the hon. member and with the agreement of hon. members on this side of the House.

An hon. Member: The committee stood section 29.

Mr. Mahoney: I would simply say that it seems appropriate for us to be given the opportunity to study the record of the debate on that section and the remarks made yesterday and today. As the hon. member is well aware, representations from the Canadian Federation of Agriculture have recently been received and the Canadian Cattlemen's Association has been bringing its views forcibly to the attention of Members of Parliament. Obviously, I am not in a position to indicate, nor do I intend to convey the impression that I can indicate, what if any changes may result. Nor may I indicate any timing as to when possible changes might be expected.

The hon. member asked a question regarding section 28(4). I did not have the opportunity of reading that rather lengthy section while the hon. member was asking the question. I will take the opportunity to look at it and will try to respond to his question before six o'clock.

Mr. Bigg: Mr. Chairman, I have in my hand the brief of the Canadian Cattlemen's Association. What strikes me about this presentation—and I am sure the parliamentary secretary will agree with me—is the very reasonable argument it puts forward. The cattlemen of Canada, among whom we may include mixed farmers who are in the beef industry, enjoy an enviable record. They have never come to the government hat in hand and asked for special consideration.

If you read this brief carefully—I am sure the parliamentary secretary has, although it was addressed to the

Minister of Finance—you will see that it is couched in the typical and modest understatements of the best cattle breeders and mixed farmers of Canada. They are not asking for special consideration. If you read the brief, however, it is plain that they are not overly happy about Bill C-259. I would put the last paragraph of the brief on record for the convenience of those who wish to refer to it. It reads:

> However, this brief itself is not enough. We believe this issue is so important to agriculture that we herewith request an opportunity to meet with the proper authorities to discuss these matters and to offer more information if requested to support our case.

I do not hold myself out as an expert in the field of cattle breeding although I have had experience as a ranch-hand and was raised on a farm. I have lived with these people all my life. They are worried about the implications of Bill C-259. They are particularly concerned about those sections of the bill that affect agriculture. They ask, in which direction is agriculture going and what is to be the future of cattlemen and farmers in general?

Cattlemen are not confined to western Canada. I suggest that as many head of cattle are produced in other parts of Canada as are produced in western Canada. This question affects vitally the cattle breeders of Ontario, Quebec, the Maritimes and British Columbia. Thousands of cattle are raised in the Fraser Valley. If they are not raised, they are fattened. When you speak of the cattle industry you speak not only of the raising but of the fattening, improving, marketing and selling of cattle.

The Cattlemen's Association is worried about some of the implications of this bill. The question of the basic herd was thoroughly discussed and I was pleased that section 29 was stood. I hope it will be stood long enough to permit consultation to take place between those concerned and the government. We want no more short cuts, no matter how well meaning they may be. We want no more talk about ministers being ready to go to jail, and all sorts of horrible consequences that may follow if one breaks the law. We want to make sure that the law as passed has been brought into being through full consultation with people whose living and future depend on our doing a good job with this bill.

Some hon. Members: Hear, hear!

Mr. Bigg: Nothing is more serious to the people of Alberta than any infringement upon the rights of cattlemen and mixed farmers to stay on their farms and run them in their own way. I say what Mark Antony said to the crowd: If I am wrong, I apologize: however, I am sure I am right.

Every part of this brief is couched in the typical understatement of outdoor men, men who are not self-conscious, who are not worried about petty things but who are worried about their basic freedoms and their right to remain free and independent. They do not like coming to the government and asking for special consideration. These men believe—I say this with great conviction—that every Member of Parliament believes in supporting their basic freedoms. They expect to be treated as fairly and as equitably as every Canadian expects to be treated.

These people are capable of producing the finest beef cattle in the world. They are a great credit to their profes-

sion and to their personal integrity, ambition and labour. They know their profession—and beef raising in Canada can qualify as a profession. These men are not merely entrepreneurs; they are experts. They do not dabble in this field. They produce the finest range cattle in Canada. They will put on your plate the finest beef that is to be found anywhere—good Canadian beef steak. In their own mild way they say they want to be consulted. They do not say, "We demand this." They want to be consulted, as they have a right to expect. As far as every member of my party is concerned, we will make sure that they are consulted.

As I said, I am not an expert on beef raising. Those in the Canadian Cattlemen's Association are experts in this field. They have taken the trouble of consulting among themselves in order to bring forward the short and concise document we have before us. This must be considered if common sense is to apply to sections of the act relating directly to this association. If we do not do that, we are delinquent.

• (5:40 p.m.)

The hon. member for Crowfoot is to be congratulated on making such a strong presentation that the government has seen fit to stand section 29. This brief should be carefully read—the last paragraph in particular—because it contains very detailed and precise information which the government requires before these sections of the bill can be included in a permanent income tax act which will be equitable to cattlemen. In the brief they say their concern about Bill-259 derives from insufficient evidence being given to the unique and special nature of farming. I have said this before and the hon. member for Crowfoot and others on this side of the House have said it in no uncertain terms.

Farming is not just another business. It is a way of life. On the farm you do not punch a clock or count the hours. Anyone not engaged in the process of raising beef does not know how many unpaid hours a cowboy works. If a cow becomes sick in the middle of the night or is having a calf, the cowboy is up all night. He must act as a midwife and a nurse. His hours are not cut off by a union time-clock. If he is worth his salt—and he normally is—he is on duty 24 hours a day. You cannot define that in terms of union wages.

The whole family is involved in the process of raising cattle. I have seen a housewife wrap her coat around a calf, put the calf behind the stove and feed it with her child's bottle. She cares for it until it is able to stand and return to its mother in the barn. What in this act gives recognition to this different and special nature of farming? Is it a capital gain when you raise a small herd and produce the finest beef in the world? Is it a capital gain, or is it a question of deferred wages for the whole family? The housewife on the farm often rides out on the range to help her husband round up the cattle. She has no relief from taxation. The husband has no relief from taxation in the normal sense of the word.

Today we are all involved in seeking security and perhaps rightly so. Where does the family farmer and rancher stand with regard to the Canada Pension Plan? As the Minister of Finance and all members know, you cannot join the Canada Pension Plan unless you show a net profit on your farm or ranch. How many small farmers or ranchers have the know-how or can afford to keep proper books? Of these, how many earn $800 after expenses are paid? That is the minimum amount necessary to join the Canada Pension Plan. Even the maximum pension is not magnificent, yet you have to show at least $4,700 net profit. That would be an exception.

It is true that some ranchers in western Canada show considerable profit, but we are talking about averages. We in this House make rules for the average Canadian, the small farmer, the small rancher and the average person who started off with a quarter section of land and no money. After a lifetime on the land, they may have built up a big spread. I repeat, this is only deferred wages.

An hon. Member: You don't know what you are talking about.

Mr. Bigg: Someone has said I do not know what I am talking about. I have the scars of labour on my body to show that I know what I am talking about. I worked on a homestead. It required a great deal of work.

In western Canada there are many broken farms and broken lives. These people have put 20 or 30 years into working hard on the farm. They have received very little in the way of monetary return. They receive some reward, the freedom of being their own boss. They have received a reward by changing a bog, sandhill or a piece of stony ground into a viable farm. This is not capital gains; it is deferred wages—small wages at that.

Some couples have worked hard for 40 years on a quarter section of land which is stony, bony and full of stumps. They have drained it, cared for it, fertilized, seeded and harvested it. They had to borrow the money and had to pay excess prices for freight rates on farm machinery. They have received depressed prices for their product. An improvement from a $10 quarter section to a $50,000 viable farm is not a capital gain. That is utter and ridiculous nonsense. I do not know how anyone could say this is all wages or all capital gains. I would hate to have to do that job. This is unfair to those who took a raw quarter section of land and made it into a viable farm. They have already paid for it with blood, sweat and tears. They spent many hours of long, hard work during the cold Canadian winters. They put their lives into this investment, yet there are those who say this is a capital gain.

The members of the Canadian Cattlemen's Association are heroic people. They do not want to be called heroes. They want to be left alone to run their operations. When they pay for a farm with labour and deferred wages, they want the right to leave it to their children or grandchildren, unencumbered by unnecessary taxation.

My friends to the left, who are avowed socialists, say that this bill is too socialistic for them. It has an air of compulsion about it that they do not like. They are to be commended for this. This is a form of compulsion by taxation. In a great many cases it is confiscation by taxation. The Canadian Cattlemen's Association does not shriek independence or secession. They have thought about it but that is not the way they behave. They spend too much time working to sit around and talk about revolution. They want evolution. They want us to work

out a square deal for them. Even if they do not say what is equitable, it is up to us to determine this for them. Many provisions in this bill are not equitable. It is not equitable to treat farming like every other profession in this country. It is not the same.

Farmers do not have union hours or fair employment practices. They do not have equal treatment of women. I should like to see the women of this country get up and talk about that. I should like to see them get behind the housewife on the farm and ask for a fair deal for these women.

• (5.50 p.m.)

Would you like me to talk about child labour for a while? Have you any idea of the kind of labour a child often puts in on the farm, unpaid except for bare grub? And they are leaving the farms in droves. Not only are their parents incapable of making a living under present conditions, but when a greedy government comes along intent on treating deferred wages as a capital gain, saying, "We want our share," it is no wonder they decide not to continue as their parents have done, breaking their backs to improve stony land. I do not think the government should have any part of it.

But I go along with the brief the Canadian Cattlemen's Association has presented. They ask to be treated as gentlemen. There is no word in their brief of revolution or secession. There is just a plea for equity. It is not equity to take deferred wages and call it capital. The farmers have paid with their labour for every dollar which has gone through their hands. They have paid in higher freight rates, in a lower standard of living, in their employment of other people, in their production of the finest food of any country in the world. I am thinking now about beef, although I might say the same about wheat and about a great many other Canadian agricultural products. As I say, we have been asked to consider a gentlemanly and mild brief from this organization. The plea it contains is: Do not act further until you have held the kind of consultations which this government has always claimed to support.

The government opposite is not the first which has consulted the people. But if this is their boast, and if they intend to put it into action, I beg them to take this brief and give it the consideration which has been requested. There is no rush. Canadian cattlemen and ranchers have been in existence for 100 years. There is no rush to get this bill through in the next three weeks. These people will not be satisfied unless they are consulted. It will not be good enough for us to sit down in the absence of consultation and make rules to govern members of the Canadian Cattlemen's Association, tie up their assets, take away their land and restrict their ability to build up basic herds. I remind the committee that the record of these people is excellent.

The Deputy Chairman: Order. I regret to interrupt the hon. member, but I do so because his time has expired.

Mr. Mahoney: Mr. Chairman, I undertook to respond to the question asked by the hon. member for Crowfoot regarding section 28(4). That provision applies where a farmer who has reported his income on a cash basis leaves Canada and becomes a non-resident. It operates, in effect, to put him on an accrual basis at the time of his departure so that cash receipts attributable to his period of operation of the farm business prior to giving up residence become taxable. Under the general Canadian tax law personal taxation is levied on the basis of residence but cash receipts after the farmer has left Canada attributable to business operations carried on while he was resident here are properly taxable.

Mr. Horner: Are they charged against the land he left, or would the government search him out wherever he might be?

Mr. Mahoney: I do not think other countries would necessarily enforce the act for us, but any taxes due would be chargeable against whatever assets he left in Canada including any interest he might have in any land.

Mr. Horner: If he had sold the land, would the new owner have to discharge the liability for tax?

Mr. Mahoney: No, there is no lien on the property of anybody else but it is possible, of course, that there might be a balance payable to him under a mortgage, and that could be attached. But nobody else would be called upon to pay the revenue department any money which was not owed the taxpayer.

Mr. Gleave: I notice the parliamentary secretary said it would be the same as the accrual method. According to the section as I read it, the assets which this individual possessed in terms of land or livestock or grain, particularly under the accrual method, would go into inventory. Would the total amount be taxable in that year?

Mr. Mahoney: To the extent that it was inventory it would be income for the year. But there are, of course, provisions for reserves. Is the hon. member speaking of the non-resident in this case?

Mr. Gleave: No.

Mr. Mahoney: Then we are not dealing specifically with the person who has given up Canadian residence.

Mr. Horner: Six o'clock.

Mr. MacEachen: I rise on a point of order, Mr. Chairman, to indicate to the committee that after consultation we have agreed to return at eight o'clock to the grouping of sections we were dealing with before this present grouping, beginning with section 74 and continuing that group. When we complete that group tonight or tomorrow we will call division I, sections 150 to 168 and division J, sections 169 to 180 and part 15, sections 220 to 244.

If these clean-up sections are completed we can return tomorrow to the grouping of sections we have been dealing with up to this moment, namely, 28, 30 and 31. On Monday next we can begin discussion on the capital gains section. I have already indicated the sections we will deal with under that heading—they are to be found at page 9251 of *Hansard* for November 2, 1971.

Mr. McCleave: This is the understanding which has been agreed upon as to the orderly disposal of the bill.

Mr. Knowles (Winnipeg North Centre): That is our understanding also. Is it likewise clear that we shall go to

the capital gains section on Monday, no matter where we are at six o'clock tomorrow.

Mr. MacEachen: Right.

The Deputy Chairman: Is the suggested program agreed to?

Some hon. Members: Agreed.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Order. As the committee will recall, on Friday last the Chair raised a question as to the procedural acceptability of the motion proposed by the hon. member for Edmonton West to amend section 74. It might be helpful if at this point the Chair mentioned that at the time of the adjournment at six o'clock this evening it was agreed, by special arrangement made earlier this day, that the committee would proceed to the consideration of sections previously under consideration. If hon. members would like me to put them on the record, the sections the committee now has before it are 74, 75, 76, 77, 78, 81, 126, 144, 145, 148, 149, 198, 199, 200 to 207, 248 to 252 and 254.

As I have said, when the committee last considered this grouping the hon. member for Edmonton West proposed an amendment to section 74 in respect of which amendment the Chair expressed some doubt as to its procedural acceptability. Unless other hon. members wish to be of assistance on the question of its procedural acceptability, the Chair is prepared to make a ruling now on the amendment.

I took under advisement the amendment moved last Friday by the hon. member for Edmonton West. The effect of the amendment, if passed, would be to shift the incidence of taxation from one taxpayer to another. It seems to me that it would little matter that the financial initiative of the Crown permits it to initiate a taxation proposal if it were then open to any hon. member to propose, by way of amendment, a different substantive scheme of his own. In his argument on the procedural aspect of the amendment, the hon. member for Edmonton West referred to the altering of the balance of ways and means. I indicated that my concern was whether the amendment would shift the incidence of taxation and later the hon. member for Edmonton West was kind enough to direct his remarks to that point.

At the outset I should mention that an alteration in the balance of ways and means has not been a factor in decisions made to date in this committee. It seems to me that in modern day practice it is impossible for any hon. member to move an amendment on a taxation matter that would not affect the balance of ways and means. If this were the only consideration to be applied in determining the procedural acceptability of a motion, I would think that in this day and age no motion could successfully pass the test. Here I should like to refer to Beauchesne's Fourth Edition, citation 268, and read it into the record:

> Though it is the function of the committee of ways and means to impose rather than to repeal taxes, example of the repeal of taxation effected in this committee are to be found upon the journals. Proposals for the variation or modification of taxation can therefore be made in the committee; but these proposals must be grafted upon the financial scheme submitted by the government, and must not affect the balance of ways and means voted for the service of the year. Amendments, therefore, can be proposed to substitute another tax, of equivalent amount, for that proposed by the government, as an alternative duty, the necessity of new taxation, to that extent, being already declared on behalf of the Crown.
>
> (2) An amendment proposing to substitute probate and legacy duty on real property, as an alternative for inhabited house duty imposed by resolution has been admitted.

• (8:10 p.m.)

Hon. members who are familiar with this citation will know that the authority quoted for that statement dates back to 1852 and 1853, and also the next statement, "See also similar proposal to substitute a duty on soap for a duty on newspapers". It seems to the Chair that the authority on which this citation is founded pre-dates confederation. I emphasize the latter part of the citation because it seems to me that it is an authority which must be of importance to us in considering the matter before us. That authority, in the latter part, reads as follows:

> According to modern practice such an amendment is out of order. Even if the exact equivalence in the amount of the yield could be guaranteed (which is manifestly impossible), the objective that the incidence of the tax proposed would be extended to persons previously exempt would be fatal to such an amendment.

On October 25, 1971, at page 9013 of *Hansard*, in considering the amendment then proposed by the hon. member for Portneuf I stated that the Chair must first preserve the principle of the financial initiative of the Crown. On two or three occasions during the proceedings on this bill the Chair accepted amendments which purported to reduce taxation across the board in a general way.

On those occasions citation 265, paragraph (1) of Beauchesne's Fourth Edition was used as an authority. On the other hand, the proposed amendments which have been disallowed by the Chair, including the amendment proposed by the hon. member for Portneuf, were proposals which on the one hand reduced taxation but which on the other hand attempted to shift the incidence of taxation. It was the latter aspect, in these cases, which the Chair was unable to reconcile with the principle of the financial initiative of the Crown as stated in paragraph 2 of citation 263 of Beauchesne's Fourth Edition. That citation reads as follows:

> The principle that the sanction of the crown must be given to every grant of money drawn from the public revenue, applies equally to the taxation levied to provide that revenue. No motion can therefore be made to impose a tax, save by a minister of the Crown, unless such tax be in substitution, by way of equivalent, for taxation at that moment submitted to the consideration of Parliament; nor can the amount of a tax proposed on behalf of the Crown be augmented, nor any alteration made in the area of imposition. In like manner, no increase can be considered either of an existing, or of a new or temporary tax for the service of the year, except on the initiative of a minister, acting on behalf of the Crown; nor can a member other than a minister move for the introduction of a bill framed to effect a reduction of duties, which would incidentally effect the increase of an existing duty, or the imposition of a new tax, although the aggregate amount of imposition would be diminished by the provisions of the bill.

It seems to me that the hon. member's proposed amendment would inevitably shift the incidence of tax as between spouses and undoubtedly in many cases would increase the tax of one of the parties. I should like to assure the hon. member for Edmonton West that I have carefully reviewed the ruling of Mr. Speaker on December 11, 1969, as the hon. member asked me to do and to which he referred in his argument. With respect, that precedent is not analogous to the situation now before the committee. It seems to me that what the hon. member for Edmonton West attempted to do on that occasion was to introduce a flat fee basis for a transportation tax which would provide an equivalent return to and in lieu of the tax provided for in the bill.

In the case before the committee, I suggest no equivalency in return is being sought. But here again, as in the precedent cited, there would be a shifting of the incidence of taxation. In the case before us the hon. member would initiate or increase a tax for persons not now subject to tax. I realize, of course, that there would also be a decrease in taxes for other taxpayers. The decrease in total might well be greater than the increase. In any event, there is no suggestion that they would be equivalent. Having made the distinction, it seems to me I do not need to consider at this time whether the citation in May is based on a well founded precedent.

With respect to the comments of the hon. member for Peace River on the proposed amendment as it applies to subsection (5), it seems to me that the Crown has set forth in that subsection a proposal to impose taxation in certain cases. This is a statement of the financial initiative of the Crown. If the purpose of subsection (5) is to provide the Crown, through a minister, a method of imposing taxation in certain cases, it is open to an hon. member to make an across the board reduction in the rate of taxation, but it is not open to him to initiate a proposal which would shift the incidence of taxation which is implicit in the proposal of the Crown as set forth in subsection (5). For these reasons I must regretfully decline to put the motion moved by the hon. member for Edmonton West.

Mr. Lambert (Edmonton West): Mr. Chairman, of course I accept your ruling, although I am, if I may say so with respect, reserving my opinion with regard to its exact effect. With regard to whether Your Honour's ruling, I shall re-examine whether it conforms with the authorities, not Beauchesne—which I suggest is limited and somewhat dangerous on these particular points—but May where perhaps there are many authoritative sources of reference.

In any event, having established this point I will now look at the substance of the whole of section 74. My only regret in putting the amendment as I did is that I had not included subsection (4) of section 74 because that too is affected in part by the principle I am against. Outside of the fact that this has been a so-called rule—not quite from immemorial days because the Income Tax Act goes back to 1917 and I doubt very much whether this particular provision was one of those at that time—I wonder why in this day of changing social concepts with regard to this question, apart from, we might say, an ethereal sphere of abuse, there is the insistence at this point, with the consequences which I have raised, that in very legitimate cases for which the child care exemption, incidentally, was designed to provide, there is now to be a denial because of non-qualification or disentitlement under section 74(3) and the arguments I advanced the other day.

[The Chairman.]

• (8:20 p.m.)

I would like to hear from the parliamentary secretary, since the whole thing is back on the table for re-enactment, why there is this particular insistence or objection to the points that I have raised and why the government would disentitle those people whom I have enumerated from the benefits of the child care provisions and the workers allowance.

Mr. Mahoney: This question has been answered two or three times, obviously not to the satisfaction of the hon. member. The problem here involves opportunities for income splitting, which would not be equitable to taxpayers who are not self-employed and do not have that opportunity. In the opinion of the government it would be most unfair to open up this opportunity to self-employed people when it will be denied to people on salaries or wages.

Mr. Lambert (Edmonton West): May I point out, with the greatest respect, that the parliamentary secretary is comparing apples with oranges. We are not concerned here with people who are employed by others. I find the answer absolutely incomprehensible. This is no case of a wife who is an employee of her husband who is an employee of someone else. Why bring these people into the act? It is totally irrelevant to compare these people with those who are self-employed.

Take the case of the person who is the principal owner of a limited company, no different from the man across the street in the same type of business. Yet in the one case the wife who comes to work for the business—quite legitimately so—will be allowed all the advantages under the Income Tax Act that I have pointed out, while if the business is not incorporated the law says that the wife is not only not considered as a separate taxpayer but she is not a worker and is not entitled either to child care benefit or to workers allowance.

If the parliamentary secretary can say that there is no justification for that comparison, then he is welcome to it, but these self-employed people whom I have mentioned are no different from the man who owns three shares which control the small company, the other share being held by the lawyer to make it a private corporation. Remember that some of them are getting the benefits, and the individual who works as an employee suffers because his wife cannot get these benefits. If she is working for someone else, she will certainly be getting the benefits whether she is working in a company or a private business. She will get these benefits so long as there is not this husband and wife relationship.

What is even more nonsensical, if they are not husband and wife but have a common law relationship—the woman is the man's mistress—she will be entitled to collect whether the business is incorporated or whether it is a sole ownership. There again I wonder why this particular advantage should be granted. Or is it that this time the state does go into the bedrooms, because it certainly has gone into the bedrooms and it vouches for the credentials.

Mr. Howe: Mr. Chairman, we have been discussing this point for some time. This is one reason why the bill has been discussed for so long. This is a matter that will mean a great deal to small businessmen. It is incomprehensible to me why the parliamentary secretary should say that this will open a great door to misuse and that these people will do something very bad. Let him go down and meet some of these people. They are not crooks; they are people who are interested in paying their own way and in being good citizens. Did he discuss this provision with any small businessmen? I wonder whether any discussions have been held with the people who are involved.

Earlier today we were talking about the basic herd concept with regard to agricultural matters and we found that not too much discussion had taken place with agricultural organizations. Here we have a similar situation. I cannot see why the government cannot give in a little once in a while and make it possible for the small businessman or the small farmer whose wife works hard to keep him in business and off the welfare rolls so that he can be independent and run his own show in our free enterprise system.

I cannot for the life of me see that this would make much difference to the amount of money that this government would take because, after all, if a man pays his wife a wage he cannot claim her as an income tax exemption. I cannot see any reason for the stubbornness of the government in not giving in on this small point which could be so important to a great many people.

Mr. Downey: I should like the parliamentary secretary to tell us the estimates of the department regarding the amount of revenue that this possible loophole would create. I am wondering how much research has gone into the preparation of this section. Was it the type of research that was so evident this morning when the hon. member for Crowfoot was discussing the basic herd concept and the parliamentary secretary, with the Minister of Finance and with all the high-priced help they have around them—as was pointed out so well this morning—had not looked into the simple matter of comparing the ranchers' situation in Canada with that of our friends south of the border who are our competitors?

We heard the parliamentary secretary tell the hon. member for Crowfoot to keep his ears open as well as his mouth, but ten minutes later he came back to apologize to the House for having made a mistake. I was wondering whether the same kind of thought and research had gone into the section which we are considering so far as concerns the amount of revenue that this supposed loophole would create. It was certainly adequately pointed out the other day that this is merely a piece of legislation on morality, or immorality if you prefer, which would not allow a man and his wife to work as a team and to adjust their income in any way they see fit, to their advantage. This is a very important concept and I would like the parliamentary secretary to come forward with some estimate. I would like to find out what the department has done with regard to revenue estimates.

• (8:30 p.m.)

Mr. Mahoney: Mr. Chairman, the matter, as I explained a number of times on Friday and no doubt will have the opportunity to explain a number of times before this evening is over, is not one of revenue: it is a matter of equity. I suppose a casual observer of this procedure—particularly referring to the very active part the hon. member for Battle River took in the deliberations of the Standing Committee on Finance, Trade and Economic Affairs—could not help but remark on the amount of time being devoted during this procedure to matters that are carried over verbatim from the old act and do not involve changes or reform at all. It is really quite interesting to me to witness this particular procedure.

However, the question in this case is not one of revenue at all. It is simply one of equity and of not—I know the hon. member for Edmonton West appreciates the point—affording to self-employed people an opportunity for income splitting that is not available to other taxpayers.

Mr. Lambert (Edmonton West): That is a lot of nonsense.

[*Translation*]

Mr. Caouette: Mr. Chairman, is there such a difference between employing one's wife, son or daughter in any business? I think that the point raised by the hon. member for Edmonton West (Mr. Lambert) is perfectly valid. Why should employing the son or the daughter be different from employing the wife in a business run by the husband? Then why not exempt from tax the wife on the same basis as the daughter, the son, the nephew, the niece or any other relative?

Where is the difference? I would like to hear the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) tell us how one can manage to be fair in income tax matters.

The hon. member for Edmonton West was perfectly right to raise that point and the parliamentary secretary ought to consider it. Why does he not consider it?

[*English*]

Mr. Yewchuk: Mr. Chairman, I also want to ask a brief question of the parliamentary secretary, dealing with the same point. It appears that if there are two businesses operating side by side in a small town, and in each case the husband wants to employ his wife, her wages will not qualify as a business expense deduction for income tax purposes. But if two men decide to swap wives for business purposes, with each man hiring the other's wife, they will be money ahead because they can then have their wives file their own income tax returns. This is a ridiculous situation. I recognize that this is not a criticism of the legislation that is proposed but is a criticism of the law as it exists.

The government should give serious attention to this promotion of wife swapping for business purposes. It is an outrageous situation. I asked the parliamentary secretary a question the other day and he did not answer it. I asked him, was it correct that so far as the income tax laws are concerned the wife is really a nonentity. She is not considered as a human being when she works in her husband's store. She is in the class of a machine which fulfils a function but does not qualify for recognition as an employee. That is a very reprehensible kind of rule, one which any decent individual in a position of authority would be anxious to improve.

I would like some explanation from the parliamentary secretary of how he thinks this provision is more equitable. I cannot see anything equitable about it. It seems to me that in the interests of progress, of removing our income tax rules from the medieval era in which women were not recognized for their efforts, in order to modernize the situation and give the legislation a truly progressive appearance, this kind of simple change would go a long way toward that end. I wonder if I could have an answer from the parliamentary secretary.

I want to point out, Mr. Chairman, that the parliamentary secretary was not even listening to the question and has made no effort to get up and answer it. I would like an answer.

Mr. Mahoney: I did listen long enough to ascertain that it was entirely fatuous.

Mr. Alexander: Mr. Chairman, the charming parliamentary secretary has reached a conclusion and I was prepared to listen to his reasoning until he introduced the word "equity." This is where he hung himself. The hon. member for Edmonton West gave a very telling example of what could happen with the section as it now stands. A small businessman can take advantage of the act of incorporation, with his wife playing an important part in the business and able to receive income. The businessman, through the devious means of incorporation, would be able to charge off his wife's wages in computing his income.

Here we are talking about a husband and wife situation. But let us deal with another situation to which this principle has equal importance, that of man and wife in a common law union. I ask the parliamentary secretary not to bring in the red herring of what is a common law union.

Mr. Mahoney: Give us the ground rules.

Mr. Alexander: You are the one who has to answer the questions. You are the one who is in government. I am throwing out these propositions in order to impress upon the parliamentary secretary that the use of the word "equity" was in error. A common law union is recognized in many instances in law as a valid union. I am not talking about paper and marriage certificates but about a union which is recognized in law. Reflecting upon the example given, the husband and wife involved in an incorporated company, and comparing that with the man and woman in a common law union, would the parliamentary secretary be prepared to admit that the word he used was wrong and that he should not have used the word "equity"? In fact, if he is going to talk about equity perhaps he should be amending that section to include the common law union.

I know that the government has wisdom, expertise and brains enough for its purpose with respect to this bill to defend it, and living under a common roof would be a good start. If we are to talk about equity, let us not be fatuous; let us be honest and change the section so that we have equity. As long as the situation remains as it is now, and as long as we and the parliamentary secretary can bring in the type of situation we have referred to, we can no longer talk about equity.

[Mr. Yewchuk.]

• (8:40 p.m.)

I would hope that the parliamentary secretary would use another word. I see the hon. member from St. Catharines wagging his tail and I don't know why.

An hon. Member: Because you are barking.

An hon. Member: That's a flipper; it isn't his tail.

Mr. Alexander: Maybe the problem is money rather than equity. Would the parliamentary secretary be prepared to say that he used the wrong word, or is he going to stick with what he says here and what he is giving to the Canadian people and say that this is a situation of equity?

An hon. Member: He doesn't understand it.

Mr. Mahoney: No, Mr. Chairman, I am not prepared to withdraw my suggestion that this is a question of equity. However, I think the government would be quite prepared to entertain any definition that the hon. member might care to propose—

Mr. Alexander: I gave you a start.

Mr. Mahoney: —anything which would place common law relationship in a position relatively comparable to the family unit in more conventional circumstances. So far, achievement of that objective has defied our ingenuity, but I am sure the hon. member would be able to advance suggestions.

Mr. Alexander: I am glad the parliamentary secretary dragged me into this debate by my heels, because I think he said it was beyond the government's ingenuity. That leaves me cold. As a matter of fact, it does not surprise me.

Some hon. Members: Hear, hear!

Mr. Alexander: I would suggest, in all sincerity, that working in concert and in a spirit of co-operation with all the brains and expertise there is on the other side of the House and with the co-operation of this side of the House, it might be wise to stand this section. I know we are not playing games, Mr. Chairman.

Some hon. Members: Oh, oh!

An hon. Member: There they go.

Mr. Alexander: Mr. Chairman, I do not know who prevents members of the government from speaking. That is not my business, but I will have the opportunity to be on that side soon and I will find out. But surely when we try—

An hon. Member: Come on over.

Mr. Guay (St. Boniface): Things are better over here.

Mr. Alexander: I will, any time you want to give up the reins of leadership. Your side of the House is extremely poor, so the Gallup poll says. We are prepared and have been prepared to take over. Let us get back to the subject. I was trying to make a good point. We have a responsibility here, gentlemen, and you are just wasting my time, your time and the time of the people of Canada.

Now that the parliamentary secretary is interested in equity, as we are, and is so interested in taking us under advisement, in a spirit of co-operation, and in view of the fact that he seems to have dug a hole from which he cannot escape, I ask humbly and in all sincerity—

An hon. Member: Don't overdo it.

Mr. Alexander: I am not overdoing it. Would the parliamentary secretary be prepared to say that I have a point? Would he be prepared to sit down and look into it further so that we might come up with an amicable and truly equitable solution? As he will not withdraw the word, would he be prepared to stand the section?

Mr. Mahoney: Mr. Chairman, it is not the hon. member whom I would take under advisement—I did that some time ago—it is his ideas that I would like to consider, since he obviously has been giving a great deal of thought to this question in the several days it has been under discussion in the House. As a prerequisite to his request for standing a particular section I think he might wish to outline in detail the extent to which his ideas have developed.

Mr. Ricard: Are you prepared to accept them?

Mr. Alexander: Mr. Chairman, I do not believe the parliamentary secretary is taking me or members on this side of the House very seriously.

An hon. Member: How can he?

Mr. Alexander: I am trying to show to him, in all sincerity and honesty, that what we have here is not equity.

An hon. Member: Right.

Mr. Alexander: If he is prepared to accept my argument, then rather than being facetious—

Mr. Mahoney: I was trying to take the hon. member seriously.

Mr. Alexander: I suggest that we should be serious and stand this section. The parliamentary secretary should not attempt to embarrass me by saying he would like to hear me develop my arguments. In the two or three examples which I gave, the parliamentary secretary should see that they show conclusively that there is no equity. If he is prepared to accept that, then I withdraw what I said about having him withdraw the word. Let us say there was some doubt, and I think there is. Would the parliamentary secretary be prepared to go that far? He is extremely difficult to convince but I know, Mr. Chairman, that he has compassion and understanding. I have seen him operate here in the past week and a half—

An hon. Member: Don't make us cry.

Mr. Alexander: —and when things become tough he is always prepared to say that we should stand this thing down and have another day to discuss it. I do not know why the parliamentary secretary cannot at least give us that courtesy. This section bothers members on both sides of the House, and notwithstanding the fact that those on the government side have not spoken I know they are as sincere as we are. All we want is an opportunity to look into it further and see if we cannot work out a solution which we can call equitable. We may fail, but at least we would have given it the old college try. That is all I am asking and this is the last time I shall be on my feet regarding this matter. If the parliamentary secretary has at least some doubt he will agree we must stand it down until we look into it further. That is all I ask.

Mr. Paproski: He had a heart when he was an ordinary member, but not any more.

Mr. Thompson: He never had it then, either.

Mr. McCleave: Mr. Chairman, I think I raised this matter originally about seven or eight days ago, and I am surprised that the government has decided, in the glowing words of the Prime Minister, that sex should be kept out of the bedrooms of the nation but it should not be kept out of the income tax law. I think members of the committee, including the parliamentary secretary, will recall that I said that the law which we have is so much hypocritical boloney, and I gather that the answer the hon. member for Hamilton West received tonight simply reinforces that point.

I shall make my points briefly. All we were trying to do in the opposition, and all we are trying to do now in regard to the amendment of the hon. member for Edmonton West, is to bring a little justice into the lives of very small people. These small people, in a sense, are the backbone of Canada, if you want to equate us with a nation of small people instead of large people and will a people who are prepared to work miserably long hours for miserably small returns and not feel that there is any economic bondage or servitude attached to that work.

• (8:50 p.m.)

The fact is that the section the hon. member for Edmonton West is trying to remove through his amendment is holding in servitude those people who earn less than $4,000 a year. It is as simple as that. I spoke a couple of days ago on this matter. I spoke on joint incomes—not on individual incomes but on joint incomes—which together come to less than $3,650 a year. We cannot bring justice to that group by passing the law as it is, yet the government's and the parliamentary secretary's intransigence prevent justice and the benefits of income tax reform being available to all Canadians.

We have somehow drawn a great big line and said that when two people live together and are married—and circumstances might be different if they were not married, but I will not go into that situation at this point; I will talk strictly on the amendment—and run a little business that does not earn enough to make it worth their while to incorporate, they will not get justice from the Parliament of Canada.

An hon. Member: Shame.

Mr. McCleave: Is that something we can be proud of? Can we hold our heads high? When I go home and talk to my kids I can say that if I have done nothing else this week, at least I have tried to do something in this area. I am not sure that we shall be successful, but at least I can hold my head high. At least the hon. member for Hamilton West and others on this side of the House can say, "We

tried." However, since it is difficult to administer section 74(5) of the Income Tax Act we must all bow our heads before the great god of efficiency and say "On division" when we are asked to pass this subsection.

I submit that the failure, in the circumstances I have outlined, to give tax relief is a criminal abuse of responsibility. If we had any guts at all we would stand this section. The parliamentary secretary told me last week—I say this in all justice to him—that this is a matter that has bothered the income tax people for years and years and they were asking for a solution. If it bothers them that much, let us stand this section for another couple of weeks, pass everything else in the bill before us, in this 5-pound package of cure-all, and give people a chance to work on it We should tell some bright soul to work on this question on a 24-hour basis until he can come up with a hard answer. If we do not do that, we are not worth our salt as parliamentarians.

Mr. Kaplan: Mr. Chairman, I wish to say a few words on this issue. Members of the opposition have made a heart-rending plea for this section to be stood and to let somebody work on it on a 24-hour basis until a solution is found.

Some hon. Members: Hear, hear!

Mr. Kaplan: It may be that this problem came to the attention of certain hon. members just this afternoon even though they were active members on the Standing Committee on Finance, Trade and Economic Affairs at the time these problems were considered.

Mr. Lambert (Edmonton West): But they were not considered.

Mr. Kaplan: If they were not considered—

Mr. Lambert (Edmonton West): They were not considered.

Mr. Kaplan: —I ask whether hon. members opposite felt that they had general responsibility to discuss this matter as long ago as 1952 or 1953 when this provision was first introduced into the act.

Mr. McCleave: Let us discuss it as it now is.

Mr. Kaplan: It has been alleged that the government's failure to propose some sort of solution to the problem constitutes a criminal abuse of responsibility. What about the responsibility of the opposition? They are not proposing a solution.

Mr. McCleave: Yes, they are.

Mr. Kaplan: So far as I have heard, they are not offering any formula for dealing with the very real problem of income splitting, which I admit raises problems of equity. I grant that there are inequities in the administration of the Income Tax Act. It is not a divine law, far from it. We all know that. But do opposition members honestly feel that if another 24 hours were spent on this section we would come forward with any solution?

The same argument applies to the other matter they have raised about the backbone of our country. I admit that there is a problem in the area of people who are living common law. I wish there were some way to define the common law relationship so that it would be possible to give extra exemptions and benefits to people living in that state. But how is that to be done?

An hon. Member: You are against those people.

Mr. Kaplan: The hon. member for Hamilton West has suggested that if we had any heart we would stand this section for another 48 hours and consider the matter. Does he think that in another 48 hours we could solve a problem that people have been thinking about for two decades without being able to solve? I do not think a further 48 hours will make much difference. I think people who suggest this are building up false hopes—

The Chairman: Order, please. Is the hon. member for Athabasca seeking the floor?

Mr. Yewchuk: I am sorry, Mr. Chairman. I thought the hon. member for Don Valley had concluded his remarks. I wanted to speak. However, since he still has the floor I will say no more.

The Chairman: It was obvious to the Chair that the hon. member still wanted to speak. With respect, I think another hon. member should not seek the floor until the hon. member speaking has finished.

Mr. Kaplan: Mr. Chairman, I should be glad to hear from the hon. member.

The Chairman: The hon. member for Athabasca.

Mr. Yewchuk: Mr. Chairman, the hon. member for Don Valley has accused the opposition of not coming forward with a solution. Obviously, he did not listen to what hon. members said during the past hour or so. It is equally clear from the answer the parliamentary secretary gave me that he was not listening either. He suggested that if you ask a fatuous question you will get a fatuous answer. I therefore want to explain in a little more detail, for the benefit of those on the other side of the House who have not been listening, what the situation is and what the solution ought to be. I hope they will co-operate.

The situation is this. If a man employs his wife, the tax structure penalizes him in that the wife cannot fill out a separate income tax return and declare her own income. She can only do that if she works for someone other than her husband. Let me give an example of what I mean. I will use round figures to make this simple. Suppose there are two businesses operating and they are across the street from each other. Let us say that they are not incorporated and that each business brings in a taxable income of $25,000 a year. In one case let us say that a man employs his wife and pays her a salary of $5,000 a year. You would expect that he would pay taxes on $20,000 and that she, in theory, would pay tax on the $5,000 that she has earned. However, the husband must complete his return to show that his income is $25,000. This means that the tax on the wife's $5,000, the income that is added to his income, is in the 50 per cent bracket.

Let us now suppose that through agreement these two businessmen employ the other's wife in their business. When those wives fill in their income tax returns they will pay income tax at the rate of 15 per cent or 17 per cent, or

whatever the case may be, on the $5,000 they earned. In each case there is a saving to the business of over $1,000. It is easy to see that this kind of provision has not been included in the legislation.

Mr. Horner: The government is not concerned about equity.

Mr. McCleave: Nor with tax reform.

Mr. Yewchuk: Why is that so? Would the parliamentary secretary explain it to me? I am not an expert on taxes—but I am greatly concerned about the ordinary man who is trying to make a living, and about his wife who may be interested in helping him get ahead and make progress—

An hon. Member: In a family enterprise.

Mr. Yewchuk: —in a family enterprise. Why does he think it is more equitable to make the woman who prefers to work for her husband pay tax of 50 per cent rather than 15 or 17 per cent, the rate which would apply in the example I have used? I do not think there is anything fatuous about that question.

• (9:00 p.m.)

Mr. Horner: Mr. Chairman, I rose rather slowly. I expected the parliamentary secretary to rise and answer the very clear, straight-forward question posed by the hon. member for Athabasca. The government worked for two or three years on this legislation. It brought in a white paper which was debated across the country. The main theme of it was equity. In fact, the whole concept of it was equity. The Minister of Finance has taken little part in this debate. Can he not understand it? Can he not defend this bill? I pose those two questions. Why is he not defending the equity that he so proudly boasted was the concept and purpose of the white paper?

Why could we not have a simple answer to the question posed by the hon. member for Athabasca? It was a simple, fair question. Where is this government that has concern for the average man? In 1968 they campaigned across Canada. They said there would be a just society for every man, woman and child, no matter what their financial status might be. The government has now dragged out the worn-out phrase that it is administratively difficult. Have they not heard of the computer? You feed in a question and you get an answer.

Mr. Mahoney: Is that the way it works?

Mr. Horner: We are now getting a smart remark from the parliamentary secretary. They tried to project the administrative impossibility after the grain stabilization bill. That is an amazingly weak case they are building. When the minister in charge of the grain stabilization bill appeared before the Standing Committee on Agriculture he said it would cost $1.5 million a year to administer the program. Where can they stand on this question of administrative impossibility?

The Deputy Chairman: Order, please. I am sure the hon. member will agree that his last remarks do not relate to the section before the committee. His opening remarks were preliminary but he is now referring to another piece of legislation that was before the House. I do not think it relates to the bill before us and the sections being studied.

Mr. McCleave: I rise to speak on a point of order, Mr. Chairman. I and my colleagues would like to more fully understand the purport of Your Honour's ruling. Section 74(5) reads:

> Where a husband and wife were partners in a business, the income of one spouse from the business for a taxation year may, in the discretion of the minister, be deemed to belong to the other spouse.

In the preceding section we were dealing with husband and wife businesses which are not incorporated and where income is deemed to be joint in the hands of one person or another. I think this is what the hon. member for Crowfoot was talking about. If I and my party are wrong on that, we should have some elucidation. This is an important principle. We thought we were squarely within the subsections of section 74.

The Deputy Chairman: Order, please. I do not think the hon. member can ask the Chair to interpret the remarks of the hon. member in relation to a subsection which is being studied at this time. It was the impression of the Chair that the hon. member was referring to another piece of legislation. Perhaps I misunderstood.

In any event, the Chair has to make its own decision. I invite hon. members to stay as close as possible to the debate on the section before the committee. That is the only way the committee can make progress on this legislation. The hon. member for Crowfoot.

Mr. Horner: I think the hon. member for Don Valley is rising on the point of order. We want to kill as much time as possible. Let's hear him out.

The Deputy Chairman: Order, please. The Chair intervened to interrupt the hon. member for Crowfoot. If the hon. member for Crowfoot wants to complete his remarks, he may do so. It was not the impression of the Chair that the member for Don Valley was rising on a point of order.

Mr. Kaplan: I am not rising on a point of order, Mr. Chairman; I want to continue the debate.

Mr. Horner: Then I still have the floor. The hon. member for Don Valley has contributed much to the debate. There will be ample time for him to contribute and lend his wisdom to the debate when I have completed my brief remarks on section 74(5) with regard to unincorporated small businesses. I was dealing with the situation that was outlined very clearly by the member for Athabasca. Since that time the Minister of Finance has entered the chamber. He has not witnessed much of the debate and has contributed very little to it.

Mr. Benson: You, too.

Mr. Horner: Well! We have a brilliant remark from the Minister of Finance. The minister wants to have this legislation passed by Christmas. A few more remarks like that and it may be next Christmas.

Mr. Benson: Are you threatening Parliament?

Mr. Horner: Am I threatening Parliament?

Mr. Benson: Yes.

Mr. Horner: I am trying to elicit a sensible comment from the Minister of Finance. Who am I, a lonely backbencher in the opposition, to threaten Parliament? How could I threaten Parliament? That was a ridiculous remark by the Minister of Finance. He could not threaten me with anything.

I was referring to the clear and simple example stated by the member for Athabasca. He referred to two businesses operating across the street from one another. Both were earning in the neighbourhood of $25,000. The wives worked for their husbands. The husbands could not deduct their wives' wages. They each have to pay income tax on $25,000. If they exchanged the work of the wives and paid them accordingly, they could each claim a deduction of $5,000. I am not explaining it as well as the member for Athabasca. I could take more time but I want to hear the reply of the Minister of Finance. He has now entered the Chamber and has shown a preparedness to make a contribution.

Before the Minister of Finance entered the chamber I said that he went across the country with the white paper. He said that equity was the principle of tax reform, to bring about equity was its purpose. The hon. member for Athabasca suggested that section 74(5) would not bring about equity for an unincorporated, small business. Surely the Minister of Finance cannot stand on the defence that it is administratively difficult or that it is not administratively efficient. We have had many things that are not administratively efficient, one of them being the Canada Pension Plan. Medicare may be another.

I referred to the grains stabilization bill but before I could get the words out of my mouth Your Honour cut me off in a way that suggested I should not get into that question. Far be it from me to get into a debate on that matter. The government admitted that the administrative costs would amount to $1½ million.

• (9:10 p.m.)

The Deputy Chairman: Again I hesitate to interrupt the hon. member but I must remind all members that the committee is dealing with specifics. This is not the time for hon. members to engage in general debate. I realize that hon. members may have all kinds of opinions as far as these subjects are concerned, with respect to which hon. members might wish to question the policies of the government. The purpose of the intervention by the Chair is to help hon. members and to help the committee.

Mr. Horner: I assure you, Mr. Chairman, that I shall not refer again to the grain stabilization bill. I had no intention of taking part in this debate until I heard the example set forth so clearly by the hon. member for Athabasca. The parliamentary secretary would not rise and say yes or no. It was a simple question. This bill is presented on the basis of equity. The hon. member for Athabasca showed that there were inequities produced by this legislation.

After I had risen the Minister of Finance suggested I had threatened the committee. I am surprised, Mr. Chairman, that you did not rise to caution him that this was not parliamentary language. I said, "Answer the problem. Answer the equation set forth by the hon. member for Athabasca."

[Mr. Horner.]

Mr. Guay (St. Boniface): Wait until you get the "blues."

Mr. Horner: Only cabinet ministers and the parliamentary secretaries get the "blues," Joe. You and I don't.

Mr. Barrett: Oh, you may soon, when you take over from Baldwin.

Mr. McCleave: The whole country gets Benson's blues.

An hon. Member: Oh, oh!

Mr. Horner: Yes, the whole country suffers from Benson's blues. While I am speaking about the Minister of Finance may I say there have been rumours around that he is not going to run again, that he does not want to face the people after this tax bill. I do not know whether there is any truth in these rumours, but there are rumours that he will not run in the next election and that the Liberals will not have him as Minister of Finance after the next election, on any basis.

The Deputy Chairman: Order. I do not wish to intervene unduly in the debate, but I think the hon. member should try to co-operate as much as possible. The committee is studying one specific section of this legislation and the Chair invites the co-operation of hon. members. I am sure the hon. member for Crowfoot would not want other members of the committee to disregard directions from the Chair, so I hope, again, he will accept my invitation to address himself to the section before us.

Mr. Benson: Mr. Chairman, I rise on a question of privilege. I will simply say that the hon. member opposite has tried to inpute motives to me. I have no motives. I am in favour of having good tax legislation in Canada, the best we can possibly have. I like to listen to members such as the hon. member who has the floor. I will simply say that what he says is not relevant; it does not mean very much. He tries to shout very loud and it is often said to me that people who shout loudly really do not have much of an argument.

The Deputy Chairman: Order. Here again, the Chair must say that this is not a question of privilege. These are only matters of opinion. I think the hon. member for Crowfood should be allowed to complete his remarks.

Mr. Horner: Mr. Chairman, I apologize. I did not intend to get into this debate.

Mr. Faulkner: I have heard that one before.

Mr. Horner: Somebody said, "I have heard that before". I did not intend to impute any kind of motive to the Minister of Finance but I heard the remark he made imputing motives to me, first, and *Hansard* will bear me out. He felt I had no right to reply, no right to retort. I say the Liberal party will not have him as Minister of Finance when they go to the people in the next election because they cannot go to the people with this bill, a bill which is full of inequity, including this section 74(5).

The hon. member for Athabasca posed a simple question in a sensible, pleasant, quiet manner, one which exemplifies the character of the hon. member.

Mr. Paproski: And of our party.

Mr. Horner: But the smug parliamentary secretary is afflicted with the dreaded disease of tunnel vision.

Some hon. Members: Oh!

Mr. Horner: I see you frown at me, Mr. Chairman, and wonder what this disease is. Perhaps I might be allowed to explain. Tunnel vision comes to those who have risen to such a position so important that they see only straight ahead; they do not see to the sides.

Mr. Benson: On a point of order—

Mr. Horner: This tends to bring about a narrow view—

The Deputy Chairman: Order. The Minister of Finance.

Mr. Benson: On a point of order, Mr. Chairman, I think the comments of the hon. member for Crowfoot have little to do with our debate. If he wants to criticize individuals he can do so outside the House. I do not think he should impute motives to the parliamentary secretary, to myself or to other members of the House. I respect the hon. member very much. I have always listened to his point of view and I think the government has listened to his point of view. We may not agree, but on a point of order I think he is not right in doing what he is doing.

The Deputy Chairman: The Chair is finding itself in a difficult position. Points of order are being raised which are not points of order. Hon. members are aware that the rules of the House can only be effective if they are respected by those who participate in the debates. They too have a responsibility for maintaining order in the Chamber.

• (9:20 p.m.)

I do not think we will make much progress by having these exchanges between members on one side and the other. I would invite hon. members to assume their responsibilities and to maintain the standard of debate in this House. The hon. member for Crowfoot.

Mr. Horner: Mr. Chairman, I do not feel very good about the degeneration of the debate. The exchanges between the Minister of Finance and myself lend nothing to the debate, I agree, and I find the situation regrettable.

Mr. Benson: Very well. Then talk about the bill.

Mr. Horner: I am quite upset by this situation. The minister again interjects and tells me to talk about the bill.

Some hon. Members: Hear, hear!

Mr. Horner: I intend to talk about the bill. I intend to talk about the bill for as long as I can or until the minister or his parliamentary secretary assure me that the question raised by the hon. member for Athabasca will be answered. Both the minister and his parliamentary secretary sit in their seats without answering the question. This is why I rose and said the question needed answering.

We are debating equity. We are debating the concept contained in the white paper. This bill is a by-product of the white paper and the discussion on the white paper. If we cannot get an answer in the House of Commons to a simple question, then where can we get an answer? If we cannot get an answer in committee of the whole, with the tax experts before the representatives of the people, then where can we get an answer in a representative democracy?

Mr. Thompson: Do not call them experts.

Mr. Horner: I am being kind and perhaps the good Lord above will forgive me for being too kind, but one has to be generous in this business. Since the amendment of the hon. member for Edmonton West has been ruled out of order, surely the Minister of Finance and his parliamentary secretary can admit that there is a train of thought here that leaves a doubt in the minds of many citizens and should be resolved.

I want to see clause 74 pass as quickly as possible so we cam make progress, but in order to make progress we must have answers. That is a simple fact of life in a democratic society. In a totalitarian state where rule is autocratic, no one gets any answers; but in a democracy we should get answers, particularly when this House is in committee of the whole and the minister's two tax experts are before the people's representatives.

I shall say no more at this time, but I hope that the Minister of Finance or his parliamentary secretary answer the simple question put by the hon. member for Athabasca and answer it in a straightforward manner. Then I am sure we will make some progress. But if we start indulging in cat-calling we will never make progress, and I regret the Minister of Finance involved me in this sort of thing.

Mr. Mahoney: Mr. Chairman, I should like to note for those who are statistically interested that we started discussion on this particular section at 2.45 on Friday afternoon and carried it forward until four o'clock. We have been dealing for almost an hour and a half with the same section, which is a carry-over from the previous bill—

Mr. MacInnis: Mr. Chairman, a point of order.

Mr. Mahoney: I answered this specific question twice on Friday.

The Deputy Chairman: Order, please. The hon. member for Cape Breton-East Richmond on a point of order.

Mr. MacInnis: Mr. Chairman, the Chair has been very quick this evening to call to order members on this side of the House. If the parliamentary secretary is going to start lecturing the committee on the time spent on sections of the bill, I think it is the duty of the Chair to call his attention to the fact that he himself is out of order.

The Deputy Chairman: Order, please. The Chair appreciates the remarks of the hon. member and has nothing to add.

Mr. Mahoney: Mr. Chairman, as I was saying, this is a provision that has been carried forward from the existing legislation and does not involve any change or reform. The particular question posed by the hon. member for Athabasca was asked a number of times on Friday and he will find it answered at pages 9385 and 9386 of *Hansard*. I have answered the question twice already tonight, I note

from my "blues". I do not know on which page my answers will appear in today's *Hansard*; however, I would be delighted to send him the page references as soon as it is published.

Mr. Lambert (Edmonton West): Those answers are wrong.

Mr. McCleave: Mr. Chairman, I think the obvious riposte that comes to any sensible person on this side of the House is: No matter what the answer is, is it government policy? If it is, is it going to be changed? Whether this policy has existed for 10, 20 or 30 years, is it policy that is not capable of change? Are we stuck with the law of the Medes and the Persians which varies not and oppresses forever? That is really the essence of the question of the hon. member for Athabasca and the hon. member for Crowfoot. Before I died at the hands of the Canadian Press at three o'clock last Tuesday afternoon I can remember asking that question myself.

No matter what the law is, is it fair or unfair? The Minister of Finance is now in the committee and I would direct the question to him specifically so as not to waste time beating about the bush. The parliamentary secretary is simply trying to shore-up injustice or explain it away. I ask the Minister of Finance this question: Has the government reconsidered the position of husbands and wives within the framework of section 74 of the proposed Income Tax Act?

If it has, has the government decided that the old law should be carried on, or is it prepared, in light of some of the vigorous representations that have been made—though some of them were presented mildly and clemently, as in my case—to look again at the situation? Those are questions that I hope the Minister of Finance will answer. I do not want to hear the old phonograph record played back by the parliamentary secretary; let me hear the voice of the government speaking to this matter.

Mr. Benson: Mr. Chairman, I would simply say that this is a very difficult problem with regard to which I have a great deal of sympathy. However, there is no way to deal with it unless you move to a family unit concept of taxation, and the government has freely admitted it is not prepared to so move. The reason is that it does not know what would happen and has not looked it through far enough. We admit that it might be possible to resolve the problem if we were to move to a family unit concept, but we are not prepared to do so because we do not know all the implications of such a move or whether we would be able to look at it in the future.

I said in my white paper and also in my coloured paper that was published afterwards that we wanted to study the problem further and deal with it some time in the future. I do not know how to deal with it at the present time, but I would very much like to hear some suggestions from hon. members opposite as to how to deal with the problem without creating great loopholes in the taxation system as presently constituted.

Mr. Kaplan: Mr. Chairman, I should like to say a word or two on this question of administrative convenience. This is a concept that it is unpleasant for a government to put forward as a defence but I think one or two things can be said for it and perhaps should be said at this time. I should like to remind hon. members opposite that when the white paper was first introduced—

Some hon. Members: Order.

Mr. Benson: He has 20 minutes too.

Mr. Kaplan: —objections were taken to the capital gains proposal. I cannot remember whether it was the hon. member for Edmonton West or the hon. member for Halifax-East Hants who said that this was a proposal that would make this country into a nation of thieves or tax evaders. Because how would the government know whether a capital gain had been realized until it was reflected in an income tax return? There would be an irresistible temptation to exclude it when reporting tax.

Mr. MacInnis: A point of order, Mr. Chairman.

The Deputy Chairman: The hon. member for Cape Breton-East Richmond on a point of order.

• (9:30 p.m.)

Mr. MacInnis: Mr. Chairman, my point of order arises from the fact that no member of this House can get up and interpret remarks of someone on the other side of the House and put that forward as being—

Mr. Mahoney: Certainly you can't.

An hon. Member: Old blabbermouth is at it again.

The Deputy Chairman: Will the hon. member state his point of order?

Mr. MacInnis: I have made my point of order, but the yakking from the other side of the House is something I do not have to put up with. I can stand here all evening. If it is killing time they want, I am prepared to co-operate. No member of this House, whether or not he had expert advice over the dinner hour, can interpret the remarks of hon. members on this side of the House.

Mr. Benson: Mr. Chairman, on a point of order, in spite of the filibuster going on on the other side of the House members on this side have a right to say something. We are equal in this House and if we try to interpret what others are doing we have every right to do this, as my hon. friend has a right to interpret what members on this side say. It is a matter of debate. If there is to be a filibuster in this House, bear in mind that members on this side have every right to participate.

The Deputy Chairman: Order, please. The point made by the hon. member for Cape Breton-East Richmond would seem to me to involve a restriction on the rules to prevent members commenting. I did not see the point he seeks to make. It is difficult for the Chair to judge. I had the impression that the hon. member for Don Valley was more or less making a very general statement.

Mr. MacInnis: Mr. Chairman, further on this same point of order and on the point of order raised by the minister, I would draw your attention to the fact that the hon. member for Don Valley was interpreting the remarks of hon. members on this side of the House. To my knowledge, members on this side of the House are only trying to

interpret the legislation and are seeking explanation from the government in order to arrive at a proper interpretation. Therefore, a member on the government side should not stand up and place his own interpretation on the remarks made on this side of the House, whether he or we had expert advice over the dinner hour.

The Deputy Chairman: Order, please. I do not think the hon. member has a point of order. He is opening the debate further at this time. It is already difficult enough for the Chair to keep the debate within the confines of the bill and relate it to the sections which are being studied. I would ask for the co-operation of all hon. members. I am not passing judgment on the interpretation of hon. members on either side concerning how far they can go in this debate, but so far as the Chair is concerned the hon. member for Don Valley was close to the subject and no further away than other members.

Mr. MacInnis: Mr. Chairman, the minister referred to my remarks and I would ask him if on Monday next he would make available to me—

The Deputy Chairman: Order, please. The hon. member should not ask a question of the minister because he did not have the floor. He rose on a point of order when the hon. member for Don Valley was speaking. The floor belongs to the hon. member for Don Valley unless the hon. member has another point of order to raise.

Mr. MacInnis: The point or order arises from the co-operation made available to members of this House. I ask the minister this question, with regard to his point of order: On Monday next will he make the tax experts available to me over the dinner hour?

Mr. Benson: Any time. You need lots of experts.

Mr. MacInnis: Thank you.

The Deputy Chairman: Order.

Mr. MacInnis: I hope you get—

The Deputy Chairman: Order. I am sure the hon. member knows that this is not a point of order. He could have asked such a question at any other time. The hon. member for Don Valley.

Mr. Kaplan: Mr. Chairman, I was seeking to develop a concept of administrative convenience. I was using the analogy of the property of the taxpayer with a small capital gain. It is quite true that if a taxpayer has a small capital gain it is very tempting not to include it in his income. The point, however, that this might create a temptation to evade taxation is well taken. The answer finally put forward in the revised tax bill is that the ceiling for capital gains was raised so that 90 per.cent of the capital gains—

An hon. Member: What section is that?

Mr. Kaplan: Mr. Chairman, I said—

The Deputy Chairman: Order, please. I would hope the hon. member would try as much as possible to co-operate with the Chair and the committee and relate as quickly as possible his comments to the section before us. The hon. member is opening debate on the question of capital gains. Although we are looking at a very specific section, he has taken advantage of an answer that was given by the minister to the hon. member for Halifax-East Hants and has pursued it a little too far so far as the Chair is concerned. I think he should return to the subject matter before the committee.

Mr. Kaplan: Mr. Chairman, the example I gave illustrates that the imposition of an arbitrary floor on that kind of exemption is an administrative convenience which works for the benefit of the taxpayer as it does for the revenue department. The temptation is removed, the consideration of eligibility is removed, and so on.

I developed that illustration because I think exactly the same principle applies to the question of income splitting between husband and wife. In effect, this bill and its provisions provide a floor on the splitting of income between husbands and wives. It will help to prevent taxpayers seeking tax avoidance. It will make it convenient for them and it will remove the consideration of determining what the appropriate income for the spouse is—and the spouse might as well be husband as wife—how many hours the spouse actually devoted to the business and what benefit the business achieved from those services. This is a simple instrument of administrative convenience with an element of equity. In the broadest sense it provides equity.

Mr. McCleave: Mr. Chairman, I think it was long back that I raised the question originally or that the Minister of Finance raised the question with me. He asked what we on this side would do. The answer simply is that we would have accepted the amendment presented by the hon. member for Edmonton West. However, that issue is finished and he wants an answer. I say simply that what the government apparently has decided to do is to consider husband-wife transactions. Probably the amount of income tax that one could raise from that source would be very small.

I do not know how many husbands and wives would be in what I called earlier the mamma and papa proposition. On average, the type of transaction set forth in this section could not be too common. I would suspect the amount of revenue we are dealing with is under a couple of million dollars a year. For that we have taken the extraordinary step of condemning husband and wives to economic servitude as a unit. I do not think there is any common sense in the measure that was passed before. I do not know what Prime Minister was in office when it was passed. I am not pointing blame in that direction. All I do is look around and ask, why cannot we do better than this? Why can we not put a little sense into the laws that will not cause any problem to the national revenue department but will make life a little easier for people who run a business?

As I have said before—and I can prove it—these are businesses which on average earn less than $3,650 a year. That is not much of a return when one thinks of the return of the great taxpayers of the country. I do not think the country gets much revenue as a result of keeping this type of provision in the law and I do not think we get much of an answer when it is said that it is administra-

tively difficult to change the law. I am sure that it is administratively difficult to change anything.

• (9:40 p.m.)

Heavens above, a thought came to my mind but I suppose I should not follow it up. The point I make is that we hit the small people with this, yet we could take some of the load off their shoulders. We will not take anything great from the national revenue and I really cannot see why the government does not at least take a second look at the situation and try to do something about it. I would hope that that would be the case.

Mr. Kaplan: I judge that my earlier argument did not find much sympathy on the other side of the House. Let me try one other. There is no spouse in this country who does not contribute in some measure to her husband's earning process, whether he is on salary, whether he himself is employed or whether he is the owner of a business. If they live together and love each other and if they work together, she does something to contribute to his income-earning process, and this even applies to Members of Parliament—in fact, particularly to Members of Parliament.

If that self-evident fact is conceded in the House, then we come to the question of where to draw the line. Are they not arguing, then, on the basis of equity for an extra deduction for everybody who is married, because whether you are on salary, whether you own your business, whether or not it is incorporated, whether you work in the city or in the country, if your wife contributes to your income-earning process why should she not get a deduction for it? Then we come back to the point that I made earlier. If we do not put a floor on the deduction which we will permit, which is in effect what we do through the requirement for incorporation, we get everybody into this act justifying deductions.

We would expect our bureaucrats, the employees in the Department of National Revenue, to look into every one of these relationships, to assess it and determine whether or not some benefit is justified, what the value of the benefit is per hour, how many hours are spent and what result is achieved. These are all questions that I think hon. members, however much they would like to see this deduction, must surely admit defeat the equity of their proposal.

Some hon. Members: Hear, hear!

Mr. Bigg: Mr. Chairman, the problem is certainly one of equity under section 74(5). We are trying to find a solution, along with the government, to a very troublesome problem. The income group that we are talking about is not composed of the $25,000 a year man; they are not Members of Parliament and their wives but they are the small people who are running little entrepreneur businesses such as hot dog stands and small fruit stands where the husband and wife are of necessity forced into 24-hour service to the public. They have little or no savings with which to buy into the Canada Pension Plan which, everyone will admit, has some merit. They are not able to benefit from the Canada Pension Plan because, in a great many cases, between the two of them they do not have $800 clear profit from their small business. They are eating off their own hot dog stand and they are feeding their children fish and chips out of the family bin. Those are the people about whom we are worried and for whom we want equity. They are in the thousands.

[Mr. McCleave.]

Look at the figures of Statistics Canada and you will find how many thousands of people in Canada have an income of between $3,000 and $5,000 a year which today, according to Canadian standards, is below the poverty level. Those are the people about whom we are worried. They do not benefit from the Canada Pension Plan but they are under the aegis of this act. They pay very small income tax, if any, it is true. But when you have a net income of $3,600 a year an extra $100 in income tax constitutes a serious problem. It may mean nothing to the $30,000 a year man. Perhaps he can afford to pay 46 per cent of his income to the three levels of government, but when you are below $5,000 a year and with a family you cannot afford to pay taxes of any kind to anybody.

This is the small but very significant group of people about whom we are worried, and sarcasm will not help nor will comments back and forth across the House. Passing this 707-page document will not help them either. Under section 74 (5) we have an opportunity to pool our common sense, if any, and to come up with a sensible, agreeable and equitable amendment. I assure you that it would not take ten minutes to receive approval from the House. There would be unanimous consent from this side of the House if the government gave some kind of relief to this group of people earning between $3,000 and $5,000 a year. It is these people, who have no net profit and who cannot benefit from the Canada Pension Plan, about whom we are worried. We have a problem here.

There is no one in the galleries and I do not suppose the press will bother to put this in the papers, but the members of this party are worried about the problem. I have been sitting here during the debate of the last two or three days and most of the remarks I have made have been relevant. None of them has been sarcastic and I hope some of them have been to the point. The people of Canada are fed up with the time we are wasting here at $25,500 apiece per year, plus expenses. We sit around here and waste the time of the country on a document which, it is admitted, needs more than 100 amendments. Let us on this side of the House who have the interest of the small people at heart get together and put forward an amendment.

Do you have all the wisdom over there? Let us have a bit of co-operation. Let us have some participatory democracy. I myself did not come from the upper class. I came from the working class and I have achieved this pre-eminence in the House through the support of people who now ask me, "What have you accomplished?" We have absolutely nothing in the way of co-operation from the other side of the House in respect of Bill C-259. Personally, I am ashamed of myself but I am not nearly as ashamed of myself as I am of sitting here with 150 government members who are not budging one inch. All we hear from them is sarcasm and loud remarks. I would have thought that in the great Liberal Party two or three members would have had the courage to say that perhaps there is something in what we say.

Some hon. Members: Hear, hear!

The Assistant Deputy Chairman: Is the committee ready for the question?

Mr. Horner: The hon. member for Don Valley was on his feet, Mr. Chairman, and we were prepared to let him speak. If he does not want to speak, a member on this side of the House is ready to do so.

The Assistant Deputy Chairman: Is the committee ready for the question?

Mr. Forrestall: Mr. Chairman, do not close your eyes to what is happening in the committee.

Mr. Horner: Mr. Chairman, I hesitate to speak again because of the poor reception my remarks received on a previous occasion, but there is one point that I believe has not been emphasized sufficiently with regard to the implications of section 74(5). I am referring in particular to the exemption that a working mother can now claim in respect of her children. If a married woman is a wage earner she can receive exemptions, which in essence are benefits, when computing her income tax. But if she is working for her husband, under the provisions of section 74(5) she may not be able to claim her wages as an exemption. I agree that this is a debatable question, but she also loses out through not being able to claim exemptions for care for her children.

• (9:50 p.m.)

A second look must be taken at this matter. In answer to some of the questions I asked, the parliamentary secretary said that this provision is the same as in the old Income Tax Act and has been in the legislation for years and years. But, Mr. Chairman, there is a provision in this bill whereby working mothers can claim exemptions when they hire what in essence are caretakers to look after their children. A working mother can claim so much per child as an expense when she hires a caretaker. This changes the complexion of section 75(5) to some extent from that contained in the old Income Tax Act.

In our society we have gone to great lengths to educate men and women. Up until now the Income Tax Act has encouraged highly skilled, married women to stay at home. As a result we lose the benefit of the money spent on providing them with their skills. Now this bill encourages those people to contribute to society through the use of their skills, and I wholeheartedly thank the minister, his parliamentary secretary and those involved in drawing up the bill for providing a basic exemption on a per child basis for day care. This may be claimed by a working mother or a working widow.

Our argument concerns the husband and wife situation. If they are in an unincorporated partnership the wife cannot claim the child care exemptions provided in this bill. But if their business is incorporated the husband can pay his wife a salary and she can get the basic exemption for child care expenses. Also, she can contribute to the Canada Pension Plan and become eligible for unemployment insurance. The question is: Are we striving for equity? Is it good enough to say that it is too complicated to achieve? I see the hon. member for Don Valley shakes his head negatively. That is not good enough for him, and it is not good enough for me.

Mr. Kaplan: On a question of privilege, Mr. Chairman, I would be reluctant to give the committee the impression that I agreed with anything that the hon. member just said.

Mr. Horner: I did not hear the hon. member, but it is not important. The whole purpose of the bill is to create equity. If the business is incorporated, the wife can claim the exemption. If it is not incorporated, she cannot enjoy many of the benefits that the bill will provide. This bill is providing for forced incorporation of small business, of the small, corner grocery store, the small laundry or drugstore, in the same way as it provides for forced incorporation of farming operations. Are we attempting to destroy family enterprise? Is that the aim? Through this legislation are we attempting to destroy family enterprise in the running of the corner grocery store, the delicatessen, the laundromat and the drugstore? Is this the purpose of the legislation?

Mr. Mahoney: No, Mr. Chairman.

Mr. Horner: Is this the aim, just as it is the attempt to destroy the small family farm? Does the government really mean to destroy family enterprise? These are the questions Canadians will ask all across the country. Having listened to the hon. member for Athabasca and to many other hon. members who have asked questions about this section, I can only conclude that that is the intention of the government.

Mr. Kaplan: Then vote against it.

Mr. Horner: It is a regrettable situation. I did not hear that remark, so I will ignore it. I would not want to accuse the hon. member of having tunnel vision once again.

Mr. Kaplan: I can live with your accusations.

Mr. Horner: That is a clear symptom of one afflicted with the dreaded disease of tunnel vision. I see it is ten o'clock, Mr. Chairman.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

HEALTH—SHORTAGE OF CANADIAN-TRAINED MEDICAL DOCTORS AND PERSONNEL—REQUEST FOR STATEMENT ON GOVERNMENT PROPOSALS

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, over and over again during the last four years I have drawn the shortage of doctors to the attention of the House. On June 28, 1971, the Minister of National Health and Welfare (Mr. Munro) stated in the House that he expected there would be a meeting of the provincial Ministers of Health and that he would be making a full statement to the House on this matter.

On November 3, 1971, I asked the minister if he would make a statement to the House assuring the Canadian

people that the government was prepared to do something about the shortage of doctors and the importation of foreign doctors. In reply to my question he advised me to obtain copies of his statements outlining the very meritorious things that the government has done. This is why I have become concerned, because I have been receiving more and more correspondence outlining the difficulty people experience in finding a family doctor or getting medical attention of any kind. I have even had many members of this House speak to me about the problem.

• (10:00 p.m.)

The minister is reported as saying that it is the consumer, medical and health services, who are to call the shots for the doctor. Surely to goodness, Mr. Speaker, if that statement is correct it is time he got off his seat and did something about it. At another meeting he went further and said that health care was a clear citizen's right; in our society no citizen shall go without medical and health care because of his incapacity to pay or because of geographic location. Those are two statements that he made. The Minister of National Health and Welfare on another occasion stated that the shortage of doctors was a myth. What, really, does this government think? One day they have a shortage and the next day they have not. This was a headline in "Canadian Labour" in 1969. In "World Affairs" in March, 1970, it was stated that in 1961 there was one doctor for every 800 people. The article went on to state that the ratio is slipping and Canada now ranks twentieth in doctor-population ratio.

In the previous answer to my question on the "late show" the government said the situation was improving all the time. No consideration was given to the point that only half of the doctors in practice are general practitioners. Many are in administrative posts. I would like to know how many are employed by the government. Dr. Roberts, president of the CMA, and Dr. Evans and Dr. Creary of the CMA have pointed out the gravity of the situation in medical manpower.

Ask yourself if the government realized its responsibility when it introduced national medicare. The responsibility was to build medical schools, to supply teachers and equipment, to educate all those who wanted to pursue a career in medicine and a responsibility in foreign affairs to stop bleeding the poor nations of the world of their MDs. It is criminal that underdeveloped countries—poorer by every standard—who struggle to educate their young people to be doctors find them enticed away by rich countries such as the United States and Canada. India, Iran and Turkey have tried to put a stop to this practice and other countries will have to follow. What will Canada, who is currently using 50 per cent of the import doctors, do to fill the shortage each and every year? If this supply were shut off tomorrow, the condition of medical manpower would become very critical.

We have young men and women dedicated enough that they want to practise medicine. Over 600 fully qualified students were refused entrance to our medical schools because of lack of space to train them. We could not even train the most outstanding students. It is clear we have to step up our enrolment to take in students who are dedicated but who may not have grade B marks. It has been pretty well proven that grades have little to do with the performance of the doctor after graduation. It is the person and his dedication that counts. Let us quit being hypocrites and robbing the underdeveloped countries of their doctors and at the same time piously proclaiming the foreign aid we give to them.

Why has not the government followed the Hall commission report to supply the necessary manpower? The report was quoted long and often when the national medicare debate was before the House. Why has not the government brought in other measures to help? When will the minister listen to the advice of experts? It is obvious that he does not know, he wanders in the wilderness, because one day we are short of doctors and the next day we are not. I hope the minister is never in the position of having to wait a long time in an emergency ward of a hospital for medical attention. It would certainly give him time to ponder, if the occasion arose, to contemplate just how overworked are the doctors in the emergency wards.

Two-thirds of the people seen do not have serious or acute illnesses but are there because they cannot get an appointment to see a good practitioner. Some people require immediate care but often they do not get it. This does not lead to good preventive medicine. The seriousness of some cases is missed and the doctor is simply being pushed mentally and physically, his work suffers and the treatment of the patient is not as good as it should be.

What, then, do we do to correct this situation? The government could, under the health resources fund, immediately make funds available to the universities and provinces in order to provide the medical centres that are required to train the doctors we need. If possible, 2,000 medical students each year should be trained. This ought to be a first priority.

A manpower survey of the incentives required for a doctor to spend his first five years in general practice should be carried out. Staff should be provided with which to run our expensive medical schools all year instead of only three-quarters of the time. If this is arranged gradually we will be able to provide the doctors and facilities needed to give a high level of preventive medical care, which would cut down on hospitalization care and prevent or delay the onset of many chronic illnesses. The Canadian people deserve no less from this government than the ministerial implementation of the provision of adequate medical care for all Canadians.

[*Translation*]

Mr. Gaston Clermont (Parliamentary Secretary to President of the Treasury Board): Mr. Speaker, in answer to the remarks of the hon. member for Simcoe North (Mr. Rynard) about the shortage of doctors, I will say that the government's efforts to increase the number of doctors graduated from our medical schools in order to meet the ever increasing needs of health services have often been discussed in this House.

As the hon. member pointed out, he has brought this subject to the attention of the House many times in the past.

The Minister of National Health and Welfare (Mr. Munro) has often said that the doctor per capita ratio in Canada is one of the highest in the world; we believe that

the ratio recommended by the Royal Commission on Health Services should be passed soon.

The number of graduates or undergraduates in medecine in Canada cannot be as low as the hon. member for Simcoe North claims. We are looking for means of improving access to and availability of medical care for all Canadians. For instance, the Department of National Health and Welfare finances studies in order to find various ways of relieving doctors of some tasks by giving them to medical personnel able to perform those services. Moreover, projects are set up to have nurses accompany doctors in order to provide the population with mobile health services. Recently, a special committee prepared a program to improve the training of nurses working in northern Canada where they are responsible for many duties normally performed by doctors. Furthermore, following recommendations of the national conference of paramedical personnel, a committee has been established for the purpose of setting up policies regarding recruitment and training of nurses to work in doctor's offices and contribute to offering improved services.

Those are examples of tasks which can be carried out by persons other than physicians, and this is likely to improve services to the public.

The matter is a complex one, involving problems of training, of recourse to professions related to the health field and of issuing of licences, all of which are being attentively considered by the department, as mentioned repeatedly by the Minister of National Health and Welfare and an increase in the quantity of health services does not depend exclusively on the number of physicians. Furthermore, many professional organizations are studying the problem in Canada. There is agreement on the necessity of resorting to supporting medical personnel, on the best use of the staff in related fields and on improved use of the technology made available.

Both at federal and provincial levels and within professional health organizations, there is a constant concern with improvement of medical services in Canada.

[*English*]

EDUCATION—DECREASE IN NUMBER OF GRADUATE STUDENTS FROM UNDERDEVELOPED COUNTRIES FOLLOWING CHANGES IN RULES RESPECTING CERTAIN GRANTS

Mr. D. Gordon Blair (Grenville-Carleton): Mr. Speaker, I propose to ask a question about the problem of graduate students from underdeveloped countries studying in Canada at the present time. Canada has had a good record in admitting graduate students from underdeveloped countries, principally from Africa and Asia, and we have made a good contribution. At the same time, our country and universities have benefited from having in our midst these foreign students representing, as they do, the cultures of the developing countries.

At present, and unknown I think to most Canadians, a series of unrelated decisions by various levels of government has brought about a serious reduction in the number of graduate students from underdeveloped countries presently studying in Canada. I will enumerate three of the decisions of which I have been made aware. Perhaps there are others of which other hon. members have knowledge. First, by recent decisions both the National Research Council and the Canada Council have determined that no grants will be made to students unless they are landed immigrants of at least 12 months standing in Canada. This, of course, automatically rules out grants to any student except one who decides to become a landed immigrant and, presumably, is electing to become a Canadian citizen.

• (10:10 p.m.)

Second, the Canadian International Development Agency has shifted the balance of its activity. The number of scholarships which it is offering to graduate students from underdeveloped countries has been reduced. The purpose is to concentrate more on assisting education in underdeveloped countries and to encourage students, both undergraduate and graduate, to complete their university work at home.

The third factor is one which prevails in the province of Ontario and which I have no doubt exists elsewhere in the country. At the present time, provincial regulations limit the payment which any university in Ontario may make to a graduate student to $1,800 per year. As a matter of general policy our immigration department advises all intending student visa applicants that they must have at least $2,500 to support themselves while in Canada. For students coming from Asia or Africa there is a further expenditure for air fare which will perhaps amount to $1,000.

As I said before, these students who might otherwise work in universities in Ontario cannot hope to share in any research grants from either the Canada Council or the National Research Council. The result of the three separate types of decisions which have been made in Canada in the last year is that there has been a drastic reduction in the number of graduate students from Africa and Asia studying in Canada. I have some unofficial figures from a university in Ontario. They indicate that the student visa component of the university population in the present year has dropped over-all by only 2 per cent. In fact, in this particular university the number of graduate students from the United States has increased by 50 per cent and the number of graduate students from the United Kingdom has increased by 100 percent. The over-all reduction has occurred at the expense of graduate students from the underdeveloped countries of Africa and Asia.

As I said at the beginning, the rather catastrophic decline in the number of graduate students presently in Canadian universities arises from a series of unrelated decisions. However, it seems to me that it is of such a character that it invites the serious consideration of all levels of government. This is my reason for raising the question in the House of Commons.

Mr. John Roberts (Parliamentary Secretary to Minister of Regional Economic Expansion): Mr. Speaker, I congratulate the hon. member for Grenville-Carleton (Mr. Blair) for having raised this question. From the information he has presented to the House it seems that there is cause for considering whether the joint effect of several of these isolated decisions, taken no doubt for the best of

reasons in isolation, may have some over-all undesirable results.

I cannot speak this evening for all the agencies mentioned by the hon. member, but I can say that as far as the Canadian International Development Agency is concerned there has been little essential change in the rules covering the requirements leading to the granting of awards for graduate studies in Canada to students from developing countries. However, in recent years there has been a de-emphasis on the standard fields of study, for example, the general arts degree, as universities in the developing countries increase their capacity to absorb more students in traditional areas of study.

On the other hand, there has been an increased emphasis on the granting of awards for training in specialized studies, some of which are not given in Canadian universities but, for example, in technical colleges, teachers' colleges and mining schools. I am sure all the other agencies of government will consider very carefully the representations which my hon. friend from Grenville-Carleton has made to the House this evening.

PUBLIC SERVICE—EXPEDITING OF PROVISION OF SEVERANCE PAY TO LAID-OFF EMPLOYEES

Mr. Doug Rowland (Selkirk): Mr. Speaker, on October 20 I asked two questions respecting severance pay for government employees who had been laid off through no fault of their own. The questions resulted from a meeting I held in Gimli, Manitoba, attended by some 60 former employees of the Canadian forces base there. Most of them, if not all, were encountering severe difficulties. Practically every one of them had been faced with problems concerning severance pay in one way or another,. I therefore asked the President of the Treasury Board (Mr. Drury) the following question:

Has the minister taken any steps to ensure that severance pay owing to former employees of the federal government who have been laid off is being provided to them much more rapidly than has been the case in the past in the light of the fact they must live on severance pay for a number of weeks before they can get unemployment insurance?

In reply, the President of the Treasury Board said:

My colleague, the Minister of Supply and Services has been conducting a review of pay operations in his department and one of the objects of it is to speed up this process to which reference has been made.

That reply is not good enough. It has been taking up to three months in some cases for employees of the federal government who have been laid off to receive severance pay. At present they are not eligible to draw unemployment insurance until a certain portion of this pay has been used up. This being the case, it is necessary that they receive severance pay immediately upon termination of their services if they are to have anything upon which to live.

I have suggested to the minister in a letter that perhaps a percentage of the severance pay could be paid immediately on severance, leaving the complicated calculation as to exactly how much individuals are to be awarded until later. I hope this suggestion is being pursued. However, that is not the main reason for my question tonight. My reason for speaking has to do with a related question which I addressed to the Minister of Labour (Mr. Mackasey), that question being as follows:

Is the minister giving consideration to removing the regulation which treats severance pay as income for the purpose of calculating unemployment insurance benefits in light of the fact that a number of inequities have arisen from that situation?

In his reply the minister said he was not considering removing the regulation. I was glad to learn from the answer, though, that the department has recognized at least a small portion of the problem which has resulted from this regulation and is moving to correct it. I refer to the possibility that if a person lives on severance pay for more than 32 consecutive weeks he might be disqualified from drawing unemployment insurance for reasons which are too complicated for me to go into now. Once again that action, however welcome it may be, is simply not good enough. Severance pay should not be considered as income for purposes of calculating unemployment insurance benefits.

• (10:20 p.m.)

The first point to make in this regard is that severance pay is not specifically referred to in the act. Its inclusion as a type of income is the result of a regulation of the department interpreting the act. Those members of the House committee who studied the new Unemployment Insurance Act with whom I raised this question have expressed astonishment and concern that it should be so considered, and they said the idea that it might be so considered had not occurred to them. This suggests to me that in drafting the regulation which includes severance pay as income for purposes of calculating unemployment insurance benefits, the department may have gone beyond the expressed wishes of Parliament or, at least, misinterpreted them. That is point one.

Point two: In the case of the former employees of the Department of National Defence the new regulation contravenes the manual which sets out their conditions of employment—the "A and A Manual". It is specifically stated in that manual that severance pay is not to be considered as income.

Point three: Severance pay is available to Department of National Defence employees as a result of an agreement negotiated between the employees and their employer. The regulation thus, in effect by the unilateral action of one of the parties, the government, deprives *de facto* the other party to the agreement, the employee, of one of the fringe benefits mutually agreed upon.

Point four: Severance pay was obviously designed to compensate persons laid off for such effects of the lay-off as lost sick leave, reduced pension benefits, lost furlough leave and to help compensate for the dislocation which inevitably results from being laid off, and so forth. If recipients of severance pay must now exhaust all or a portion of that severance pay before they become entitled to unemployment insurance benefits, then it no longer constitutes such compensation. It no longer constitutes such compensation unless, of course, the person finds another job immediately, in which case he has the severance pay free and clear. Surely the discrimination which results from this situation—the difference in treatment which is in fact meted out to those who immediately find

work and those who do not—is sufficient reason to get rid of the regulation.

Point five: If the severance pay is to be considered income, and if the Unemployment Insurance Commission is to consider those in receipt of severance pay as being employed—and all have been notified to this effect—why should not the time they are living off their severance pay be considered pensionable time, for example? It is not, and that fact is simply another example of the discriminatory aspects of the regulation and another reason for its being repealed.

One final fact. In March, when the employees of CFB, Gimli, were being acquainted with the action the government would be taking on their behalf once they were laid off, officials of the Department of National Defence promised them both severance pay and unemployment insurance to assist them over this period. They now find it is an either/or proposition—either severance pay or unemployment insurance benefits. I know they were not deliberately misled but they were misled none the less, and the lack of deliberation does not diminish in any way their resultant difficulties. Let us just get rid of the regulation in question.

[*Translation*]

Mr. Gaston Clermont (Parliamentary Secretary to President of the Treasury Board): Mr. Speaker, I shall reply only to the question put by the hon. member for Selkirk (Mr. Rowland) to the President of the Treasury Board (Mr. Drury), as found at page 8859 of *Hansard,* and not to the one he put to the Minister of Labour (Mr. Mackasey). I quote:

—Has he taken any steps to ensure that severance pay owing to former employees of the federal government who have been laid off is being provided to them much more rapidly that than has been the case in the past, in light of the fact they must live on severance pay for a number of weeks before they can get unemployment insurance? I mention in particular over 40 people from the Canadian Armed Forces base, Gimli.

The President of the Treasury Board gave the following reply:

Mr. Speaker, my colleague, the Minister of Supply and Services, has been conducting a review of pay operations in his department, and one of the objects of it is to speed up this process to which reference has been made.

[*English*]

I am informed that the process is that the employing department, in this case National Defence, is required to requisition final pay cheques, including severance pay. The Winnipeg office of Supply and Services was able to get out final pay cheques within 48 hours of receiving requisitions. There were some instances where the employing department failed to include severance pay in their cheque requisitions but these omissions have now been corrected.

Motion agreed to and the House adjourned at 10.29 p.m.

HOUSE OF COMMONS

Wednesday, November 10, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

COMPETITION BILL

REFERENCE TO SUPREME COURT—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. G. W. Baldwin (Peace River): Mr. Speaker, pursuant to Standing Order 43 I would ask unanimous consent to make the following motion concerning the Competition Act which involves substantial changes in Canadian law and the regulation of trade and commerce and deals in several sections with matters of provincial jurisdiction. It is imperative that the question of constitutionality be tested before the bill is passed and implemented. I would therefore ask unanimous consent to move as follows:

That the Competition Act, and in particular Parts 3, 4, 5 and 6, be referred forthwith to the Supreme Court of Canada in order that the Court may give an opinion as to whether any parts of the said act are ultra vires.

Mr. Speaker: The House has heard the motion proposed by the hon. member for Peace River under the terms of Standing Order 43. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: The motion cannot be put.

* * *

[*Translation*]

POST OFFICE

FORMER G. LAPALME EMPLOYEES—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Roch La Salle (Joliette): Mr. Speaker, pursuant to Standing Order 43, I wish to move a motion. Considering that it has become urgent that the public be informed of the truth with regard to the conflict between the former employees of G. Lapalme Inc. and the government, I move, seconded by the hon. member for Lotbinière (Mr. Fortin):

That the House refer the matter to a parliamentary committee so that the two parties may be heard, and, consequently, that everything pertaining to this conflict, which has already lasted too long, be brought to light.

Mr. Speaker: The House has heard the motion of the hon. member for Joliette. This motion, moved pursuant to Standing Order 43, requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: No.

Mr. Speaker: As there is no unanimous consent, the motion of the hon. member for Joliette cannot be put.

* * *

[*English*]

THE CANADIAN ECONOMY

UNEMPLOYMENT—GOVERNMENT GOALS AND CONTINGENCY PLAN—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, I ask leave to move a motion under Standing Order 43 on a matter of urgent importance. On the basis of the unemployment figures released today, reflecting the persistent lack of confidence of the business community in the economy, and judging by the fact that part-time jobs created exceeded the total jobs created by 14,000, and because of the fact that unemployment with its multifold social and economic implications continues to increase, I would therefore like to move, seconded by the hon. member for Vegreville (Mr. Mazankowski):

That this House request the government to make a full and definitive statement to the country on its economic goals and expectations for the remainder of the fiscal year, and declare, as well, its contingency plans to alleviate hardship on all people and families who will not find jobs this winter.

Mr. Speaker: The House has heard the motion proposed by the hon. member for Gander-Twillingate. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is no unanimity and the hon. member's motion cannot be put because of the dispositions of Standing Order 43.

* * *

SUGAR

TABLING OF REPORT OF TARIFF BOARD AND TRANSCRIPT OF PROCEEDINGS

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, as required by section 6 of the Tariff Board Act, Chapter T-1 of the Revised Statutes, I am tabling today the report of the Tariff Board on sugar, reference No. 146, in English and French, and a copy of the transcript of the proceedings.

Questions

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

NEW FOUNDLAND—AGREEMENT FOR FEDERAL ASSISTANCE FOR THE CONSTRUCTION OF SHELL-TYPE HOUSING

Question No. 1,337—**Mr. Carter:**

Has the Government of Canada or any of its agencies entered into a written agreement or given a written commitment to the Government of Newfoundland or any of its agencies that funds will be provided during the present fiscal year for the construction of shell-type housing units in the province and, if so (a) what is the amount of funds to be provided (b) for how many such housing units?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Although Central Mortgage and Housing Corporation has not entered into a written agreement or given a written commitment to the Government of Newfoundland or any of its agencies for the provision of funds during the present fiscal year for the construction of shell-type housing units, there is an understanding with the Government of Newfoundland that financing by way of loan to individual home owners, builders and in some special cases the Newfoundland & Labrador Housing Corporation, will be provided for up to 300 such units. At an average of approximately $10,000 per loan, the aggregate amount to be loaned would be approximately $3,000,000.

PARRSBORO, N.S.—CONSTRUCTION OF NEW FEDERAL BUILDING

Question No. 1,633—**Mr. Coates:**

1. On what date will tenders be called for the construction of a new federal building at Parrsboro, Nova Scotia?

2. What federal offices will be housed in the new federal building and what is the proposed amount of office space provided by the new construction?

Hon. Arthur Laing (Minister of Public Works): 1. It is not intended at this time to call tenders. The Department has under consideration a proposal to lease space in a privately-owned building.

2. This space, after suitable renovations could accommodate the Post Office and the Department of the Environment.

CHARLOTTETOWN AIRPORT

Question No. 1,667—**Mr. Macquarrie:**

1. What is the present seating capacity of the waiting room at the passenger terminal of the Charlottetown airport?

2. Does the Department of Transport consider this adequate?

3. How many parking spaces are provided in the parking lot at the airport?

4. Will more parking facilities be made available and, if so, (a) by what date (b) how many additional automobiles will this accommodate?

5. What improvements in the facilities of the Charlottetown airport are projected for the fiscal years 1971-72, 1972-73, 1973-74?

6. What is the expected date of the installation of an instrument landing system?

7. What were the estimated number of passengers making use of the Charlottetown airport terminal during the months of June, July and August, 1971?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): 1. Sixty five.

2. Yes. The number of seats provided is in accordance with the standards used for Ministry Terminals.

3. Seventy five.

4. (a) November 30 (b) 50.

5. 1971-72—Instal ramp lighting, further expansion of car parking area; 1972-73—Expand aircraft parking ramp (1971-72 and 1972-73), instal ILS system, instal VASIS system, instal High Intensity Approach Lighting; 1973-74—Nothing presently programmed.

6. 1972-73.

7. June—6,326; July—11,666; August—12,670, These figures are for arriving, departing and connecting passengers.

CULTURAL GRANTS MADE TO INDIAN BANDS

Question No. 1,685—**Mr. Mazankowski:**

1. Were any cultural grants made to Indian Bands during the fiscal years 1969-70, 1970-71 and 1971 to date and, if so (a) what were they (b) which bands received grants in what amounts?

2. What is the criteria for the award of such grants?

Mr. Judd Buchanan (Parliamentary Secretary to Minister of Indian Affairs and Northern Development): 1. Yes.

(a) 1969-70 $ 87,560.00
1970-71 $219,745.00
1971 to July 21, 1971 $334,102.57

(b) Name of Band

	1969-70	1970-71	1971
	$	$	$
Afton Band, N.S.	—	4,950	3,650
Micmac Grand Council, N.S.			2,000
Middle River Band, N.S.	900	—	—
Sydney Band Council, N.S.	1,000	—	2,000
Kingsclear Band, N.B.	3,250	—	—

Questions

	1969-70	1970-71	1971
	$	$	$
Tobique Band, N.B.	1,200	735	1,895
Abitibi Dominion Band	—	—	5,000
Bersimis Band Council	—	3,000	—
Caughnawaga Band	—	5,000	—
Lorette Band Council	1,300	3,000	—
Micmacs of Maria Band Council	—	2,500	—
Mistassini Band Council	—	3,000	—
Montagnais of Lac St Jean Band Council	—	2,500	—
Odanak Band Council	550	1,200	2,700
Restigouche Band Council	5,000	—	1,500
Sept Iles Band Council	—	3,000	5,000
Couchiching Band Council	—	—	4,000
Curve Lake Band Council	—	1,344	—
Fort William Band Council	215	—	—
Naitcatchewenin Band Council	—	—	4,000
Sabaskong Band Council	—	—	4,000
St. Regis Band Council	—	—	500
Tyendinaga Band Council		1,000	
Walpole Island Band Council	—	2,500	—
Birdtail Sioux Band	—	3,000	—
Fort Alexander Band Council	—	12,000	5,000
Garden Hill Band	—	1,000	—
Oak Lake Sioux Band	—	—	3,500
Oak River Band	—	4,650	—
The Pas Band	—	4,500	—
Battleford Band	—	2,000	—
Beardy and Okemasis Band	3,000	—	—
Big River Band Council	500	1,000	4,000
Cote Band Council		500	—
Cowessess Band	2,000	2,000	—
Little Pine Band	—	3,000	3,000
Mistawasis Band Council	—	—	1,500
Moose Wood Band Council	—	1,000	3,000
Mosquito Band Council	—	2,000	4,000
Muskeg Lake Band Council	—	—	3,000
Pelican Lake Band Council	—	2,000	1,000
Piapot Band Council	—	—	3,000
Sioux Wahpeton Band Council	—	5,000	—
Witchekan Lake Band Council	—	500	—
Blackfoot Band Council	—	—	7,000
Blood Band Council	—	5,000	5,000
Ermineskin, Louis Bull, Montana and Samson Bands	—	20,000	—
Frog Lake Band Council	—	—	3,000
Little Red River Band	—	—	2,500
Paul Band Council	—	500	3,500
Peigan Band Council	—	8,161	5,000
Sarcee Band Council	—	4,000	5,000
Stoney Band	—	11,000	10,000
Sturgeon Lake Band Council	—	2,500	—
Cowichan Band Council	—	—	2,500
Hazelton Band Council	—	5,000	—
Deadman's Creek Band	—	3,570	—
Kamloops Band Council	—	500	—
Musqueam Band Council	—	—	5,000

2. The Cultural Development Division of the Indian-Eskimo Affairs Program, advised by an Assessment Board, considers all applications for grants for the promotion of research, preservation and expression of the traditional culture of the Indian people, including languages, literature forms, dances, games, music, art and drama forms.

DATA ON BANK LOANS OUTSTANDING

Question No. 1,737—**Mr. Burton:**

1. Is the Bank of Canada giving consideration to the collection of data on the volume of bank loans outstanding and total money supply by region?

2. Is Statistics Canada giving consideration to the development of a system of regional accounts?

3. What statistical series are now prepared on a regional basis?

4. Is there a study group or task force in Statistics Canada concerned with the development of comprehensive regional statistics?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Bank of Canada and Statistics Canada as follows:

1. The regional domicile of the bank loans and bank deposits of nation-wide enterprises which deal with nation-wide banks is not meaningful; loans arranged in one region are frequently drawn on for use in other regions, and similarly deposit balances carried in one region may arise from operations in, or be destined for disbursement in, other regions. Consequently, collecting or estimating figures for total money supply and bank loans on a regional basis would not provide information useful for the analysis of regional economic problems. However, the Bank of Canada is examining whether there may be some sub-categories of chartered bank assets which might be collected to provide meaningful regional data.

2. No. However, Statistics Canada is working towards an enlarged regional economic data base which, when developed further, would be useful in constructing regional accounts.

3. Statistics Canada is preparing an increasing number of statistical series on a regional basis. A large number of series are now published in the demographic field, the labour field, in industrial areas and others on regional basis and further efforts are being made in this direction.

4. Yes.

Mr. JEAN-PAUL MATTE

Question No. 1,748—**Mr. Matte:**

1. Has Jean-Paul Matte, the assistant to the Minister of Indian Affairs, taken any holidays during the summer or at any other time during the year and, if so (a) what are the exact dates (b) were these paid holidays?

2. (a) How many hours a day does Jean-Paul Matte spend in his Ottawa office (b) at what time and on what day does he begin?

3. Does he go home during the weekend and, if so, on what day and at what time does he usually leave his office in Ottawa to go home?

4. Does Jean-Paul Matte have any accounts or travelling expenses and, if so (a) what are they (b) must these accounts be approved by the Minister himself (c) what have been the total and detailed amounts for these accounts since Jean-Paul Matte has been in the office of the Minister?

[Mr. Buchanan.]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): 1. Yes. (a) The beginning of August, (b) Yes, in accordance with the Managerial and Confidential Exclusions Regulations.

2. On most days, Mr. Matte's hours of work begin at 9:00 a.m., but the end of the day varies from 6:00 to 10:30 p.m. depending on the Minister's needs.

3. As and when required by the Minister, Mr. Matte is also available during week-ends. Times of departure vary from week-end to week-end.

4. (a) Yes, in accordance with Government Travelling Regulations. (b) This approval has been delegated to the Minister's administrative staff. (c) From Nov. 1968 to March 31, 1970, Mr. Matte's total expenses were $2,443.45 and from April 1, 1970 to March 31, 1971 they were $2,811.70. Details can only be obtained by searching the travel expenditure files, which costs in manpower and time would be exorbitant or prohibitive.

PARRSBORO, N.S.—FEDERAL BUILDING SITE

Question No. 1,758—**Mr. Coates:**

Has the government purchased a site for the new federal building that will be constructed in Parrsboro, Nova Scotia and, if so, from whom was the site purchased and at what cost to the federal treasury?

Hon. Arthur Laing (Minister of Public Works): No, the Department has under consideration a proposal to lease space in a privately-owned building.

EMPLOYMENT OF TEACHERS BY DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

Question No. 1,813—**Mr. Orlikow:**

1. How many teachers are employed by the Department of Indian Affairs and Northern Development?

2. What are the minimum qualifications (academic) required for teachers hired by the Department?

3. (a) How many teachers working for the Department have more than the minimum academic qualifications required (b) how many have a Bachelor of Arts, Bachelor of Science or Bachelor of Education degree?

4. Is the Department giving consideration to the payment of a bonus or an allowance similar to the $1,000 bonus now being paid by the Ontario Department of Education to teachers in isolated northern schools?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): 1. In 1970-71, 1,372 teachers were employed by the Department of Indian Affairs and Northern Development.

2. See answer to Parliamentary Question No. 1,105 tabled in the House of Commons on March 4, 1970;

3. In 1970-71 (a) 1,212; (b) 338.

4. See answer to Parliamentary Question No. 1,105 tabled in the House of Commons on March 4, 1970.

RE-EXAMINING OF PROPOSAL OF ADDITIONAL NEW BRUNSWICK-P.E.I. FERRY SERVICE

Question No. 1,853—**Mr. MacLean:**

In the light of the plans for a new national park in New Brunswick, and the cancellation of the Prince Edward Island causeway

project, is the Department of Transport re-examining the proposal that a summer ferry service be instituted between the vicinity of this new park and West Point, Prince Edward Island, to relieve the pressure on the Borden-Tormentine Ferry Service, and to provide direct access from this new park to Prince Edward Island and, if such a re-examination is being made, when is it expected a policy decision on the matter will be reached?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): No.

EMPLOYMENT OF TEACHERS BY DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

Question No. 1,875—**Mr. Orlikow:**

1. How many teachers were employed by the Indian Affairs Branch of the Department of Indian Affairs and Northern Development in the fiscal year 1969-70?

2. Of this number, how many of the teachers were in the classification of (a) teacher aide or unqualified teacher who had no professional teacher training (b) the sub-level who had only junior matriculation education and one year of teacher education (c) level 1 who had senior matriculation and one year of teacher education (d) level 2 who had senior matriculation and two years of teacher education (e) level 3 who had senior matriculation and three years of teacher education (f) level 4 who had senior matriculation and four years of teacher education (g) level 5 who had senior matriculation and five years of teacher education (h) level 6 who had senior matriculation and six years of teacher education?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): 1. 1,645.

2. (a) 73; (b) 94; (c) 554; (d) 355; (e) 182; (f) 252; (g) 97; (h) 38.

DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT—NUMBER OF PLACEMENT OFFICERS

Question No. 1,881—**Mr. Orlikow:**

How many Employment Placement Officers does the Indian Affairs Branch employ in each province and how many of these are of Indian descent?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): In 1970-71, the Indian-Eskimo Affairs program employed the following placement officers by province:

Provinces	Placement Officers	Placement Officers of Indian Descent
Maritimes	4	3
Quebec	7	0
Ontario	7	0
Manitoba	1	0
Saskatchewan	10	6
Alberta	12	2
British Columbia	9	3

HIGHWAY SAFETY—STUDENT TRANSPORTATION

Question No. 1,898—**Mr. Mather:**

Is consideration being given to encouraging, with the co-operation of the provinces, highway safety standards for pupil transportation involving procedures on establishing uniform school bus markings, colour and lighting systems across Canada, driver training, periodic student instruction in safe riding practices and drills in emergency evacuation, semi-annual inspection of school buses and the mandatory wearing of seat belts by drivers and students?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): Regulations regarding the safe transport of pupils to schools are incorporated in provincial highway traffic acts. Therefore many of the provinces have given serious consideration to the most desirable method of ensuring the safe transport of students in their provinces. The Department of Transport is also concerned about the safety features incorporated in vehicles used to transport students and in the methods developed to promote safety among the young passengers and for this reason the Department does intend to encourage and co-operate with the provinces to see that the most desirable methods are used universally across Canada.

LOAN GRANTED BY CANADA TO MALAYSIA

Question No. 1,911—**Mr. Rodrique:**

1. What was the amount of the loan granted by Canada to Malaysia when the Prime Minister of that country visited Canada?

2. What is the duration of the loan?

3. What is the rate of interest of the loan?

4. What are the reimbursement terms?

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. Canada has agreed to make available to the Government of Malaysia a Loan in an amount which is not to exceed $46,500,000.

2. The duration of the loan will commence from the first withdrawal of principal and terminate on the date to which final repayment is complete. Final repayment of principal is to take place on or before March 31, 2001.

3. The rate of interest of the loan is to be calculated at 3 per cent per annum on the principal amount of the loan drawn by Malaysia and outstanding.

4. Reimbursement will be made in 46 equal semi-annual instalments of the principal amount of the loan which is utilized by Malaysia, due and payable on the last day of September and March in each year commencing on September 30, 1978 and ending March 31, 2001. Payment of interest will similarly be made in semi-annual instalments due and payable on September 30 and March 31 in each year commencing from the first withdrawal of principal. Payment of interest will be calculated on the outstanding balance of the principal. The principal of and the interest charges on the loan are to be paid without any deduction whatsoever and in particular will be free from any taxes, charges, or other restrictions imposed under the Laws of Malaysia. The loan will be utilized on the basis of contracts won by Canadian suppliers in international competition. Consequently, the exact amount of the loan which will be utilized cannot presently be determined.

CONSUMER ADVISORY COUNCIL—AGE OF MEMBERS

Question No. 1,926—**Mr. MacDonald (Egmont):**

What is the lowest age of members of the Consumer Advisory Council appointed by the Minister of Consumer and Corporate Affairs?

Questions

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): The ages of members of the Canadian Consumer Council are not included in our records.

PRICES AND INCOMES COMMISSION—STAFF COMPLEMENT

Question No. 1,927—**Mr. MacDonald (Egmont):**

What is the full staff complement of the Prices and Incomes Commission?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): I have been informed by the Chairman of the Prices and Incomes Commission as follows: The number of full-time staff of the Commission on October 18, 1971 was 86.

*PRINTING OF INCOME TAX RETURN FORMS

Question No. 1,936—**Mr. Knowles (Winnipeg North Centre):**

Were income tax return forms, guides and any other materials for the year 1971 printed prior to October 14, 1971 and, if so, will such materials have to be re-printed because of the tax changes announced on October 14, 1971, and what is the total cost of the forms, guides and other materials to be discarded?

Mr. Speaker: Stand.

INDIAN POPULATION

Question No. 1,984—**Mr. Robinson:**

How many Indians are there in each province?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): As of December 31, 1970, the registered Indian population by province was as follows:

Province	Indian Population
Newfoundland	0
Prince Edward Island	435
Nova Scotia	4,652
New Brunswick	4,423
Quebec	27,671
Ontario	55,342
Manitoba	35,658
Saskatchewan	36,326
Alberta	29,086
British Columbia	48,259
Yukon Territory	2,491
Northwest Territories	6,438

NATIONAL DEFENCE MANPOWER STRENGTHS—MEMBER SERVING IN VARIOUS WARS

Question No. 2,003—**Mr. Robinson:**

1. How many Canadians served in (a) the Boer War (b) the First World War (c) the Second World War (d) the Korean War?

2. How many Canadians served in more than one of the above-mentioned wars?

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): 1. It is not possible to give an accurate reply to this question as it is impossible to state precisely how many Canadians served in each of these wars because Canadian citizenship was not established until after the Second World War. Many Americans and others served in the Canadian Forces, some concealing their nationality to do so, and many others resident in Canada travelled to the United Kingdom to join the British Forces. However, as far as can be determined, the numbers were as follows: (a) 7,368 including those who served in the South African Constabulary; (b) 626,636; in addition, a large number, probably between 15,000 and 20,000 was recruited in Canada for the British Air Services; (c) 1,086,343; (d) 25,583.

2. The number of Canadians who served in more than one of these wars can only be ascertained by reviewing the records of all who enlisted in the services between 1897 and 1954. The necessary staff to undertake the large amount of work that this would entail is not available.

FINANCIAL ASSISTANCE UNDER THE VETERANS' LAND ACT

Question No. 2,005—**Mr. Robinson:**

1. How many veterans of the Second World War used the establishment credit under VLA?

2. Do any veterans still have the option to obtain benefits under VLA?

Hon. Jean-Eudes Dubé (Minister of Veterans Affairs): 1. To September 30, 1971, a total of 125,787 eligible veterans of World War II and the Korean Special Force had received financial assistance under the provisions of the Veterans' Land Act. Separate records have not been maintained as to how many of this number served only in the Korean Special Force.

2. Approximately 142,000 veterans who obtained a certificate of qualification by October 31, 1968 remain eligible to apply for VLA benefits up to March 31, 1974.

VETERANS' LAND ACT—TOTAL AMOUNT OF ASSISTANCE TO WORLD WAR II VETERANS

Question No. 2,006—**Mr. Robinson:**

What was the total amount loaned to veterans of World War Two under the VLA program?

Hon. Jean-Eudes Dubé (Minister of Veterans Affairs): To September 30, 1971 the amount of $1,065,903,853 has been loaned under the provisions of the Veterans' Land Act. In addition, grants totalling $16,368,667 have been made to veterans of World War II and the Korean Special Force settling on Dominion and Provincial Lands and on Indian Reserve Lands. Separate records have not been maintained as to how much of these two amounts relates to veterans who served only in the Korean Specail Force.

QUESTIONS PASSED AS ORDERS FOR RETURNS

CONFERENCES HELD AT SEIGNIORY CLUB, MONTEBELLO, QUEBEC

Question No. 1,760—**Mr. Schumacher:**

Further to the reply to Question Number 1,500 at page 8063 of *Hansard*, did the Canadian International Development Agency hold meetings or conferences at the Seigniory Club in Montebello, Quebec during February 1970 and, if so (a) what was the duration

of such conferences or meetings (b) who sponsored them (c) who attended them (d) were any payments made to the Seigniory Club in respect of such conferences or meetings (e) what was the amount of such payments (f) who was responsible for such payments?

Return tabled.

NORTHERN MINERAL ASSISTANCE PROGRAM

Question No. 1,935—**Mr. Robinson:**

1. How many applications under the Northern Mineral Assistance Program have been approved?
2. Who were the successful applicants?
3. What amount was allotted to each applicant?
4. Where is the head office of each successful applicant?
5. What kind of work will the financial assistance cover in each case?
6. Where will the work be carried out by each of the applicants?

Return tabled.

• (2:10 p.m.)

MOTIONS FOR PAPERS

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, I ask that the outstanding notices of motions for the production of papers be allowed to stand.

Mr. Speaker: Stand.

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

UNEMPLOYMENT—REQUEST FOR STATEMENT ON GOVERNMENT GOALS AND CONTINGENCY PLAN TO PROVIDE JOBS

Mr. John Lundrigan (Gander-Twillingate): I should like to put a question to the Acting Prime Minister. In view of the unemployment statistics released today, will the Acting Prime Minister undertake to make a statement to the House and the country indicating the goals and expectations of the government for the economy and unemployment and employment this coming winter in order to alleviate the uncertainty in the business community and in view of the fact that of the total increase in jobs reported today 77,000 were part-time jobs, reflecting the uncertainty of the business community?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I think the House and the country should be encouraged by the fact that there has been the largest increase in employment ever recorded for any October.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Lundrigan: Recognizing the fact that 6.7 per cent of the labour force are unemployed compared with 6.5 per cent last October, I wonder if the Acting Prime Minister would announce to the people of the country a contingency plan to help those people who will not find jobs this winter inasmuch as 40 per cent of the total number of unemployed people in Canada have been out of work for more than four months which is an increase of 4 per cent over last month and 4 per cent over a year ago?

Mr. Sharp: Mr. Speaker, it may have been while the hon. gentleman was absent in Newfoundland but the Minister of Finance did bring forward a program for just that purpose.

Mr. Lundrigan: Mr. Speaker, perhaps I should either rephrase or restate my question because the minister, who appears to be in a pseudo-gloating mood today, has not understood my question.

Mr. Speaker: Order, please. The hon. member might ask the supplementary.

Mr. Lundrigan: I am not talking about the red tape program which was announced; I am talking about the fact that today 40 per cent of the 447,000 people who are unemployed have been out of work for more than four months, 40 per cent of the total of those unemployed—

Mr. Speaker: Order, please. The hon. member has been recognized to ask a supplementary question. Perhaps he would ask it now.

Mr. Lundrigan: Can the Acting Prime Minister indicate whether the government has any contingency plan to bring forward now or at the November 15 meeting of the first ministers to help the provinces and the municipalities in one way or another to assist unemployed Canadians who will not find work this winter?

Mr. Sharp: Mr. Speaker, the Prime Minister will be bringing before the conference of first ministers the proposals announced by the Minister of Finance that require provincial co-operation.

Mr. Baldwin: An election and a new government.

UNEMPLOYMENT—PROGRESS IN IMPLEMENTING GOVERNMENT PROGRAMS—AVAILABILITY OF SPECIAL LOANS DEVELOPMENT PROGRAM GUIDELINES

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct a question to the Minister of Finance. Although there was a decline in unemployment in October from the previous month, and in view of the fact that unemployment in that month was the highest for any October since the inception of the labour force survey I should like to ask the minister whether he can tell the House what progress has been made in getting under way the various programs to relieve unemployment which he announced on October 14 and, particularly, can he tell the House whether the guidelines are now available with respect to the special loans development program which offered $160 million in loans to the provinces?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, first of all, my colleague the Minister of Manpower and Immigration is in close contact with the provinces—

An hon. Member: Where is he?

Mr. Benson: —in order to get the programs moving ahead as rapidly as possible. With respect to the loan program, we are in discussion with the provinces. The general outline of the rules I gave in my statement and, indeed, when I spoke to the provinces, at the meeting of the Ministers of Finance. We are ready to proceed forthwith. The guidelines generally are the same as they were last year except that there is a forgivable feature in the loans program involving 75 per cent of the labour cost incurred during the winter months.

REQUEST FOR TABLING OF WORKING PAPERS RESPECTING ALLOCATION OF SPECIAL LOANS TO PROVINCES—DECREASE IN AMOUNT FOR BRITISH COLUMBIA

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Some time ago the Minister of Finance promised to table the working papers on the basis of which the special loans fund will be allocated among the various provinces. Is he prepared to table those working papers and, particularly, is he prepared to explain to the House why the allocation to British Columbia this year has dropped from $39.8 million to $21.7 million, since its unemployment situation certainly does not seem to warrant that?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I would be pleased to carry out my earlier undertaking with respect to the working papers. The reason that the allocation to British Columbia has decreased this year is that, relatively, their unemployment position is better vis-à-vis the other provinces than it was last year. However, this will be shown by the figures which I am quite willing to table.

Mr. Douglas: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. Hon. members will recognize that perhaps eight or ten hon. members are seeking to ask supplementary questions. We will have to limit supplementaries at one point or another. For the moment the hon. member for Nanaimo-Cowichan-The Islands is recognized.

UNEMPLOYMENT—SPECIAL MEASURES TO PLACE HARD-CORE UNEMPLOYED IN JOBS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I ask the Minister of Finance one other question. Since the figures released today show that nearly a quarter of a million of the unemployment have been in that state for more than four months and that we are developing a hard core of unemployed, is the government taking any special measures to see that this particular group are put into a position where jobs will be available to them?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, the unemployment figures will show that a large part of the increase in unemployment has arisen from married women and from people under the age of 25. We are looking particularly at these problems. Indeed, in our programs which we announced last month our aim is to try to do something about this particular problem. There still is, as my hon. friend will know if he looks at the figures carefully, a rather strange or alarming increase in the participation rate in the labour force. It is more than we forecast—

Mr. Speaker: Order, please.

Mr. Baldwin: Alarming, the minister says.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

Mr. Benson: I am not looking—

Mr. Speaker: Order, please.

Mr. Knowles (Winnipeg North Centre): The minister's attitude is the alarming part.

[*Translation*]

UNEMPLOYMENT—CONSIDERATION OF SPECIAL MEASURES FOR THOSE UNDER 25 AT FEDERAL-PROVINCIAL CONFERENCE

Mr. André Fortin (Lotbinière): Mr. Speaker, I would like to ask a question to the Finance Minister.

The question of increasing unemployment will be on the agenda of the federal-provincial conference, as he just informed us. Can he tell us if the federal government will then bring in special measures dealing with unemployment among people under age 25?

[*English*]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, of course this matter will be discussed at the first ministers' meeting. We have indicated what our program is for the coming winter and of course we are urging the provinces to co-operate with us and accept some of the responsibility they must accept in order to create jobs this winter, which I am sure everyone in this House wants to see happen.

UNEMPLOYMENT—CONSIDERATION OF GUARANTEED ANNUAL INCOME AS MEANS OF EASING POVERTY

Hon. George Hees (Prince Edward-Hastings): I wish to direct a supplementary question to the Acting Prime Minister, Mr. Speaker. As the government has been aware for some time of the recommendation of a guaranteed annual income contained in the report of the Special Committee on Poverty, which is to be tabled in the Senate today, is the government considering the implementation of a guaranteed annual income as a means of easing the burden of poverty caused by unemployment?

Hon. John C. Munro (Minister of National Health and Welfare): Perhaps I might answer that question, Mr. Speaker. We indicated in the white paper on income security that we were considering the concept of a guaranteed annual income. However, we had a couple of reservations, principally concerning the effect on incentives, which I understand is a concern of the Senate report also. We are also concerned, in the short run, about the cost involved and how we would raise the money necessary to finance the program. In the meantime we have indicated

that we are prepared to finance pilot projects in a general way in the various provinces across Canada and in fact one or two provinces have already responded.

UNEMPLOYMENT—LOAN FUND ALLOCATION AVAILABLE TO ONTARIO—TARGET DATE FOR AGREEMENT

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, my supplementary question is for the Minister of Finance. Since approximately $25 million is now available under the loan program to the province of Ontario, can the minister indicate a target date when an agreement may be entered into with the province of Ontario so that this money will be available for employment opportunities?

Mr. Speaker: Order, please. I am not sure whether that is strictly a supplementary question. Of course, the question has been asked and the minister might be allowed to reply.

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, we are willing to move forward just as fast as possible. Last year, as you will recall, the province of Ontario was the slowest of all the provinces in taking advantage of this particular program.

Some hon. Members: Oh, oh!

Mr. Baldwin: Don't you know the election is over?

Mr. Woolliams: That is not what the people said.

• (2:20 p.m.)

UNEMPLOYMENT—ADDITIONAL MEASURES TO DEAL WITH PROBLEM

Mr. Robert C. Coates (Cumberland-Colchester North): I have a supplementary question for the Minister of Finance. In light of the fact the pattern of unemployment this fall is higher than that of a year ago, can the minister inform the House whether the government believes that last month's economic moves will be sufficient to prevent unemployment from going higher this winter than was the case last winter?

Mr. Speaker: Order, please. The hon. member is inviting the minister to express an opinion. The question as asked is not in order. Perhaps the hon. member might rephrase the question.

Mr. Coates: In light of the fact the figures are higher this year, is the government contemplating any steps additional to those taken in October?

Hon. E. J. Benson (Minister of Finance): Not at this point, Mr. Speaker.

Mr. Speaker: Order, please. Again I have to invite hon. members to consider the fact we will be running out of time eventually. If we spend half the question period on the first question, a number of hon. members may be disappointed when we approach the end of the question period. In any event, we will continue on the same subject for a while. The hon. member for Cumberland-Colchester North.

Mr. Coates: In view of the fact that last month several government ministers questioned the accuracy of the unemployment figures, does the minister question the accuracy of this month's figures and, if so, is a statement going to be made?

Mr. Benson: Mr. Speaker I do not think I have ever questioned the accuracy of the figures.

UNEMPLOYMENT—ATLANTIC PROVINCES AND QUEBEC—REAPPRAISAL OF REGIONAL ECONOMIC EXPANSION PROGRAMS AND AMENDMENT OF ACT

Mr. James A. McGrath (St. John's East): I wish to direct my supplementary question to the Minister of Regional Economic Expansion. In view of the figures released today by DBS indicating that unemployment is up substantially in the Atlantic provinces over this time last year and is also up in the province of Quebec, does the minister intend to reappraise or re-evaluate his present regional-economic expansion programs and is he prepared to give consideration to amendments to the Regional Development Incentives Act making it possible for added incentives to be provided this winter?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I think the hon. member's question is based on wrong facts. The seasonally adjusted unemployment rate declined in Quebec, and there are at least 31,000 more jobs than last September.

[*English*]

Mr. McGrath: Mr. Speaker, either the minister has not read the DBS statistics or has not read the breakdown of them or else he is trying to convey the impression that he does not know.

Mr. Speaker: Order, please. would the hon. member ask the supplementary.

Mr. McGrath: I repeat my original question. In view of the fact there are more people unemployed in the Atlantic provinces than there were at this time last year and in view of the fact there are more people unemployed in the province of Quebec than at this time last year, is the minister now prepared—

Mr. Speaker: Order, please. The hon. member knows it is irregular to repeat the same question. I wonder how often that should be allowed. The hon. member asked a question and he is not satisfied with the reply. Then he seeks the floor to ask a supplementary and simply repeats the question he asked in the first instance. I do not think that is proper procedure. The hon. member might like to rephrase the question.

Mr. McGrath: I will rephrase the question, Mr. Speaker. In view of the unemployment figures released today, is the minister prepared to bring in amendments to the Regional Development Incentives Act in order to provide additional incentives for areas such as the Atlantic provinces which are faced with severely high unemployment this winter?

[*Translation*]

Mr. Marchand (Langelier): Mr. Speaker, we shall continue to do everything we can to improve the employment situation in the Atlantic provinces and eastern Quebec.

[*English*]

UNEMPLOYMENT—LACK OF FORMS FOR ON THE JOB TRAINING PROGRAM

Mr. Edward Broadbent (Oshawa-Whitby): I wish to direct my supplementary question to the Acting Prime Minister. Will the Acting Prime Minister inquire of the Minister of Manpower and Immigration, who is supposed to be here today but is not, and find out why, at a time when we have the highest level of unemployment for these months in the history of Canada, the forms for the on the job training aspect of the programs announced about a month ago are not yet available to Canadians?

Hon. Mitchell Sharp (Acting Prime Minister): Yes, Mr. Speaker, I will make those inquiries.

UNEMPLOYMENT—EXPEDITING OF NOVA SCOTIA ECONOMIC EXPANSION PROGRAM TO PROVIDE JOBS

Mr. J. M. Forrestall (Dartmouth-Halifax East): My question is supplementary to the question asked by the hon. member for St. John's East. I direct it to the Minister of Regional Economic Expansion. In light of the continuing difficulties which exist in the maritimes, particularly in Nova Scotia, would the minister be prepared to have his departmental officials bring on the final five-year DREE program for the province of Nova Scotia so that we might have an indication of those areas in which work might be provided this winter?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, as the hon. member undoubtedly knows, we have just signed an agreement with Nova Scotia on the matter of roads. Now, all agreements have not been signed, but we do have in mind a program to promote economic development in Nova Scotia.

[*English*]

UNEMPLOYMENT—ACTION TO MAKE JOBS AVAILABLE KNOWN TO UNEMPLOYED

Mr. Jerry Pringle (Fraser Valley East): Mr. Speaker, my question could be directed to the Acting Prime Minister in the absence of the Minister of Manpower and Immigration. In view of the statement issued yesterday that some 10,000 jobs are now going begging in the city of Montreal, and similar statements issued in other centres of Canada, including press reports in Ottawa, is the government taking special measures to bring this information to the attention of those who are unemployed so that they may be able to take advantage of these thousands of jobs and thereby be able to remove themselves from the unemployment lists?

Hon. Mitchell Sharp (Acting Prime Minister): It is one of the phenomena that we have been dealing with that there is obviously a shortage of labour for many jobs in Canada. We have been studying the situation and the Minister of Manpower and Immigration has undertaken a special task to find out why it is that these jobs and the unemployed do not match.

Mr. Speaker: Order, please. The Chair will try to recognize the hon. member for Hamilton West later on this subject but for the moment the Chair will recognize the right hon. member for Prince Albert.

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HUMAN RIGHTS

DISMISSAL OF RON HAGGART BY TORONTO "STAR"—INVESTIGATION BY LAW OFFICERS OF POSSIBLE VIOLATION OF BILL OF RIGHTS

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, two or three days ago I asked the Minister of Justice whether he would refer to the law officers of the Crown the cavalier treatment of Ron Haggart by the Toronto *Star*. Has he done so, and what is the result?

Hon. John N. Turner (Minister of Justice): I did so, Mr. Speaker. The law officers of the Crown have examined this case and it is their view that matters relating to a contract or the negotiation of a contract fall within provincial jurisdiction and are not covered by the Canadian Bill of Rights. In the circumstances they have not been able to conclude that any violation of the Canadian Bill of Rights has occurred. I wish to stress, as I did on Monday when the right hon. gentleman put this question to me, that the views I express are not binding on Mr. Haggart who has his own legal recourses open to him should he desire to exercise them.

Some hon. Members: Hear, hear!

Mr. Diefenbaker: I heard some of the hon. members on the back seats opposite who do not believe in freedom applaud that statement. I could identify them if necessary. I would ask the minister—as I cannot under the rules get into an argument with him during the question period—whether there is anyone in his department charged with looking into violations of fundamental freedoms that come within federal jurisdiction?

Mr. Turner (Ottawa-Carleton): Yes, indeed, Mr. Speaker. The right hon. gentleman is aware that we tried to persuade the provinces—and succeeded to a limited extent—to convert some of the provisions of the Canadian Bill of Rights into a constitutional charter. Had that charter been declared, the situation might well be different.

Mr. Diefenbaker: It happened to be Liberal provincial governments that refused.

Some hon. Members: No.

Mr. Turner (Ottawa-Carleton): You know better than that.

Mr. Diefenbaker: I would ask the minister whether freedom of the press and of speech has not been declared by the courts to be, except for libel and slander, within the jurisdiction of the federal Parliament?

Mr. Turner (Ottawa-Carleton): That is correct. The Supreme Court of Canada has held that to be true, but the primary matter at issue here is either negotiation for a contract or a contract, and that is a matter of civil law within the jurisdiction of the province.

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GRAIN

CONSULTATION WITH FARM ORGANIZATIONS AND PRAIRIE GOVERNMENTS TO FORMULATE POLICY ACCEPTABLE TO FARMERS—ACREAGE PAYMENTS

Mr. A. P. Gleave (Saskatoon-Biggar): In the absence of the minister in charge of the Wheat Board I will direct my question to the Acting Prime Minister. In view of the clear rejection of the government's grain policy and its grain stabilization bill—

• (2:30 p.m.)

Mr. Speaker: Order, please. As much as possible the hon. member should ask a question.

Mr. Gleave: In view of these facts, is it now the intention of the government to initiate a meeting with the farm organizations and representatives of the three prairie governments in order to work out a grains policy that is acceptable to prairie farmers?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, when the government has made a decision in this matter it will, of course, be made known to the House.

Mr. Gleave: I am very pleased to hear that the government is considering its decision, but may I ask whether the government will now make the acreage payments to farmers to which it committed itself in letters to permitholders as of last July, while the remainder of the proposals in the grain stabilization bill, as the minister has suggested, may receive further consideration?

Mr. Sharp: If it had not been for the opposition, Mr. Speaker, I think those cheques would have been sent out already.

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[*Translation*]

CRIMINAL CODE

DATE OF DEBATE ON ABORTION AND INTRODUCTION OF LEGISLATION

Mr. André Fortin (Lotbinière): Mr. Speaker, I have a question for the hon. Minister of Justice.

In view of his recent announcement that there would be a debate on abortion in the near future, could he tell us whether such a debate will take place during the present session or early in the next one? Will it follow a motion calling for a special debate or the introduction of a bill?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I cannot give an exact date. It depends on the business of the House. In reply to the second part of the hon. member's question, I believe it would be best to obtain the opinion of the House before introducing a bill.

[*English*]

MANPOWER

SPECIAL EMPLOYMENT PROGRAM—NUMBER OF PROJECTS APPROVED AND JOBS CREATED

Mr. R. N. Thompson (Red Deer): Mr. Speaker, my question was intended for the Minister of Manpower and Immigration but in his absence would the acting minister or the parliamentary secretary inform the House how many projects have been approved and how many jobs have been created by the government's special employment program?

Mr. Speaker: Order, please. The hon. member will appreciate, I am sure, that normally this kind of statistical information is always sought by way of a question on the order paper. However, if there is urgency or there is some other way in which the question can be asked, perhaps the hon. member might seek the information through another method.

Mr. Thompson: Mr. Speaker, I asked the question because of a commitment the minister made to the House last week. In view of the arrival of winter for most of Canada, can the minister inform the House how many projects have been or will be approved and how many jobs will be created prior to Christmas?

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, the Minister of Manpower and Immigration has informed me that he anticipates being back in the House before the end of the question period. I am sure that this information, which is very detailed, can be obtained at the earliest possible opportunity.

An hon. Member: Where is he?

Mr. Mackasey: The minister is away on important business involving this type of legislation, but he does intend to be back in time to answer questions.

Mr. Speaker: Order, please.

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ENERGY

OFFSHORE OIL AND GAS DRILLING—USE OF CANADIAN SHIPS AS SUPPLY VESSELS

Mr. Thomas M. Bell (Saint John-Lancaster): Mr. Speaker, my question is for the Minister of Transport. In view of the Sable Island discoveries and the probable increase in offshore oil and gas drilling, is the government satisfied that Canadian regulations regarding offshore drilling vessels are adequate to ensure for Canada all the benefits of Canadian resources development?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, this question requires a complex answer and I will not try to answer in detail. I will say that no, we are not satisfied that the present regulations are adequate to ensure that Canadian ships get as much of the supply business as possible, and I am moving to close as many of the holes in existing regulations as possible.

Mr. Bell: Accepting the fact that oil drilling vessels are in a special category, can the minister say whether the vessels that service these oil drilling rigs are required to be of Canadian registry?

Mr. Jamieson: Mr. Speaker, it was the latter part of the question to which I addressed myself. They are required to be if the drilling is taking place inside the three-mile limit, but there is some question, which has not yet been resolved, as to how much we can exert authority over vessels servicing rigs on the high seas.

NATURAL GAS—APPROVAL OF APPLICATIONS TO EXPORT

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I should like to ask the Acting Prime Minister a question in the absence of the Minister of Energy, Mines and Resources and the Minister of Industry, Trade and Commerce. In light of order No. G.H.-1-71 of the National Energy Board, and in light of the fact that natural gas drilling rig companies in Alberta are either going into liquidation or closing down operations, can the minister tell the House whether the National Energy Board has approved five applications to export approximately 2.5 trillion cubic feet of natural gas, thus creating thousands of jobs not only in western Canada but in eastern Canada?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I cannot answer the question directly other than by saying that these reports of the National Energy Board have not yet reached the cabinet, so I assume that the National Energy Board has not yet made its decision.

RESUMPTION OF DISCUSSIONS WITH UNITED STATES

Mr. Eldon M. Woolliams (Calgary North): In answer to a question recently about negotiations between Canada and the United States on the subject of energy the minister said that talks are not going on at present. Can the minister now tell the House when these talks will resume in light of the fact that so many jobs depend upon this industry?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the fact that talks are not going on with the United States would not prevent us from making decisions on the export of gas when we receive a recommendation from the National Energy Board. Nor would it prevent us from making decisions on any matter affecting Canada-United States relations. There are no formal talks going on at the present time of the kind that were contemplated. It is my understanding, however, that there may be some resumption of these talks in the near future. I believe that a United States official would like to come up to Canada and talk to us about the matter.

Mr. Woolliams: Would the minister briefly tell us who it was brought these talks which had been going on to an end? They were described by the Minister of Energy Mines and Resources as always continuing. Who brought them to an end, the United States or Canada?

[Mr. Jamieson.]

Mr. Sharp: Perhaps indirectly the United States did by putting other matters ahead of oil and gas or energy talks.

Mr. Woolliams: Do you mean the surtax?

Mr. Sharp: That is right.

Mr. Woolliams: Retaliation.

Mr. Sharp: Against Mexico too?

Mr. Woolliams: If you want to go to Mexico, then that is just where you are going to go.

Mr. Speaker: Order, please. The hon. member for Winnipeg North Centre.

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THE CANADIAN ECONOMY

LOAN PROGRAM TO CREATE JOBS—INFORMATION ON UNEMPLOYMENT BASIS AND METHOD OF CALCULATION FOR ALLOCATION OF FUNDS

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I put a question to the Minister of Finance. On Thursday, October 28, the hon. member for York South asked the minister whether he would table the precise method by which the allocations under the $160 million forgivable loan program were calculated. May I ask the minister whether the assurance he gave earlier today to the hon. member for Nanaimo-Cowichan-The Islands includes this information, and can he say how soon all of it will be tabled?

Hon. E. J. Benson (Minister of Finance): As soon as possible, Mr. Speaker.

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AIRPORTS

TORONTO INTERNATIONAL—COMPLETION DATE FOR NEW TERMINAL

Mr. Robert P. Kaplan (Don Valley): Mr. Speaker, I have a question for the Minister of Transport. Can the minister say whether the new terminal now under construction at Toronto international airport will ever be completed and, if so, when?

Mr. Knowles (Winnipeg North Centre): "As soon as possible."

Mr. Speaker: Order, please. If it would be of any help to the minister I might suggest to the hon. member that the question as asked is argumentative. I might allow the hon. member to rephrase his question.

Mr. Kaplan: Then, Mr. Speaker, I should like to ask the minister whether he is in a position to tell us when the new terminal under construction at Toronto international airport will be completed?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I assume, under the circumstances, that it will be on the front page of the Toronto *Star* tomorrow that the

first module of a three-module terminal will be completed on April 30 and the remaining two by June 30; and I would invite the hon. member to attend the opening on June 30 as a fixed date.

Some hon. Members: Hear, hear!

• (2:40 p.m.)

Mr. Speaker: Order, please. There is a supplementary by the Parliamentary Secretary to the Prime Minister.

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): Mr. Speaker, I wonder whether I might ask the Minister of Transport if he could tell us the year.

Some hon. Members: Oh, oh!

An hon. Member: That's good!

Mr. Jamieson: Mr. Speaker, I expect it will be after the hon. member has lost his exalted position and therefore he will not be invited.

Some hon. Members: Oh, oh!

* * *

ENERGY

OIL AND GAS—NEGOTIATIONS WITH UNITED STATES—NECESSITY FOR CONSULTATION WITH PROVINCES ON SALES

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, after that interesting by-play from Toronto may I turn to a minister from Toronto and ask the Secretary of State for External Affairs a question. The other day the Leader of the Opposition raised a question concerning the assertion by Premier Lougheed of Alberta that he wanted Alberta consulted with regard to any negotiations in respect of the sale of energy resources, particularly oil and gas, to the United States. The minister indicated that this is a matter of foreign policy and that foreign policy decisions are made by the federal government. Will the minister tell the House whether he agrees that prior consultation with the provinces with regard to such sales and other matters which may form part of the negotiations with the United States is an absolute necessity, since the federal government does not get one foot of gas or one barrel of oil without the consent of the provinces?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I can give the assurance the hon. gentleman has asked for. It has always been the practice of the Canadian government to consult with the province of Alberta or whatever other province is involved in the control of gas and oil. Either the National Energy Board has to approve in advance the export of gas from Alberta or in the case of oil there must be some assurance that the supply is forthcoming. With your permission, Mr. Speaker, may I remind the hon. gentleman that that was not the question put to me by the Leader of the Opposition.

Mr. Speaker: Order, please. I indicated to the hon. member for Hamilton West a while ago that he would be recognized for a supplementary. This might be the time to do so.

Inquiries of the Ministry

THE CANADIAN ECONOMY

UNEMPLOYMENT—INDICATION OF GOVERNMENT PROJECTIONS AND TARGETS TO PROVINCES

Mr. Lincoln M. Alexander (Hamilton West): Thank you, Mr. Speaker. For a moment I thought you had forgotten. I have a supplementary for the Minister of Finance. In light of the fact that he will be discussing the unemployment situation with the provinces and in view of the fact the provinces have indicated it is difficult for them to plan without any figures from the federal government regarding projections and targets for employment and unemployment, I should like to ask the minister whether there are such figures available and, if so, will there be some indication given to the provinces at the forthcoming meeting as to what those projections and targets are?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I have answered this question many times before.

Mr. Alexander: In light of the fact the Minister of Finance of the province of Manitoba has predicted higher unemployment for the winter of 1972-73 compared with this winter, has the minister any figures which would tend to confirm or dispute that statement?

Mr. Benson: Mr. Speaker, there are a great many forecasts put out by a great many people and I do not try to dispute each forecast.

* * *

[*Translation*]

AGRICULTURE

DATE OF RESUMPTION OF CONSIDERATION OF FARM PRODUCTS MARKETING AGENCIES BILL

Mr. Roch La Salle (Joliette): Mr. Speaker, I wish to put a question to the President of the Privy Council.

Since thousands of farmers are still waiting for the implementation of Bill C-176, would the hon. minister say whether this bill will be brought back to the House soon, or at least before the Christmas holidays.

[*English*]

Hon. Allan J. MacEachen (President of the Privy Council): Mr. Speaker, it is not possible to say exactly when this bill can come before the House until we have disposed of the tax bill, but it would be possible to have the report stage bills now on the order paper passed after the tax bill has been disposed of.

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UNITED NATIONS

SUGGESTED CANADIAN SPONSORSHIP OF RESOLUTION TO RESTORE REPRESENTATION TO TAIWAN

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have a question for the Secretary of State for External Affairs. Is the government of Canada prepared to sponsor or co-sponsor an appropriate resolution in the General Assembly of the United Nations which will enable the people of Taiwan to be represented in that organization?

Inquiries of the Ministry

Hon. Mitchell Sharp (Secretary of State for External Affairs): The government on Taiwan shows no inclination whatever to abandon its pretension to be the government of the whole of China.

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CRIMINAL CODE

AMENDMENTS RESPECTING JUDICIAL SYSTEM IN LIGHT OF SHORTCOMINGS INDICATED IN STUDY—INVESTIGATION BY LAW REFORM COMMISSION

Mr. John Gilbert (Broadview): Mr. Speaker, this question is addressed to the Minister of Justice. In view of the recent study by the Canadian Civil Liberties Association indicating serious shortcomings with regard to the judicial system, is it the intention of the minister to bring forward any amendments to the Criminal Code in addition to the bail reform amendment and, if not, is it his intention to have the Law Reform Commission study this matter immediately?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, it is my intention to bring forward further amendments but, as I said last week, a good many of the matters raised in that special report of the Civil Liberties Association pertain to provincial jurisdiction and perhaps I should undertake conversations with the provincial Attorneys General.

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[*Translation*]

POWER

PROPOSED JAMES BAY HYDROELECTRIC PROJECT—DISCUSSION WITH QUEBEC GOVERNMENT—CONTRIBUTION TO RESEARCH

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I wish to direct a question to the Minister of Regional Economic Expansion.

In connection with the James Bay project, is the federal government holding talks with provincial authorities and, if so, what stage have those discussions reached?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, discussions have been initiated with the provincial government. However, no comprehensive program has yet been devised and no decision has been reached.

Mr. Caouette: I have a supplementary, Mr. Speaker.

As to the talks already held, is the federal government now taking part in the research done in that area?

Mr. Marchand (Langelier): Not to my knowledge, Mr. Speaker. Perhaps another department is involved, but not mine.

[Mr. Nesbitt.]

[*English*]

TRANSPORT

REQUEST THAT MINISTER EXPEDITE SHIPMENT OF NO. 2 NORTHERN WHEAT REQUIRED FOR SHIPS WAITING TO BE LOADED AT VANCOUVER

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, a few days ago I asked the Minister of Transport a question regarding a shortage of cattle cars and he acted with speed and effect. I thank him. Now I bring to his attention the serious situation that exists on the west coast. Eight million bushels of No. 2 Northern wheat are needed for ships scheduled to be loaded and the needed trains have not arrived from country elevators on the prairies. Because of the seriousness of this situation, with ships waiting to be loaded and the kind of wheat required not being available, will he use the same diligence at once. We will not be back here until Monday next, and I ask him to bring about a concentration of shipment of this grade of wheat to the coast terminals so that demurrage on ships will not pile up as otherwise will be the case.

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I will do my best to convey this to the railway concerned. I might say that it is customary about this time each year for me to arrange for spokesmen for the railways to appear before interested members with regard to the whole question of grain shipment and I will be glad to arrange that next week as is the annual custom.

Mr. Diefenbaker: That will be pretty late if we wait until then. Would the minister act immediately in this direction because it seems not understandable, with all the No. 2 wheat that is available on the prairies, that this situation should exist.

Mr. Speaker: Order, please.

[*Later:*]

MOVEMENT OF GRAIN—CONSULTATION BY MINISTER WITH MINISTER IN CHARGE OF WHEAT BOARD

Mr. A. P. Gleave (Saskatoon-Biggar): I have a supplementary question for the Minister of Transport. Some days ago I asked his parliamentary secretary whether or not the department or the minister had had consultations with the minister in charge of the Wheat Board regarding the situation that was building up on the west coast with respect to grain movement. I was told then that I would receive an answer. Can the minister give it now?

Hon. Donald C. Jamieson (Minister of Transport): The answer is yes. The minister in charge of the Wheat Board and officials of my department and myself are, I would say, in daily contact and carry on a daily review with regard to the shipment of grain. It is, of course, a constantly changing situation. This was why I thought it would be useful, rather than trying to answer individual questions from hon. members on both sides of the House, if I had officials of the railway come here next week so that hon. members could find out what the position is going to be over the next few weeks.

INDIAN AFFAIRS

EDUCATIONAL FACILITIES IN NORTHEASTERN ALBERTA—CONSULTATION BETWEEN PRESIDENT OF TREASURY BOARD AND MINISTER TO SOLVE PROBLEM

Mr. Don Mazankowski (Vegreville): Mr. Speaker, I should like to direct a question to the President of the Treasury Board. Has he had an opportunity to confer with the Minister of Indian Affairs and Northern Development with a view to reaching an immediate solution to the impasse involving the Indians of northeastern Alberta and the Department of Indian Affairs and Northern Development, in light of the difficulties and complaints expressed by members of the Public Service employed at the Indian Affairs regional office in Edmonton arising out of the sit-in being staged there by the Indians?

Hon. C. M. Drury (President of the Treasury Board): Mr. Speaker, I think the Minister of Indian Affairs and Northern Development has been having discussions with the Indians involved and these have not yet reached a conclusion.

Mr. Mazankowski: I have a supplementary.

Mr. Speaker: Order, please. I have to direct the attention of hon. members to the fact that there are only three minutes left before the end of the question period. There are ten members waiting to ask questions who have not had an opportunity to do so. I pointed out to hon. members earlier that if during the question period there are two, three or four supplementaries to every question some members will be disappointed. This is what is happening again and I can take no responsibility for that.

• (2:50 p.m.)

Mr. Mazankowski: Thank you very much for your indulgence, Mr. Speaker. In view of the fact that a telegram was directed to the Minister of Indian Affairs and Northern Development by the employees requesting that the minister either close down the office completely and send the employees home or settle the differences, would the President of the Treasury Board confer with the Minister of Indian Affairs and Northern Development with a view to reaching a solution to the problem immediately?

Mr. Speaker: Order, please. The hon. member must assume that his suggestion will be taken into account.

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REGIONAL ECONOMIC EXPANSION

MANITOBA—POSSIBLE ESTABLISHMENT OF NEW SPECIAL AREA IN NORTH OR EXTENSION OF PRESENT BOUNDARIES

Mr. Robert Simpson (Churchill): My question is for the Minister of Regional Economic Expansion. I should like to ask the minister whether any request or representations have been made by the province of Manitoba or whether discussions have taken place between officials of the minister's department and the province in respect of either the setting up of a new special area in northern Manitoba or the extension of the boundaries of the present special area?

Hon. Jean Marchand (Minister of Regional Economic Expansion): As I have already stated in the House many times, we are in the process now of revising these special areas in Canada as well as the designated areas, but I cannot tell the hon. member exactly what the situation is at the moment with regard to Manitoba.

PROTEST AGAINST MOVEMENT OF FACTORY FROM HAMILTON TO ANOTHER PROVINCE

Mr. H. W. Danforth (Kent-Essex): I should like to direct my question to the Minister of Regional Economic Expansion. Has he received a telegram from the city of Hamilton protesting the movement of a factory from Hamilton to another province, and what does he propose to do about it?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Yes, Mr. Speaker, the Minister of National Health and Welfare informed me of the situation, and I received the wire to which the hon. member referred.

Mr. Lincoln M. Alexander (Hamilton West): Although the minister indicated that he received the wire, can he advise the House what his intentions are with regard to the situation inasmuch as it appears that the minister is creating unemployment in order to create employment in another area of the country?

Mr. Speaker: Order, please.

An hon. Member: There is nothing new about that.

Mr. Alexander: I rise on a point of order, Mr. Speaker. In view of the importance of the question may I put it in a shorter form and ask whether the minister would kindly inform the House of his policy? Is it to create unemployment in some areas in order to create employment in others?

Mr. Speaker: Order, please.

Mr. Marchand (Langelier): I rise on a question of privilege, Mr. Speaker. This is a very important question. I received the wire. The hon. member is the one who asked me the question. A company in Hamilton has decided to close its plant. If we do not give a grant to that company to enable it to establish somewhere else in Canada, it will just disappear. I am not destroying any jobs.

* * *

INQUIRY OF THE MINISTRY

Mr. Edward Broadbent (Oshawa-Whitby): Would the Acting Prime Minister inform the House as to the reason for the absence today of the Minister of Manpower and Immigration. Is it because he has applied for a position—

Mr. Speaker: Order, please.

Inquiries of the Ministry

POLLUTION

POSSIBLE USE OF MARITIME COMMAND OR NAVY TO ENFORCE REGULATIONS

Mr. J. M. Forrestall (Dartmouth-Halifax East): My question is supplementary to a series of questions asked yesterday and is directed to the Minister of the Environment. Can he indicate to the House whether or not, with respect to the enforcement of regulations, consideration is being given by the government to implementing a recommendation in the white paper on national defence which would extend to the Maritime Command or to Canada's navy the authority to arrest or the civil power of arrest so as to be of assistance in the enforcement of regulations?

Hon. Jack Davis (Minister of the Environment): Mr. Speaker, I will have to study that question.

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UNITED NATIONS

CANADIAN ACTION TO SECURE REPRESENTATION FOR GERMAN DEMOCRATIC REPUBLIC

Mr. Warren Allmand (Notre-Dame-de-Grâce): I have a question for the Secretary of State for External Affairs which is supplementary to the one asked earlier by the hon. member for Oxford. Now that the proper representatives of China have been admitted to the United Nations, would the minister state whether the Canadian government is pursuing with other governments the next step toward universality of membership, that is, the admission of the divided state of Germany?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Yes, Mr. Speaker. We have been discussing this question very actively and we are waiting for agreement between the Federal German Republic and the German Democratic Republic. I believe the Federal German Republic looks forward, as we do, to the time when the two Germanies are represented in the United Nations.

Mr. Speaker: Order, please. The time for the question period has just about expired but the Chair will recognize the hon. member for Hillsborough.

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EXTERNAL AFFAIRS

CANADIAN INITIATIVES TO ELIMINATE NUCLEAR TESTS

Mr. Heath Macquarrie (Hillsborough): My question follows on the Amchitka blast of a few days ago. In light of this chamber's expressed desire for the termination of all nuclear tests, can the Secretary of State for External Affairs advise the House as to what new initiatives Canada will undertake toward this goal in multinational disarmament discussions and particularly in the use of its good offices with China and with France?

Hon. Mitchell Sharp (Secretary of State for External Affairs): I am sure the House endorses the sentiments expressed by the hon. gentleman, and I can assure him we will take advantage of all occasions, at the Geneva conference, at the United Nations and bilaterally with all the nuclear powers to see whether we can get an end to nuclear testing.

* * *

TRANSPORT

SNOWMOBILES—PROMOTION OF POWER IN ADVERTISING—GOVERNMENT POSITION

Mr. Steven E. Paproski (Edmonton Centre): My question is for the Minister of Transport. At the first Canadian conference on snowmobiles and all-terrain vehicles it was charged that manufacturers blatantly promote the power of snowmobiles in their advertising and lead people to use their machines in a dangerous manner. Does the government share this position and, if so, is action being taken with regard to the kind of advertising now employed to promote snowmobiles?

Hon. Donald C. Jamieson (Minister of Transport): I doubt that the general content of that question comes within my responsibility. However, I can tell the hon. member that within about a week we will be issuing the first report on snowmobile safety as a result of official tests held a number of months ago.

Mr. Speaker: Orders of the day.

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BUSINESS OF THE HOUSE

WEEKLY STATEMENT

Mr. Baldwin: I rise on a point of order involving the business of the House. Can the government House leader indicate the business for next week and in particular when the government will be bringing in supplementary estimates to deal with the program outlined by the Minister of Finance on October 14?

Mr. MacEachen: The business of the House next week will be the continuation of the bill now before the Committee of the Whole, and in accordance with the arrangement agreed to in the committee yesterday we will begin on Monday with the general subject of the capital gains tax.

In response to the second question, it is hoped to bring in supplementary estimates next week.

Mr. Thompson: I rise on a point of order, Mr. Speaker, for two reasons, first, because of the recent report of Statistics Canada which indicates that there were 22,000 more unemployed last month than there were a year ago, and the plight of many Canadians at this time of the year is desperate. The second reason for my point of order is my inability to obtain an answer which was assured me last week to a question I asked in the absence of the Minister of Manpower and Immigration on a day when he is supposed to be here. I wish to ask whether, tomorrow and the next day not being sitting days, a specific answer will be given next Monday so far as programs and work opportunities are concerned and also whether the government will notify the House of some specific goals so far as

timetables for dealing with unemployment in the crucial winter months ahead of us are concerned.

Mr. Speaker: Order, please. The hon. member cannot suggest that this is a point of order. I am prepared to rule that it is not a proper point of order. Orders of the day.

• (3.00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, November 9, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

The Deputy Chairman: When the committee rose last evening, section 74, with an amendment proposed by the Minister of National Revenue, was before the committee. Sections 16, 67, 69, 70, 72, 74, 76, 78, 79, 81, 126, 144, 145, 148, 149, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 248, 249, 250, 251, 252 and 254 had been grouped for the purposes of debate. Sections 16, 67, 69, 70 and 72 were agreed to.

Shall the amendment carry?

On clause 1—section 74: *Transfers to spouse.*

Mr. Mahoney: Mr. Chairman, there was considerable debate last Friday and again yesterday on the implications of income splitting and I think it might be useful to the committee to appreciate the significance of it in terms of dollars and cents. In the first place one must note that the options that have been advanced by members opposite would not be available to wage earners; they would only be available to the self-employed.

Second, there has been some talk about people being able to resolve this situation for themselves by incorporating. I suppose that is quite true, but the people who do incorporate take the disadvantages of incorporation as well as the advantages. It is not all clear sailing. In the 1969 tax year, for which we have the most recent 1971 edition of taxation statistics, the average self-employed physician or surgeon in Canada reported a gross income of $32,338. The average self-employed business proprietor reported an average income of $6,485. For the convenience of some calculations, and in order to give the benefit of the doubt all around, I have rounded the doctor's figure down to $32,000 from $32,338, and the self-employed business proprietor's figure up to $6,500. The significance here is the difference that this advantage would give to the higher income people.

Basically, assuming no dependent children and assuming that the doctor employed his wife as a nurse in the business and paid her $10,000 of his $32,000 income, the tax instead of being $11,549.85, which it would be on his income of $32,000, would be reduced to $9,636.25, or a saving for that family of $1,913.60. On the other hand, for the self-employed business proprietor—

The Deputy Chairman: Order. Is the hon. member for Athabasca rising on a point of order?

Mr. Yewchuk: Yes, Mr. Chairman. I raise the point of order that the parliamentary secretary is attempting to deceive the House by giving an income tax figure for a gross income. I think this is ridiculous. You have to use net income.

Mr. Mahoney: Mr. Chairman, I could, of course, have run through the figures for exemptions and standard deductions and brought it down to taxable income, and so on, but I thought since those are matters of record these figures might have served. I have calculated the tax against this income, assuming there were no children and taking the standard $100 deduction in lieu of charitable donations, for medical expenses, and so on. So for the professional man, the doctor who was near the average income for doctors in 1969, and applying table 2 in the "Summary of 1971 Tax Reform Legislation" we have a saving, as a result of that splitting of $32,000 into $22,000 for the doctor and $10,000 for his wife, of $1,913.60.

For the business proprietor whose business income that year was $6,485—and I have assumed here $6,500—we have a tax, after application of the same criteria, of $884.65. If he splits his income in much the same way by employing his wife in the front end of his store, keeps $4,500 taxable income himself and pays her $2,000, he reduces his and his wife's tax to a total of $783.64, a saving of $101.01. So I think the committee will see very obviously, Mr. Chairman, that the advantages hon. members are advocating would certainly accrue not to the small business proprietor but to the high income, professional person.

Mr. Lambert (Edmonton West): This is a lot of nonsense, Mr. Chairman.

Mr. Rynard: Mr. Chairman, the parliamentary secretary talks about a doctors' gross income being $32,000. Does he take into account the rooms that are required, often in high-cost areas, all the equipment that is necessary in the carrying on of a medical practice? I think this is a very unfair way to present the matter. There is another question I want to ask him. Supposing a doctor and his wife are practising in the same building, he is an obstetrician and she is a pediatrician—what becomes of that income? How does the minister rate them?

Mr. Mahoney: Mr. Chairman, the income figure, when I used the term gross income, of course is his business income after he has received his fees and deducted all the costs of doing business. This is the figure that is plugged into the income tax return, from which deductions and exemptions are taken off in calculating taxable income.

Mr. Rynard: You did not answer the second part of my question. If a husband and wife are both practising, one is an obstetrician and one is a pediatrician, how do you rate their incomee? How do you apply this principle to them?

Mr. Mahoney: If it is a partnership—

Mr. Rynard: Never mind a partnership. They are sharing offices.

Mr. Mahoney: Then there is no problem. If it is a partnership there would be a problem, but if they are just sharing offices and carrying on independent practices there is no problem.

Mr. Rynard: In other words, you treat those two differently than you would if they were working in a store?

Mr. Mahoney: Mr. Chairman, I think during the debate on the proposals in the white paper there was an effort to try to identify business corporations with their shareholders, and so on. That concept was rather emphatically rejected by the business community which made representations to us. There is indeed a difference in the way you conduct your business. There is a tax difference that flows from the way the business is conducted.

Mr. Rynard: There is very definite discrimination here. A man's wife could have been running a business of her own up the street, or could have been running it in the same store and they could both come together. This is plain discrimination, and the parliamentary secretary knows it.

• (3:10 p.m.)

Mr. Bigg: I am very pleased that the parliamentary secretary has sought to enlighten us on this point. I raised it in at least two of my presentations to the committee. This question of net income after taxes is very relevant to low income people. I am not so worried about people with a gross income of $25,000 or $30,000, but I am worried about those with a $6,500 family income. It is all very well to pass the tax off as only $100 or $200, but with inflation and the high cost of living today that extra $100 or $200 in tax is a very serious matter to the low income group.

I am not particularly worried about what happens to the combined income of two well paid professionals. As a matter of fact, I think that the sliding scale of income tax has a great deal to do with this group which is already carrying a large burden of taxation. When one takes into account the years spent at college and the overhead which a doctor, let us say, has to face for clinics, equipment, X-ray material, and so on, the net return for a lifetime of hard work is not as exaggerated as it appears to many people. My emphasis is not on that type of situation. I am concerned with the family that has a gross income of $6,500—the mamma and papa store and many small businesses which require the work and co-operation of the whole family including the children.

Mr. Mahoney: Mr. Chairman, on a point of order, I wonder if the hon. member appreciates that in those circumstances the children can be hired and paid. The only effect that has is to reduce the exemptions they are entitled to when claiming the children, because the children have income.

Mr. Bigg: Yes, I understand that there are ways if you seek hard enough. Another difficulty is the bookkeeping that is necessary. I am not against the benefits that we have in Canada, but the bookkeeping that the small income family has to do is hardly worth while. Perhaps we can make it unnecessary to take this $100 away from small income families when there is an inequity in the legislation as the parliamentary secretary admits. It is not merely a case of saying that some higher income groups have to pay the taxes; we know they have to pay on a much higher scale. I am worried about the net income payable to a family trying to keep a small business open when there is very little escape under this tax bill.

Mr. Ritchie: Mr. Chairman, I should like to comment on what the parliamentary secretary said about income when the husband and wife are partners. I think he should clear up this question. In his example he cited incomes of $6,500 and $32,000. I think he really meant net income before taxes, because for the professional worker gross income usually means all profit before any deductions for office expenses. Probably this is why there was some misunderstanding.

I think the parliamentary secretary should point out the problem of the professional man who spends many years in studying. Sometimes he is 35 years of age before he makes any income. During this period of his professional life he spends a great deal of his own money and savings on furthering his education. At age 50 he is no further ahead than many people who went into the labour force much earlier in life. This is something we must look at in the future. Income averaging may have a little value, but not very much at this time.

Where a husband and wife are partners in business I think this is discrimination against other people in business. I think it is safe to say that the whole thrust of taxation is against people who wish to be in business. Usually they operate on a cash basis and the wife is often involved, working in the corner store. Canada needs this type of business because of our small and scattered population, particularly in rural areas.

I think the government is making a mistake by not recognizing that there are many valid reasons for treating husband and wife as partners in the business, and I think most farms could be classified as a husband and wife partnership to some extent. This section does not seem to be different from the old act and does nothing to help the small business. With the further capitalization necessary in the small business, the progressive income tax takes more and more income and leaving less for capital savings. There is no help for these people in this section of the bill.

Mr. Otto: Mr. Chairman, I have been listening to this debate for nigh on 30 days, on this whole business of taxation and tax reform. It is more obvious every day that the bill has lost meaning and that the opposition is filibustering.

Some hon. Members: Oh, oh!

Mr. Otto: That is my opinion, and I have been here a long time. It is a sophisticated filibuster, but it is a filibuster. Normally I would not blame the opposition because that is the name of the game but, Mr. Chairman—

The Deputy Chairman: Order, please, I interrupt the hon. member because I do not think that his last remarks were relevant to the section under discussion.

Mr. Otto: Mr. Chairman, I shall be moving a motion that this committee rise. Before I do so, however, I want to say that I do not blame the opposition. In normal times it is a

good political game. But an economic holocaust is upon us. I do not have to again mention the American surcharge, the revenue bill and all those things. This is not the time for games. On the government side we are talking about the splitting of income between husband and wife. What income? There might not be any income. We are talking about capital gains. What capital? What gains? Equity? The only equity we may have is how to divide poverty equally.

What we should be dealing with, Mr. Chairman, is a government policy. The Minister of National Revenue should be whipping the Canada Development Corporation. The Minister of Finance should be talking about the IDB and how to get it back into shape so that it will serve the economy.

Some hon. Members: Hear, hear!

Mr. Otto: The Minister of Labour should be telling us how we should deal with labour questions and the rise in inflation. Mr. Chairman, in order to give the government some time so that they may end this lame duck, useless session and begin a new session with good, firm policies that we can discuss and so prepare for the economic tragedy that is upon us, I move:

That the committee now do rise and report progress.

An hon. Member: No progress.

Mr. Mahoney: No, it would not be the truth.

Mr. Cafik: Mr. Chairman, I should like to know what progress the hon. member has in mind. I have not seen too much since I have been around here.

The Deputy Chairman: Order, please. I must bring to the attention of hon. members that this motion is not debatable, so I shall put it immediately. Moved by the hon. member for York East:

That the committee now do rise and report progress.

• (3:20 p.m.)

Motion (Mr. Otto) negatived: Yeas, 2; nays, 49.

The Deputy Chairman: I declare the motion lost. Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Deputy Chairman: Shall section 74 as amended carry?

Mr. McCleave: On division.

Clause 1, section 74, as amended, agreed to.

On clause 1—section 75: *Transfers to minors.*

The Deputy Chairman: May I bring to the attention of the committee an amendment to this section, moved by the Minister of National Revenue on October 22, as recorded in *Hansard* at page 8941. The amendment refers to some changes at page 178 of the bill. Shall I read the amendment?

Mr. McCleave: Dispense.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 75, as amended, agreed to.

Clause 1, sections 76 to 78 inclusive, agreed to.

The Deputy Chairman: The committee will now consider section 81. An amendment was moved to this section by the Minister of National Revenue on October 22, as recorded at pages 8941 and 8942 of *Hansard*. Shall I dispense with the reading of the amendment?

On clause 1—section 81: *Amounts not included in income.*

Mr. McCleave: Mr. Chairman, I want to direct a question to the Minister of Finance. This question has been sent to some of us and concerns the suggestion put forward by a certain school of thought in Canada. These people suggest that if you have Dominion bonds, they ought to be free of income tax. I understand that on some occasions they are and on others they are not. I think it might be helpful for the record and for those who belong to that school of thought if the minister could tell us briefly why there is no specific reference to these bonds. I admit that they might be embraced by the language of section 81(1)(a).

My other point is this. I thank the minister for carrying forward the provision whereby pension payments arising from deaths and injuries sustained in the Halifax explosion of 1917 are exempt, as are workmen's compensation cases and the like. Nobody wants to take money from the injured and, quite properly, there is an exception here. I thought the minister might like to know that somebody loves him once in a while.

Mr. Benson: Mr. Chairman, there is no exemption on government of Canada bonds and the interest on them. There is, in some instances, an exemption with respect to withholding tax in cases where foreign owners have bought a general issue of government of Canada bonds which buyers are not taxable in the countries in which they reside. The general situation is that bond interest from government of Canada bonds is taxable in the hands of the recipient. Tax may be postponed by not clipping the coupons and by holding them to maturity. Quite often people aged, say, 55 buy Canada Savings Bonds and hold on to them for ten years. They may cash them when their income is lower and include all the amount received as income.

They have the option, even though they do not clip their coupons, to take the amount that would be received into account with respect to income if they so desire. However, once you move to an accrual basis, you must do that with respect to all interest earned. The same rules apply to non-government bonds. That is, unless the coupons are cashed they do not constitute part of income.

Mr. Ritchie: Mr. Chairman, would the minister explain the meaning of paragraph (j) on page 187, entitled "Social assistance payments"? Does this provision cover all social assistance payments made by any government? It does not mention a municipality or a town.

Mr. Benson: Mr. Chairman, all that we have done in paragraph (j), really, to change the existing situation is

add to the words "the amount of any social assistance payment made on a means or a needs test basis", the words "(i) by a registered Canadian charitable organization". The other part of the subparagraph reading, "(ii) under a prescribed program provided for by an act of Parliament of Canada or a law of a province" is already included in the law. This means, generally speaking, that where payments are made on a needs test, no matter whether they are made by the municipality for the province or not, they are made under provincial law and therefore they are tax exempt payments to the recipient. That, generally, is the case.

The Deputy Chairman: Shall the amendment to section 81 carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 81, as amended, agreed to.

On clause 1—section 126: *Foreign tax deduction.*

Mr. McCleave: Mr. Chairman, when getting into technicalities such as we face with regard to the provisions of section 126, I suppose that once in a while we must on grounds of prudence throw the ball to somebody else. The ball I throw to the Minister of Finance or the parliamentary secretary is this. Have representations been received from any group with regard to the new provisions in the law that we are being asked to enact and, if so, what was the nature of the government's reply?

Mr. Mahoney: Mr. Chairman, the answer to this question will be in the category of the answer I gave to another question along the same line yesterday. I am sure that this matter has been alluded to in some of the tens of thousands of letters which have been received on the question of tax reform. I am not aware of any major representations that have come forward, nor am I aware of any forcible and well-reasoned arguments against these provisions.

Mr. McCleave: So those representations are not in the category of the brisk fight that has been put up by the co-operative movement in Canada?

Mr. Mahoney: Distinctly not; nor are they in the category of the cattlemen.

Mr. Burton: Mr. Chairman, recently when I was in New York attending sessions of the United Nations it was drawn to my attention that problems face employees of that organization. Those problems relate to income tax. I am sorry that I do not have all the details before me. However, I wanted to bring the matter to the attention of the minister and the parliamentary secretary because I understand that this problem has made it difficult to recruit Canadians for work in the United Nations or United Nations' agencies.

• (3:30 p.m.)

This, of course, has the unfortunate effect that there is not as high a degree of participation by Canadians in some international agencies, which may be due in part to this particular factor. I understand some of these problems are under study at the present time. However, I would appreciate the comments of the minister or the parliamentary secretary on this matter because I think it is one of considerable concern. Canada as a nation, through the government, has taken a considerable interest in the work of the United Nations and its many agencies. We should ensure that there are no unnecessary handicaps placed in the way of Canadians who may wish to work for the United Nations or some of its agencies.

I would appreciate the comments of the minister. I urge that any problems that exist which may prove to be a handicap to Canadians wishing to work for these agencies be considered and removed.

Mr. Mahoney: Mr. Chairman, the employees of the United Nations are not taxed by Canada. Employees of the Canadian delegation to the United Nations are taxed in the same way as we tax our servicemen overseas and foreign service employees on foreign postings. However, actual employees of the United Nations who are Canadian citizens are not taxed by Canada. If the hon. member can give me more details privately, I will look into the particular case and report to him. On the general basis of the law as I understand it, there does not seem to be any substance to the complaint the hon. member has heard.

Mr. Burton: I will be very happy to take up this matter with the department and the minister. I regret I do not have the details immediately before me. I understand that some of the problems go beyond taxation. I will be happy to follow up this matter.

Clause 1, section 126, agreed to.

On clause 1—section 144: "*Employees profit sharing plan" defined.*

The Deputy Chairman: On section 144 there is an amendment moved by the Minister of National Revenue, which appears at pages 8954 and 8955 of *Hansard*. Shall I dispense with reading the amendment?

Some hon. Members: Agreed.

Mr. Downey: I request that Your Honour read the amendment.

The Deputy Chairman: Moved by Mr. Gray:

Insert texte no. 1.

That section 144 as set forth in clause 1 of the said bill be amended by adding, immediately after subsection (8), the following subsection:

'Foreign tax deduction

(8.1) For the purpose of subsection 126(1), the following rules apply:

(a) that proportion of the income for a taxation year of a trust governed by an employees profit sharing plan from sources (other than businesses, carried on by it) in a foreign country that

(i) the aggregate of amounts allocated in the year by the trustee under the plan to a particular beneficiary under the plan

is of

(ii) the aggregate of amounts allocated in the year by the trustee under the plan to all beneficiaries under the plan

shall be deemed to be income of the particular beneficiary for the year from sources in that foreign country; and

(b) a particular beneficiary under the plan shall be deemed to have paid as non-business-income tax for a taxation year, on the income that he is deemed by paragraph (a) to have for the year from sources in a foreign country, to the government of that country an amount equal to that proportion of the non-business-income tax paid by the trust for the year to the government of that country, or to the government of a state, province or other political subdivision of that country (except such portion of that tax as was deductible under subsection 20(11) in computing its income for the year) that

(i) the amount determined under subparagraph (a)(i) in respect of the particular beneficiary for the year

is of

(ii) the amount determined under subparagraph (a)(ii) for the year.'

Mr. McCleave: Mr. Chairman, I think this section follows pretty closely the recommendations arrived at after a considerable struggle and representations before the House of Commons committee. As one who had a part in that, I am not prepared to raise substantial issues about section 144 and the couple of sections following. However, I ask the parliamentary secretary whether there is a substantial body of Canadians who feel their oxen are being gored by this provision, or whether the government is prepared to live with the recommendation of the committee, a recommendation that I support.

Mr. Mahoney: Mr. Chairman, we have had representations regarding this section, of course. Employee profit sharing plan tax treatment was the subject of considerable representations in the committee subsequent to the publication of Bill C-259.

Mr. McCleave: I ask the parliamentary secretary if the amendment is to meet any substantial point that has been presented.

Mr. Mahoney: Yes, Mr. Chairman. This amendment does meet one of the very substantial points that has been raised. It is to make it clear that the beneficiaries of an employees' profit sharing plan are able to obtain relief under section 126 for any income taxes imposed on that portion of the foreign service income allocated to them by the trustee. There have been other representations to which we have not agreed to date.

Mr. Gilbert: Mr. Chairman, this section is very important. It was drawn to my attention by numerous letters that I received, especially from the Simpsons company in Toronto which has an employee profit sharing plan which has been in operation for a good many years. I received between 50 and 75 letters from workers of Simpsons who had been notified that the new provisions will directly affect their profit sharing scheme.

When these people retired, under the old scheme they were permitted to take a lump sum payment. There were very generous averaging provisions with regard to income tax. It is my understanding, and their understanding also, that this advantage has been substantially reduced. These people have a perfect right to be concerned about it. There is nothing worse than having a job or position, participating in a scheme with the company in anticipation that when you retire certain moneys will be payable to you, and find when you retire that there has been a change in the rules of the game which was not imposed by the employer but in a taxation scheme of the government. That is precisely what has happened in situation.

I would like the parliamentary secretary to address himself to these questions and give the answers. In my case, the answers will be sent to the people who wrote to me about their problem. First, what changes will take place to the profit sharing plan in which these people participate, as a result of the new legislation? Second, what relief may they obtain from the new provisions of the act? In other words, if a person has to take a lump sum payment and is going to be taxed at the new rate, how can he avoid the heavy taxation he will have to pay?

I think I am aware of some of the answers the minister may give with regard to the increases in exemptions. The personal exemptions may be of some benefit to them. I would like him to go into this question in depth. We have a responsibility to the people who have participated in profit sharing plans and we as a government should take the right steps to protect the security these people have enjoyed.

Mr. Mahoney: Mr. Chairman, section 144 may not be the section to which the hon. member wants to refer. He may be dealing with deferred profit sharing plans which are covered in section 146. Section 144 deals with the share-as-you-go plan where last year's profits are calculated. Payments are made into an employee's account for the year and he pays tax on it at that particular time. It is basically an employment incentive device. Basically, there are no changes applicable to this provision in the new law that are not of a general nature. For example, capital gains realized in the plan will now be taxable, whereas previously they were not. There are changes of that nature.

The hon. member referred to changes in rates and exemptions. These are covered elsewhere. Since the question has been asked, perhaps I can answer it. In drawing out the money when he retires or becomes entitled to it, the employee is entitled to a general averaging provision. He is also entitled to purchase an income averaging annuity under the new law and thereby defer payment of taxes to minimize the taxation.

Under section 36 of the Income Tax Act a very favourable averaging provision exists. The general averaging that has been offered to these employees for the future will not be as favourable as that which they enjoy under present section 36 for payments made into a plan up to the end of the current calendar year. There is no retroactivity in these changes. Payments made after the new system comes into effect on January 1, 1972, will be subject to the new method. Payments to the plan during the current year, while the present law is in force, will continue to benefit from the provisions of the present law.

Mr. Gilbert: I thank the parliamentary secretary for his answer. I did not notice section 146, Mr. Chairman, otherwise I would have raised the question under that section. The parliamentary secretary is quite correct with regard to the problems of the Simpsons' employees in Toronto. The next question is: What period will be allowed employees who will be sharing these moneys, to spread them out so that they can collect their moneys?

• (3:40 p.m.)

Mr. Mahoney: The law permits the plan to provide that all or any part of the amount may be paid in equal instalments not less frequently than annually over ten years. Then the employee in purchasing an annuity may choose one of a term not longer than 15 years certain. I apologize to the hon. member for referring to section 146. This is one of the sections we have already passed, so it will not be coming up later.

Mr. Gilbert: Is a person confined to purchasing a government annuity, or are there other annuities he can purchase which comply with the restrictions?

Mr. Mahoney: It is not required to be a government annuity. It could be an annuity offered by a financial institution with whom he is dealing at arm's length.

Mr. McCleave: May I ask a technical question arising out of section 144? It has to do with the interesting legal phrase "not being dealt with at arm's length". Is this an attempt to differentiate between the owner of a business and a person who manages a business? This wording appears in section 144 (1). The first few lines contain a reference to "arm's length".

Mr. Mahoney: It is not a managerial section necessarily, but certainly it is an ownership section. If the person setting up a profit sharing plan for himself, in addition to being an employee controls a company or is a member of a group, he cannot do it.

Amendment (Mr. Gray) agreed to.

Clause 1, section 144, as amended, agreed to.

On Clause 1—section 145: *Definitions*

Mr. McCleave: May I ask a question of the parliamentary secretary with reference to this section which deals with registered supplementary unemployment benefit plans? I did in fact ask this question some time ago, but it might be as well to ask it again so that anybody reading the record can find the answer here instead of pages back in *Hansard*.

Why was it considered that registered supplementary unemployment benefit plans or payment from such plans should be considered as income, when strike pay is not? It seems to me there is really no difference in principle except that such payments may come from different sources. It is true the unions would be expected to save up money for strike pay and that the registered supplementary unemployment benefit plan could be as a result of collective bargaining. I think a brief explanation would be helpful.

Mr. Mahoney: This particular plan is one which is funded by an employer who deducts his contributions from his taxable income. The plan itself pays no tax on income as it earns it; the tax becomes payable when employees derive benefit from it. So there is no element of double taxation. In the case of strike pay, it is often financed from taxed dollars contributed by employees generally belonging to the particular union involved, and the taxation of strike pay benefits paid out of such a fund would involve a significant element of double taxation.

Mr. McCleave: I suppose the answer to the question is that since the people who make contributions to strike pay funds do not claim those contributions as deductions, they are not regarded as taxable.

Mr. Mahoney: I suppose there could be an element of double taxation since un-taxed dollars go into the fund to the extent that ordinary regular dues, or a portion of them, are allocated to the fund. But any strike pay contributions which are identified as such are not a deductible item from the employee making them.

• (3:50 p.m.)

Mr. Gilbert: Mr. Chairman, prior to the changes in the Unemployment Insurance Act, when a person retired he usually obtained unemployment insurance for a period of one year. As a result of the changes to the act, this is not now the case. If I understand it correctly, a person reaching the age of 65 is now entitled to three weeks' retirement pay. I am wondering whether this amount is taxable, and is it taxable under this particular section?

Mr. Mahoney: Not under this section, Mr. Chairman, but it would be taxable.

Clause 1, section 145, agreed to.

On Clause 1—section 148: *Amounts included in computing policy holders income.*

The Deputy Chairman: On section 148 the committee has before it an amendment moved by the Minister of National Revenue. The amendment appears at page 8955 of *Hansard* for October 22 and is designed to correct the French version of the bill. Shall I dispense with reading the amendment?

Some hon. Members: Agreed.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 148, as amended, agreed to.

On clause 1—section 149: *Employees of a country other than Canada.*

The Deputy Chairman: On section 149 there is an amendment moved by the Minister of National Revenue, appearing at the same page of *Hansard* for October 22. Shall I dispense with reading the amendment?

Some hon. Members: Agreed.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 149, as amended, agreed to.

Mr. McCleave: Mr. Chairman, could I raise a point of order? The parliamentary secretary and I have discussed this matter but it might be helpful, since hon. members are continuing to dwindle away because we will not be here for the next few days, if the parliamentary secretary would make a statement as to which sections in our "clean-up list", as it is vulgarly known among the House leaders, we will be considering for the rest of the after-

noon. At that point we would leave the substantial question of capital gains, say, until Monday. Then hon. members will understand exactly what we are being asked to deal with this afternoon.

Mr. Mahoney: Yes, Mr. Chairman. It would be the government's intention, if we finish this group of items relating to personal income tax, to proceed to division J which deals with appeals to the Tax Review Board and the Federal Court, then to division I which deals with returns, assessments, payments and appeals, and then to part XV which deals with administration and enforcement. Those are areas that are generally related to each other in terms of the collection and assessment of income tax and appeals from assessments. If by any chance we finish those items before six o'clock, we would suggest to the committee that we call it six o'clock and not move to a new area of substantial concern.

The Deputy Chairman: Is that agreed?

Some hon. Members: Agreed.

The Deputy Chairman: Is the hon. member for Battle River rising on a point of order?

Mr. Downey: No, Mr. Chairman. I have a question relating back to section 149 and I wonder whether it would be possible for the parliamentary secretary to clarify the point. Do I understand that members of a family or servants of an employer who are employees of a country other than Canada are not subject, under this section, to taxation by our internal revenue department? Is that a correct assumption, or have I misread it?

Mr. Mahoney: No, Mr. Chairman, that is correct. This provision deals with the assorted exemptions from income taxation. Paragraph (a) of subsection (1) refers to an officer or servant of a government of a country other than Canada. This would be the employee of a foreign country working in Canada, for example. That employee must be a citizen of that foreign country or have come from that foreign country. This provision would not exempt from taxation a Canadian working as a chauffeur to an embassy here, for example.

Mr. Downey: If at any stage such a person applied for citizenship status, he would no longer be exempt under this section?

Mr. Mahoney: That is correct, Mr. Chairman.

On clause 1—section 198: *Tax on non-qualified investments and use of assets as security.*

The Deputy Chairman: The hon. member is aware, I hope, that section 149 has already been adopted. Shall section 198 carry?

Mr. Downey: Section 148.

The Deputy Chairman: No, section 198 at page 483. Shall section 198 carry?

Some hon. Members: Agreed.

Clause 1, section 198, agreed to.

Clause 1, sections 199 to 203 inclusive, agreed to.

On clause 1—section 204: *Definitions.*

Mr. McCleave: Mr. Chairman, I do not think section 204 is really before us, according to the understanding.

Mr. Mahoney: Mr. Chairman, if the hon. member will recall, I believe we were dealing with section 204 under another block of sections and agreed to refer it forward to this one rather than deal with it in the previous block.

The Deputy Chairman: Shall clause 204 carry?

Some hon. Members: Agreed.

Clause 1, section 204, agreed to.

On clause 1—section 205: *Application of Part.*

Mr. McCleave: Mr. Chairman, since there are several sections here, this one and the ones following, dealing with tax in respect of certain property acquired by trusts, etc., governed by deferred income plans, it might be helpful to deal with sections 205, 206 and 207 en bloc. They fall within the same family and the parliamentary secretary might give us an explanation of them. I gather they are uncontroversial, but an explanation might be helpful for the record.

Mr. Mahoney: Yes, Mr. Chairman. These sections commencing at section 205, being part XI of the bill, deal with certain property acquired by trusts that are involved in deferred income plans. Section 205 describes who will be subject to these special rules. The new rules will apply to a trust for a registered pension plan, a trust for a registered retirement savings plan and a trust for a deferred profit sharing plan.

• (4:00 p.m.)

Section 206 provides that a share of the capital stock or investment acquired after the date of publication of this amendment—this in effect goes back to budget day, June 18—will be foreign property unless it is prescribed otherwise by regulation. Mr. Chairman, we have an amendment to section 206 which will make this clear. Section 206 imposes the tax on the trust for a registered pension plan, a registered savings plan and a deferred profit sharing plan that holds foreign property in excess of 10 per cent of its property, and also defines foreign property. I do not know whether hon. members want me to go into detail on that.

There is an amendment to section 207 which will add a marginal note of considerable impact. Section 207 deals with the filing of the return and payment of the tax that is levied under section 206. I think that covers the whole block of sections.

Mr. McCleave: Mr. Chairman, I suppose this question will be considered to be technical. It arises out of the fact, as the parliamentary secretary said, that the burden of taxation does commence as of a day that has long since gone, June 18, 1971, when the budget was presented. I suppose there must be situations now in which people will be liable for that tax and they will have to know that this particular bill is passed. Am I correct in that? What administrative difficulty arises as a result of this situation?

Mr. Mahoney: That is not quite the situation, because they are quite free to deal with this type of investment

during the interval. But if they have acquired it since budget day and still own it on January 1, then it does come into the type of property which will be subject to special taxation. However, they are all on notice that this is the effect, and they are quite at liberty to bring their holdings down before the end of the year to a point where they will not be liable to taxation.

Clause 1, section 205, agreed to.

On clause 1—section 206: *Tax payable.*

The Deputy Chairman: There is an amendment to section 206, moved by the Minister of National Revenue, which is to be found at page 8958 of *Hansard* for October 22. Shall I dispense with reading the amendment?

Some hon. Members: Dispense.

Amendment (Mr. Gray) agreed to.

Clause 1, section 206, as amended, agreed to.

On clause 1, section 207: *Return and payment of tax.*

The Deputy Chairman: There is also an amendment to section 207, moved by the Minister of National Revenue, which is to be found at page 8958 of *Hansard* for October 22. It is to amend the French version of this section. Shall I dispense with reading the amendment?

Some hon. Members: Dispense.

Amendment (Mr. Gray) agreed to.

Clause 1, section 207, as amended, agreed to.

On clause 1—section 248: *Definitions.*

The Deputy Chairman: There is an amendment to section 248, moved by the Minister of National Revenue, which is to be found at page 8960 of *Hansard* for October 22, 1971.

Mr. McCleave: Mr. Chairman, I wonder if I might make a point here because there are at least two definition sections which refer to coming events, namely, the capital gain or capital loss provisions in the bill, which I am sure we will pass since we are in an especially friendly mood now—and heaven only knows what will happen before the day is out. We may all qualify for the Nobel Peace prize. We all receive nomination letters. I will nominate the parliamentary secretary if he will nominate me.

The question I pose is, if there should be substantial changes in the capital gains situation that is to be considered next week, perhaps we should have a gentlemen's agreement that we would open up the interpretation section again.

Mr. Mahoney: That is fine, Mr. Chairman, but I cannot visualize that this will be necessary unless we transfer definitions from one section to another, involving renumbering. However, that is quite agreeable.

Mr. Lundrigan: Mr. Chairman, I wish to make a few remarks on this section. I think the hon. member who just spoke has a point which should not be taken lightly. In this section we have all the definitions of phrases used throughout the bill. So if there are to be throughout the bill major amendments or any amendments, this would challenge every definition. As a consequence, if we pass this section now we will find ourselves in a procedural hang-up which would be difficult to resolve.

I think this section should be left open. For example, the definition here of "fishing" is something which naturally catches my eye. It states that "'fishing' includes fishing for or catching shell fish, crustaceans and marine animals, but does not include an office or employment under a person engaged in the business of fishing." Personally, I would challenge that definition. I could give some details why I would do so. However, rather than becoming hung-up on this section now, I think members should take a look at it and make a mental note of places where they might differ with the interpretation. My feeling is that if we become involved in this section after passing it, we could find ourselves in difficulty later. If we are to move on, then I should like to make comments now over and above what I have just said.

Mr. McCleave: Mr. Chairman, once again we could go back to the old bible in the business of commerce, which is the Canadian Master Tax Guide for 1960. The point raised by the hon. member has been well considered in the law courts. Under one decision a supervisor of a commercial fishing company is held not to qualify as a fisherman. I suspect that anyone who goes down to the sea and throws in some bait could qualify, and that someone who sits in an office watching the fishing fleet could not qualify.

The Chairman: I wish to remind hon. members that there is an amendment moved by the Minister of National Revenue with which we must deal.

Mr. Lundrigan: Mr. Chairman, I noticed a few minutes ago that the Minister of Finance nodded approvingly in respect of the remarks of my friend from Halifax. I wonder, wherever he might be now—perhaps behind the curtains smoking his pipe—if he is in a position to react to the suggestion. We might take capital gains. I do not know what the interpretation is here. However, we are to be involved in a lengthy discussion on that matter. Will these difficulties in any way affect the definition given here? I do not know. I am thinking out loud.

Then there is the definition in respect of "fishing". The danger of the definition here is that it could very well, if it is strictly adhered to, eliminate under this tax legislation 60 per cent or 70 per cent of all the fishermen on the Atlantic or in Canada as a whole, because most Canadian fishing crews are made up of a number of equals in a fishing craft. I do not expect the parliamentary secretary to be able to respond to this now because it is a difficult matter. But most people involved on a fishing craft are equals. There could be five or six people in a small fishing craft, operating in an equal fashion who are in no way subservient to any one member of the crew.

• (4:10 p.m.)

If in calculating or computing expenses for tax purposes they had to be restricted to one individual receiving the nod as being a qualified fisherman under the act, while other people are in an inferior position, it would prejudice these people so far as their taxation position is concerned. I do not know whether I am reading the section properly because, to be honest, I do not understand

about 5 pounds, 13 ounces of this bill, but if there is a relevant comment which the parliamentary secretary would like to make, I would be glad to hear it.

Mr. Mahoney: Perhaps the hon. member has not understood the purport of the commitment which I made to the hon. member for Halifax-East Hants. If when we reach the substantive sections of the bill amendments to this section are indicated, we have committed ourselves to reopen it for amendment. The particular definition with which the hon. member is concerned continues in exactly the same language. The definition contained in the present section 139(1)(q), as the hon. member for Halifax-East Hants has indicated, is enshrined in the law and in a great many judicial precedents.

Nothing in this section will change what exists now, and if the hon. member is dissatisfied with the law as it exists I would assume that there are other places in the act than in the definitions section where his amendment would be appropriate. However, if in dealing with the substantive sections of the bill we strike a position where a definition requires amendment, we will certainly reopen the section for that purpose.

Mr. Lundrigan: I will accept the position of the parliamentary secretary if this is in fact the definition under which we have been working. I am quite satisfied. I was not familiar with it. Also, if that is acceptable to my hon. friend I will go along with it.

The Chairman: The Chair will put the motion moved by the Minister of National Revenue. As hon. members know, it appears in *Hansard* for October 22, at page 8960. Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, 248, as amended, agreed to.

On clause 1—section 249: "*Taxation year*"

Mr. Burton: I trust that the hon. member for York East and some other hon. members will note that the section which we have just passed covers a total of 16 pages. But coming to section 249 there is one matter of interest that I should like to take up with the government, that is, where it specifies and defines the term "taxation year". It states that for a corporation it shall be a fiscal period, which of course would mean that it could either be a calendar year or other than a calendar year. But in the case of an individual the section specifies that it shall be a calendar year.

The section makes it very specific that when dealing with individual taxpayers we shall deal with taxation on a calendar year basis. The individual has no alternative. A corporation is provided with the option of establishing its fiscal period in a way that will best suit its business operations. I think there is some merit in such a system. I also realize that there must be some control in this area. I am not sure whether the department simply accepts whatever fiscal period a corporation may decide upon, or if it decides upon a change in its fiscal year whether this is automatically accepted by the department.

I would be interested in obtaining that information from the parliamentary secretary. I know there is no option left open to the individual taxpayer. I see no reason why there should not be a provision whereby an individual taxpayer, because of the nature of his business, the nature of his income earning, should not be able to at least have an opportunity to establish his taxation year other than on a strictly calendar year basis.

I recognize that there does have to be some control over this matter, otherwise it would produce a good deal of confusion and difficulty for the department. I would certainly not object to some control being built in either in terms of variance from the calendar year procedure or leaving it to the discretion or concurrence of the minister. This is certainly in line with many other provisions of the act. But it seems to me that in some cases there is a good case for establishing other than a calendar year. I hope the government would find it possible to qualify this section in such a way that the individual taxpayer in Canada can qualify for variance from the calendar year provision in the same way as a corporation. I hope to have a response from the government on this matter.

Mr. Mahoney: The hon. member is quite correct. A corporation is free to establish its fiscal year in the initial year in which it starts business. It requires the consent of the Minister of National Revenue to change that year thereafter. So I do not think there is any significant element of tax deferral, and certainly no element of tax avoidance is implicit in the date selected for the fiscal year. What may be postponed in the initial instance is caught up once the company starts operating on a regular basis. There is no real advantage.

However, the hon. member may be under some misapprehension when he refers to the individual taxpayer engaged in a business. Business proprietors are also entitled to select their own year and determine their income during the year for the business. Then the proprietor himself, of course, includes his income, or the partner includes his share of the partnership income in his personal income for that year and pays tax on it the following April 30.

I do not know how many sections of this bill would have to be amended if we were to give individual taxpayers the option to pick their year. The dates on which quarterly instalments are made by people with significant amounts of investment and professional income would have to be made flexible to meet that situation. The dates upon which penalties apply, and many other dates, would be up for revision and would have to be made flexible. I am not really satisfied that it is a workable solution.

The trauma of having the national tax paying day on April 30 every year is one that the taxpayer seems to have become accustomed to on a regular basis. Perhaps it is the sort of thing that one would just as soon get over once and for all, rather than having various people on the block reporting their income tax on a weekly basis and the matter becoming a topic of general conversation 52 weeks a year.

The Chairman: Is the hon. member for Regina East pursuing this matter?

Mr. Burton: I just wish to deal with the comments of the parliamentary secretary. I recognize, of course, that in the provisions which are set out for a corporation it does not

involve tax avoidance or tax deferral in any way to use a period other than the calendar year. Certainly it was not my intention to suggest any such thing. Nevertheless, it is a matter of convenience for many corporations to establish for their own reasons a fiscal period which is other than the calendar year, and as a further convenience for taxation purposes this fiscal period is deemed to be, in effect, the taxation year. But when it comes to an individual, the parliamentary secretary pointed out that some businesses and proprietors of businesses as such are able to use a period other than the calendar year.

• (4:20 p.m.)

I am not clear whether it is possible for farmers, fishermen and other occupational groups engaged in economic activity which is other than a wage earning type of activity, to take advantage of this provision and I would appreciate having this point clarified. The parliamentary secretary also seems to throw up some road blocks in terms of the mechanical difficulties that would be involved in making a change to this section. I am not too impressed with that point. It seems to me it might be possible to work in an amendment along the lines of stipulating that the tax year in the case of an individual is the calendar year or, if the minister gives his consent, a period other than the calendar year shall be deemed to be the taxation year.

I do not pretend to be an expert in drafting law, but it should be a relatively simple matter to make an appropriate amendment if there were the desire or will to do so. I hope we will have some response from the parliamentary secretary beyond what he has already indicated.

Mr. Mahoney: First, Mr. Chairman, I am not aware of any provision that would prevent farmers or fishermen choosing any year other than the calendar year, although I am sure, from practice and custom, that very few of them do so. Before the hon. member seriously suggests that an individual on wage or salary be allowed to select his own tax year, he might like to discuss the matter with the treasurer or controller of the federated co-ops to see how they would handle the issue of T-4 slips, accounting for Canada Pension Plan contributions, their own registered retirement saving plans contributions and the other tax deductions they have made within a 365-day period for their several thousand employees, all of whom no doubt would have exercised the option. So that at least a few of those details would have to be issued daily, rather than as a chore which is faced up to once a year for each employee. I think that the hon. member, on reflection, would agree that this would be a rather horrendous administrative burden to foist upon Canadian employers.

Mr. Burton: Mr. Chairman, I have had experience in doing accounting work for co-operative organizations, and for the information of the parliamentary secretary I do have fairly good knowledge on the matter. In this age of computers and mechanical systems available to undertake such work, I am sure that where there is a will there is a way to solve whatever administrative problems would arise. In fact, I am not sure that this matter has been of great concern in the minds of those drafting some of the other provisions of the bill.

[Mr. Burton.]

Mr. Downey: Mr. Chairman, in regard to this section on the taxation year and the difference in the treatment of corporations and individuals there is a point to be made, because in many businesses there are specific trading patterns, or buying and selling patterns, and the individual in business may not find it convenient to have the calendar year as his taxation year.

I can think of an example that is very common in my own business of farming and ranching. Often, as a result of pressures exerted in the industry due to feed shortages or market fluctuations of one kind or another, there are forced sales where in fact two complete cash crops have to be sold in one year. In this situation we have the individual, rather than paying the much higher tax that he would have to pay if his income were distributed over two years being forced into the marketplace around the end of the year, about Christmas time, and having to make a purchase of livestock. And he may not even take the livestock he purchases back to his place of business; he may leave them in a public stockyard until New Year's Day so that he can qualify for a fairer level of taxation on his business. In such circumstances I cannot see why we cannot treat an individual on the same basis as a corporation.

Maybe we could use the criterion of having 80 per cent or 90 per cent of the shares of a corporation owned by the family or the individual in question. This is a subject we discussed the other day when sections 28 to 32 were before the committee. A brief from the Canadian Federation of Agriculture indicated they thought it would be fair if the family corporation in which 80 per cent or 90 per cent of the shares were owned by the individual in question could be treated the same as an individual taxpayer, taking into account the $1,000 exemption on homes and similar provisions. I think it is only fair that the minister should consider extending this option to the individual so far as the definition of "taxation year" is concerned.

Mr. Mahoney: Mr. Chairman, I think the hon. member misunderstood or did not hear the answer that I gave the hon. member for Regina East. Certainly there is no reason why a farmer, fisherman or small business proprietor cannot choose his fiscal year. It is his personal income tax that is due on April 30 each year for the previous calendar year, but for business purposes, if it suits his convenience and if there is some advantage to him, he is entitled—the same as a corporation—to pick any one of the 365 days in a year that suits his purposes and, I suppose, his auditor's convenience.

Mr. Downey: Mr. Chairman, I realize the date can be switched once, but I believe there is some difficulty with the department in shifting the date for the year's end more than once. This is something which would have to be looked at very carefully because of the incidence of tax avoidance. But there should be some leeway provided.

Mr. Mahoney: A businessman is in exactly the same position as a corporation. He may, with the approval of the Minister of National Revenue, change the date of his fiscal year end. The criterion is that it must be for a bona fide business reason. If he were anticipating a very significant amount of income in a particular period, he might have difficulty convincing the minister that his intention

in changing his year end is not to defer tax but is for a legitimate business reason. For example, if you propose to merge two companies you can go to the minister and get this permission in order to have all financial statements dovetailed, and start with a clean sheet. There are many legitimate reasons for changing the year end. I suppose "frequently" would not be the correct word, but these changes are not an unusual occurrence.

• (4:30 p.m.)

Mr. McCleave: Mr. Chairman, I should like to be irreverent for about ten seconds and then report an injustice. One distinguished taxpayer was born on February 29 and he annually reports a very substantial income. If the parliamentary secretary's words were to be taken literally, I wonder how much income tax Henri Richard of the Montreal Canadians would pay. He might decide to make his peace with the Income Tax Department every four years instead of every year.

The injustice probably fits in with the general idea of what the taxation year is, and arises out of the circumstances of some Canadians whose income is derived entirely from investment. These investments may be timed through the year so that the first interest payment comes in June and the second in October. As I understand the existing regulations, they can be asked to make four payments a year on those investments. The first payment would take place in March before they had received any income whatever from the investments for that year. I do not want to belabour the point and I only raise it because I think it is an injustice which can be cured by making the regulations more flexible.

These people could be given an option on when the payments start. I do not expect an answer this afternoon but I would expect the parliamentary secretary to say that this question would be looked into.

Mr. Mahoney: Yes, Mr. Chairman, we certainly will look into it.

Mr. Ritchie: I have a question related to the question of the hon. member for Battle River. Am I to understand, assuming that an incorporated businessman has multiple income, that he can select a date, say October 31, for a particular business but still report the following April his personal income tax?

Mr. Mahoney: That is correct. He can select that his business or medical practice operate on a fiscal year basis starting November 1 and ending October 31. The income up to October 31 would be income for that year and he would pay tax the following April 30. The income he earned in business during November and December would be carried forward and not be reported as personal income until the following year, and any tax paid in respect of it until April 30 the succeeding year.

Of course, instalment payments such as the hon. member for Halifax-East Hants mentioned would be paid throughout on that professional income because it is not subject to deduction at source.

Mr. Downey: Mr. Chairman, I wonder what the situation would be if we had a new tax bill reported to be coming in on January 1 and an individual or small corporation with a year end of September 30. Bringing this forward in terms of capital cost allowance, in the depreciation schedule what will the effect be, or how will the taxpayer react to the year end at the end of September and the new system coming in at the beginning of January, in regard to these items.

Will he have to take this interim period and have another tax report filed for those three months? Will the same rules that held under the depreciation schedule hold true until the end of the calendar year so that any item he buys before the end of the calendar year will be recorded under the old tax act? Would the parliamentary secretary clarify this situation?

Mr. Mahoney: For corporations there will be proration and, for example, if their fiscal year runs from July 1 to the end of June they would have to calculate the tax on half their income on the basis of the present act and half on the basis of the new act.

For individuals there is no problem. They move into a calendar year and the individual tax system is applicable for that whole year. For the proprietor who derives his income from a business, if he derives it from a business until October 31 this year, that is all taxable under the present system. In effect, the income he has deferred for November and December this year would be picked up and he would not receive it as personal income until 1972, and it would be taxable under the new system. There is no proration of personal tax necessary under the new system.

Mr. Burton: I noted the parliamentary secretary said that farmers, fishermen and any unincorporated type of business enterprise can take advantage of the provision to have the taxation year on a basis other than the calendar year. I accept the parliamentary secretary's word that such is the case. I believe he indicated that he knew of nothing that would prevent a farmer or fisherman using a fiscal period other than the calendar year.

I have before me a copy of the 1970 Farmers and Fishermen's Tax Guide. I have looked through it quite carefully. I may have missed something, but I see absolutely nothing in it that points out to the taxpayer that he can choose a period other than the calendar year—this would be with respect to starting his operation—or that he can change that time period with the consent of the minister. There is nothing in the guide that points this out.

I am not doubting the parliamentary secretary's word, but if that is the case surely it would be reasonable to have a reference in the tax guide to that effect. It seems to me that this is quite inadequate. I agree that there may be many cases when it would not be used, but there are cases when it would. I think there should be provision in the law that consideration be given to problems facing individual taxpayers just as is the case with corporations.

Mr. Mahoney: I shall certainly refer the hon. member's statement concerning the tax guide to the Minister of National Revenue. I do not have a copy in front of me so I cannot comment on it.

Mr. Burton: Mr. Chairman, I appreciate what the parliamentary secretary has said and I hope there will be some follow-up because I feel this matter deserves further

attention. I therefore propose to move an amendment to section 249(1)(b) as follows:

Add after the word "year" in line 6 on page 580 the following:

"except where the minister gives his consent to the individual to use a fiscal period other than the calendar year".

I would commend this amendment to the committee because I think we should at least provide an opportunity for the individual taxpayer to have his case considered if he feels he has a case for using a period other than the calendar year. I might point out that the way I phrase this amendment sets the calendar year as the starting point and then simply opens the door to the possibility of a variation of the calendar year approach. I think it is very important that we should consider this question in terms of treating the individual taxpayer in the same way as we treat corporations.

The Chairman: The committee has heard the amendment moved by the hon. member for Regina East. Unless there are procedural arguments as to why the motion is not acceptable, I think it should be accepted.

• (4:40 p.m.)

Shall the amendment carry?

Amendment (Mr. Burton) negatived: Yeas, 12; nays, 19.

The Chairman: I declare the amendment lost. Shall section 249 carry?

Mr. Downey: Mr. Chairman, since the vote was close perhaps there ought to be a recount.

The Chairman: Shall section 249 carry?

Some hon. Members: Agreed.

Clause 1, section 249, agreed to.

On clause 1—section 250: *Extended meaning of resident.*

The Chairman: Hon. members of the committee will note that an amendment to section 250 was moved on October 22 last by the Minister of National Revenue, as recorded at page 8960 of *Hansard.* Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 250, as amended, agreed to.

On clause 1—Section 251: *Arm's length.*

The Chairman: I would draw the attention of the committee to the amendment to this section, moved by the Minister of National Revenue on October 22, 1971, as recorded at page 8960 of *Hansard* for that date. Shall the amendment carry?

Amendment (Mr. Gray) agreed to.

Mr. Ritchie: Mr. Chairman, since there may be legitimate dealings within a family that may be at arm's length, and since these transactions may not be always recognized as being arm's length transactions, is there any recourse to appeal or other mechanism for people who wish to establish that the transaction they entered into would come under the purview of this section?

[Mr. Burton.]

Mr. Mahoney: Mr. Chairman, the section we are considering defines what is arm's length. To answer the hon. member's question I would need a concrete example of the type of transaction he is asking about. This section does not allow or prohibit anything; it simply defines what is arm's length. It is other sections of the bill, such as the ones that were dealt with at some length on Friday, which preclude non-arm's length transactions being entered into without incurring an element of tax. Tax would not be incurred if the people dealing with each other were totally unrelated.

That my wife and I are not at arm's length is not a rebuttable presumption. We are not. The bill precludes us from entering into certain business arrangements without my incurring a degree of taxation that I would not incur if I made the same deal with the hon. member opposite. So without knowing precisely what type of transaction he has in mind so that I may look at the substantive section of the bill and not the definition section in order to see whether the facts of the case fit into an arm's length relationship, I really cannot answer the question.

Mr. Danforth: Mr. Chairman, I have a question to ask, the relevance of which will become apparent as time goes on. I know why these definitions have been incorporated into this particular section. I am curious about the procedures or remedies that will be open to people in cases where there is controversy as to whether a transaction is at arm's length or not. Perhaps I may give an exaggerated illustration to render my meaning clear. If a transaction takes place between me and my wife, it will not be considered as being at arm's length. But if there is a divorce and a subsequent remarriage and a transaction takes place between husband No. 1 and husband No. 2, what is the position? Is that, or is that not an arm's length transaction?

Mr. Mahoney: Yes, that is at arm's length.

Mr. Danforth: Mr. Chairman, I have a further question. That transaction is apparently at arm's length. Yet how will you determine, in cases of controversy, whether such a transaction preceded or did not precede the divorce?

Mr. Mahoney: Mr. Chairman, the time of the transaction is a question of fact and those asserting that it took place at a certain time would have to establish that date. Also, any person suggesting that it took place at another time would have to sustain that position. That is the sort of thing that appeal boards and courts must determine fairly regularly.

Mr. Danforth: Could I be more explicit. How will that determination be made? Will it be through a court action or through departmental regulation? How will the final decision be made?

Mr. Mahoney: The initial determination would be made by the assessor. If the taxpayer does not agree with that determination he can appeal the assessment and take the matter right up to the Supreme Court of Canada if necessary.

Mr. Danforth: Thank you. That answers my question.

Mr. Osler: Mr. Chairman, I have a short question. In some respects this country is still a great big parish and one is often startled to find how many cousins one can run into. Some cousins are kissing cousins and some are not. There are some cousins with whom, according to the laws of consanguinity, you can do certain things and there are cousins with whom, according to the laws of consanguinity, one cannot do certain things.

Mr. Baldwin: They must be kept at arm's length.

Mr. Osler: Of course, there is no personal preference in this. Is there any definition of such relationships? It seems to me that you can legitimately do business with people who are distantly related to you by blood. Is there any definition as to where this blood relationship cuts off, so to speak, and where it does not? You will find such a definition in holy mother church and in other areas. Is there such a definition in the law?

Mr. Mahoney: Mr. Chairman, subsection (6) of section 251 defines the various areas of blood relationship where transactions are automatically deemed to be not at arm's length.

Mr. Osler: Would the parliamentary secretary repeat that subsection?

Mr. Mahoney: It is subsection 6 on page 584 of the bill.

Clause 1, section 251, as amended, agreed to.

Clause 1, sections 252 and 254 agreed to.

The Chairman: In accordance with the arrangement stated by the President of the Privy Council, as recorded on pages 9494 and 9495 of *Hansard* for November 9, the committee will now proceed to the consideration of sections 150 to 168. Shall section 150 carry?

On clause 1—section 150: *Returns.*

Mr. McCleave: Mr. Chairman, there may have been a slight switch in the arrangement. I thought that the part dealing with appeals, which is found in division J between sections 169 and 180, was to be dealt with first and that division I consisting of sections 150 to 168 would be next. Perhaps I could make some brief remarks with regard to division I, if it is the wish of the committee to consider that division first.

• (4:50 p.m.)

We again get into the question, particularly with new law, of estates and capital gains. Can we have an undertaking from the parliamentary secretary—I am sure we will—that should there be other changes when we deal with capital gains proper, we can have the option of reopening this section?

Mr. Mahoney: Yes, Mr. Chairman.

Clause 1, section 150, agreed to.

On clause 1—section 151: *Estimate of tax*

Mr. Downey: Mr. Chairman, under section 150, "Estimate of tax," I note there was an excess of tax collected in prepayments last year to the extent of 10 per cent of the total revenue of the government. It becomes a matter of who is a servant to whom, when we look at the estimate of tax and the way it is collected. When it reaches the point where 10 per cent of the total funds are being returned to the taxpayer, it seems this is overdoing it. I realize that people die during the year, change employment or lose their jobs and become unemployed. A certain amount of tax collection over and above the amount that is necessary then becomes a fact of life.

We should carefully consider who is working for the convenience of whom. Does the taxpayer exist for the convenience of those who are supposed to work for him, or is the taxpayer a servant of the bureaucracy that exists in the department? I would like to hear this concept discussed, because it can get out of hand. Everything must be relevant.

Mr. Mahoney: No, Mr. Chairman, the hon. member's concept is not accurate.

Mr. Downey: The parliamentary secretary says that my concept is not accurate. Are the figures that I quoted with regard to overcollection of taxes or refunds to the extent of approximately 10 per cent in the last year very far out? Which of my comments is not accurate?

Mr. Mahoney: Mr. Chairman, I am not aware of the figures the hon. member is quoting. Perhaps he should cite the source. I will be glad to check them against the source. However, his concept that the taxpayer exists as a servant of the bureaucracy is not, I suggest, accurate.

Mr. Downey: I do not have available the figures I was referring to but I can provide the parliamentary secretary with them at the beginning of next week. It was reported publicly that this was the case—that there was a 10 per cent overcollection of taxes and that this amount had been refunded. If this is the case—and I can provide the parliamentary secretary with the document which cited these figures—has the hon. gentleman any comment to make on this situation?

• (5:00 p.m.)

Mr. Mahoney: I think the hon. member will agree that in all fairness I should have an opportunity to see the figures before commenting on their significance.

Mr. Downey: I will provide the parliamentary secretary with the figures next week.

Clause 1, section 151, agreed to.

On clause 1—section 152: *Assessment.*

The Assistant Deputy Chairman: There is an amendment to section 152, to be found in *Hansard* of October 22 at page 8955, in the name of the Minister of National Revenue. Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

The Assistant Deputy Chairman: Shall the section as amended carry?

Mr. Danforth: Mr. Chairman, I should like to ask some basic questions which have occurred to most taxpayers. They arise under this section. It is always a matter of concern to taxpayers that when an assessment is made with respect to any delinquency of theirs there are always penalties levied and interest charges exacted against the

taxpayer. That is fine. But whenever the government is delinquent in returning an overpayment or an amount to which a taxpayer is otherwise entitled, no such consideration is given. It seems the traffic is all one way. How is this principle justified?

The second question is this. According to my understanding it is possible for the revenue department to go back four years for reassessment purposes unless fraud is involved. Is my understanding as to this practice correct, or not? There is always a question in people's minds as to how long they should keep day to day papers recording business transactions on file, or whether they can be disposed of after a few years. I am not thinking of cases involving fraud or misrepresentation but of papers used for the filling out of ordinary income tax forms.

Mr. Mahoney: First, there is a change in the bill before us as compared with the existing act. The existing act provides that overpayments shall be reimbursed together with interest at 4 per cent. This bill will allow interest rates to be set by regulation from time to time. It is contemplated that the interest payable to taxpayers with their overpayments will be more closely related to the going interest rate in the marketplace than the 4 per cent has been for a long time.

As to the question of reassessment, the hon. member is correct in his understanding that four years from the date of the original assessment, reassessment cannot be carried out except on the grounds of fraud or misrepresentation.

Mr. Burton: I had intended to raise this matter when we came to the interest section, section 161. I am glad to hear there is to be a change in the interest rate payable, because the present practice has been a source of many complaints. If a taxpayer owed the government money, he was charged interest very handily; but the situation was far different when the department was called upon to make a refund. I hope the interest rate which is set in connection with refunds to taxpayers will not only be more closely related to the market rate but will be very closely related to the rate charged to taxpayers when moneys owed to the government are overdue. Action along these lines would remove one of the sources of irritation concerning tax law.

Clause 1, section 152, as amended, agreed to.

On clause 1—section 153: *Withholding.*

The Assistant Deputy Chairman: As hon. members will notice, there is an amendment to this section, in the name of the Minister of National Revenue, to be found in *Hansard* of October 22 at page 8955. Shall the amendment carry?

Mr. Downey: I take it there are no major changes proposed in this section. I wish to raise a point in connection with which a great many complaints come to my office. It concerns the fact that employers are obliged to work for the taxation department in the capacity of bookkeepers and tax collectors. In many businesses these activities cause considerable additional expense. I think it is unfair to ask employers to do this book work involving the collection of taxes from employees, who often have no particular awareness of the terms of the tax legislation. Employees who are relatively uneducated in such matters frequently feel resentment against their employer in consequence of the deductions and collections which the employer has to make. This is an injustice, to my way of thinking.

I find myself wondering who is working for whom. It is something like the parliamentary secretary asking me to provide him with figures relating to the amount of refunds paid to taxpayers. The hon. gentleman has at his disposal the services of the officials of the Department of National Revenue who are well able to provide him with this information. No doubt the figures in my possession are a condensation of an assessment made by the Department of National Revenue. I think there should be some formula, some limit set as a figure of gross business expense below which an employer, working on a net income or a gross income, whatever you wish to call it, or a set number of employees, should not be asked to be a bookkeeper for the government.

There is a marginal area here in which it becomes necessary for an additional employee to be placed on staff simply to look after the bookkeeping needs of the company. This is an expense which is passed on to consumers who purchase the product and I think it is unjust of the government to capitalize on employers to the extent they do in getting their bookkeeping done for them.

Mr. Burton: The amendment before us would provide that deductions shall be made with respect to unemployment insurance benefits and that these deductions shall be made at source. Surely this must be a difficult matter for the department to administer. Before a person draws unemployment insurance he will have an income pattern for the year. He then draws unemployment insurance benefits for an indefinite period in many respects. It is not clear how long he will draw unemployment insurance benefits. Then, after the termination of unemployment insurance benefits, presuming new employment has been obtained, it is not known what his rate of remuneration will be.

I am wondering how the department intends to handle this matter. Since the parliamentary secretary was so concerned about administrative efficiency in organizations such as Federated Co-operatives Limited, I presume he has given consideration to administrative efficiency in the Unemployment Insurance Commission, where I understand considerable problems have arisen in recent weeks due in part to the high number of applicants. I would hope a simple system could be worked out, one which would not add to the task which the Unemployment Insurance Commission has been asked to undertake by statute.

Mr. Mahoney: I understand that the Unemployment Insurance Commission has satisfied itself as to the system it will use to make sure that excessive amounts are not deducted from those covered by unemployment insurance. I will be glad to inquire as to the details because I must confess this is not one of the things I am carrying in my head.

Mr. Ritchie: I have one or two questions for the parliamentary secretary upon which I invite his comments. Suppose a houseowner hires an individual to do certain

work involving, say, the cementing of a garage floor and payment for labour and materials. I presume there is a dividing line, a means of determining the distinction between a contract and a wage. How does the department settle problems such as this?

Mr. Mahoney: Is it a contract for service or is it a contract of service? If you hire a man to do a service for you, he is a contractor. If he is hired to work for you on a full-time basis and the relation is that of master and servant, you have an employee and you are obliged to observe many requirements of law in addition to making payroll deductions. The particular instance the hon. member mentioned would suggest a relationship with an independent contractor.

Mr. Ritchie: Another question for clarification. Suppose, for instance, an employer offered a janitorial job, being willing to pay a certain amount of money each month no matter how many hours were worked or when they were worked, as long as the job was done. Is this a contract or is the question of wages involved?

Mr. Mahoney: Again, it really depends on the facts of the case. If the man is in fact working what would ordinarily be regarded as full-time doing this particular job for you, and not working for anybody else, there would be a good chance you would have an employee rather than a contractor. If, on the other hand, he was handling similar work for two or three other establishment, he would obviously be a contractor dealing with all these people.

These are questions of a kind that the Industrial Relations Board or the hon. member's solicitor would be glad to field as they arise. The implications are not limited to income tax law. An employer has responsibilities for workmen's compensation payments, for compliance with the minimum wage legislation and many statutes, most of them provincial in origin.

Amendment (Mr. Gray) agreed to.

• (5:10 p.m.)

Mr. Burton: I should like to ask the parliamentary secretary a question concerning withholding of tax on dividend payments by corporations. As I read this section, it refers to every person—presumably meaning corporations as well—paying salary, wages or other remuneration, or superannuation or pension benefits, a retiring allowance and so on down the list. These persons are required to deduct or withhold therefrom such amount as may be prescribed, and this amount shall be remitted to the Receiver General of Canada on account of the payee's tax for the year under this particular part. Just to clarify the situation, what is the position concerning payments of dividends to shareholders in a corporation?

Mr. Mahoney: The only deduction at source that corporations are required to make is from dividends being paid to non-residents. However, an investor, if he derives 25 per cent of his income or more from investments from which deductions are not made at source, is responsible for making quarterly instalments.

Mr. Burton: If I may follow that up, Mr. Chairman, what is the experience of this in practice? I presume there have been problems and it would be very difficult to chase this matter up with every taxpayer, though I suppose when tax returns are examined this question is taken into account. Has the government given consideration to making any deductions at source when payments are made that amount to more than the amount stipulated?

Mr. Mahoney: Mr. Chairman, I am not aware of any consideration having been given to that matter. Neither am I aware of any significant degree of abuse in this area. Corporations are, of course, required to report, through the use of T-5 slips, dividend payments that they make during the year to their shareholders, and these slips are matched up with the income reported by Canadian taxpayer in the same way as T-4 slips are matched up with wages and salary payments reported by employees. There is no abuse of which I am aware, and certainly there has been no indication that a policy change is desirable.

Mr. Ritchie: I have a question on subclause (4) on page 427 which deals with dividends received by brokers. In the case where a broker does not know the ownership of dividends on shares, 25 per cent of the amount is remitted to the Receiver General. If subsequently the unknown owner is found, from the income tax point of view I presume an adjustment is made.

Mr. Mahoney: If the beneficial owner wants to identify himself he can, of course, come forward and claim a refund if there has been an overpayment. The payment under this section is on account of the beneficial owner's tax.

Clause 1, section 153, as amended, agreed to.

Clause 1, section 154, agreed to.

On clause 1—section 155: *Farmers and fishermen.*

Mr. Burton: Mr. Chairman, I thought it might be useful to draw to the attention of the parliamentary secretary the wording of this particular section in view of some of his earlier comments to the effect that he was not aware of any provision in the bill to prevent a farmer or fisherman from filing his return on other than a calendar year basis. The wording of this section seems to me pretty well to lock in a farmer or fisherman to the calendar year, which means he files his return by April 30. It may not be a total lock-in, but certainly I think it points in that direction.

Mr. Mahoney: Again, Mr. Chairman, there is a distinction between a farmer's individual taxation year, which is the same as the taxation year of every other individual taxpayer in Canada—namely, the calendar year—with the tax return to be filed and tax paid by April 30 of the following year, and section 11 which governs businesses. If he chooses to do so, a farmer can account for his business income from farming on a fiscal year basis that is other than the calendar year.

Since most farms are operating under single proprietorships and the income derived therefrom is that of a single farmer, I suppose there is an element of great convenience in having the business year and the individual tax year coincide. But I repeat that I am not aware of any provision preventing a farmer, if he so chose, from using a business accounting year other than the calendar year.

Mr. Burton: Mr. Chairman, I think it is relevant to point out to the parliamentary secretary the wording of section 155. At the outset it provides:

Every individual whose chief source of income is farming or fishing shall pay to the Receiver General of Canada

(a) on or before December 31 in each taxation year, 2/3 of the tax as estimated by him—

(b) on or before April 30 in the next year, the remainder of the tax as estimated under section 151.

It seems to me that this would pretty well lock in just about every farmer who, as the parliamentary secretary put it, is a single proprietor. It seems to me some different treatment is provided a farmer who is incorporated and whose corporate operation is considered separately from his individual tax situation. There is also different treatment where a corporation carrying on a farming operation separates its actual farming operations from its shareholdings. There is no trouble for the national grain company to carry on its operations in poultry farming; there is no difficulty in their using a fiscal year other than the calendar year. Nevertheless, it seems that an individual farmer or single proprietor is locked in to the calendar year basis.

Mr. Mahoney: I hope the hon. member realizes that without this section a farmer who derives his income from a source other than a source from which deductions are made would be called upon to make quarterly instalment payments. This provision simply recognizes the seasonal nature of a farmer's operation and applies a more practical test to it.

Again I would remind the hon. member that, if he may choose to do so, a farmer may end his fiscal year at other than the end of the calendar year, say October 31, August 31 or May 31. He may assess his income at the end of that year and then carry forward his income from subsequent operations to the end of the next following fiscal year.

Mr. Burton: I appreciate the point made by the parliamentary secretary in regard to quarterly payments, but I was really relating my comments to what was said earlier about a farmer using other than the calendar year for calculating his tax. I hope this matter will be clarified.

Clause 1, section 155, agreed to.

On clause 1—section 156: *Other individuals.*

The Deputy Chairman: On clause 156 there is an amendment which can be found at pages 8955 and 8956 of *Hansard* for October 22, proposed by the Minister of National Revenue. Shall the amendment carry?

• (5:20 p.m.)

Mr. McCleave: Mr. Chairman, perhaps the amendment could be read and then I should like to make a comment.

The Assistant Deputy Chairman: The amendment reads as follows:

That section 156 as set forth in clause 1 of the said bill be amended

(a) by striking out line 13 on page 429 and substituting the following:

Other individuals **156 (1) Every individual other than one to**

(b) by adding, immediately after line 25 on page 429, the following subsection:

Mutual fund trusts **(2) Notwithstanding subsection (1), the amount payable by a mutual fund trust to the Receiver General of Canada on or before any day referred to in paragraph (1)(a) in a taxation year shall be deemed to be the amount, if any, by which**

(a) the amount so payable otherwise determined under that subsection,

exceeds

(b) ¼ of the trust's capital gains refund (within the meaning assigned by section 132) for the year.

Mr. McCleave: Mr. Chairman, the point I raised earlier regarding the taxation year might have been raised here. I shall not belabour it except to point out that it can happen that people, by reason of the circumstances of their investments, will be receiving most of their income in the latter part of the year but will be still required to make income tax payments, by reason of section 156(a) in the first part of the year as well as the last part of the year.

I have no magic formula to suggest and do not want to try my hand at drafting because I know how tricky these statutes are. Had I thought of it before, I might have asked the person drafting the statute to put forward a provision which would meet my point so that I could try it on for size. I would ask the parliamentary secretary if his legal advisers would mind considering the point I have made. I do not think anyone would quarrel if there should be a change here in order to have this point straightened away.

Mr. Mahoney: I would be glad to look at it, Mr. Chairman.

Mr. Ritchie: Mr. Chairman, a matter was brought to my attention over the weekend by a professional person who meticulously made his payments for a number of years before the dates mentioned, but who every year was charged a sizeable amount of interest, $50 or $100. I checked into this and found that although he had remitted his money to his local bank on the specified date, he was apparently charged interest because the payment was overdue.

This situation can arise in two ways. If the payment is made to a bank, for instance on March 31, it will not usually be credited to the account until the fifth or sixth of the month. There is a further computation in that apparently many people make payments and although the banks receive the money on March 31 they do not get around to remitting it until five, six or even ten days later. I could provide documentary proof of the case to which I am referring.

It seems to me that there should be no penalty if the money arrives at the bank on March 31, since the banks, as I understand it, are the recipients or are in effect the agents. I draw this matter to the attention of the minister and ask for his comments.

Mr. Mahoney: Mr. Chairman, if the facts are as described by the hon. member, I am rather at a loss to understand how his friend received the treatment he did. If the hon. member would refer the specific matter to me I would be glad to look into it, although of course the

matter is an administrative one and he might choose to refer it directly to the Minister of National Revenue.

Mr. Ritchie: Thank you. I appreciate this and I shall provide the details.

Amendment (Mr. Gray) agreed to.

Clause 1, section 156, as amended, agreed to.

On clause 1—section 157: *Corporations.*

The Assistant Deputy Chairman: There is an amendment to section 157 which appears at page 8956 of *Hansard*, in the name of the Minister of National Revenue.

Amendment (Mr. Gray) agreed to.

Clause 1, section 157, as amended, agreed to.

Clause 1, sections 158 and 159, agreed to.

Clause 1—section 160: *Tax on income from property transferred between husband and wife or to minors.*

The Assistant Deputy Chairman: There is an amendment to section 160, in the name of the Minister of National Revenue, which appears at page 8956 of *Hansard.*

Amendment (Mr. Gray) agreed to.

Clause 1, section 160, as amended, agreed to.

On clause 1—section 161: *General.*

The Assistant Deputy Chairman: At page 8956 of *Hansard* there is an amendment to section 161, in the name of the Minister of National Revenue.

Mr. Downey: Mr. Chairman, would you mind reading the amendment to section 161?

The Assistant Deputy Chairman: The amendment reads as follows:

> That section 161 as set forth in clause 1 of the said bill be amended by striking out lines 17 to 21 on page 433 and substituting the following:
>
> 'Limitation (4) For the purposes of subsection (2), where a taxpayer is required to pay a part or instalment of tax for a taxation year as estimated by him on or before reference to his taxable income for a preceding year or his estimated taxable'

Mr. Downey: Mr. Chairman, I wish to comment on the matter of interest on instalments. In this area I think a great many taxpayers in this country think there is injustice. It would seem that if a person makes an overpayment on his taxes, he is not paid interest on this money, while on the other hand if for some reason he should owe the revenue department money he is charged interest. When the department has the taxpayer's money, no interest is forthcoming to the taxpayer for the use of those funds.

I have no reason to doubt the statement I made earlier in respect of 10 per cent, approximately, of the money collected by the department being refunded to taxpayers last year. When one looks at a figure of this size and realizes that the government has the use of these funds and is not paying interest to the taxpayer, it represents a considerable amount of money and taxpayers begin to ask whether what is fair ball for one is not fair ball for another. In the interests of having people co-operate with the tax department—we all realize that in order for any tax system to be effective there must be co-operation by the people—I think we should be fair and square with them and take a look at the concept that if the taxpayer is charged interest on what he owes, then when the department has his money perhaps it should be paying interest to him.

• (5:30 p.m.)

I would be very interested to know the exact amount of these funds. It would be useful for the committee to know the exact amount of the overpayment of taxes that is made every year, so that we could have a calculation of what the interest on the taxpayers' money would be. I do not expect a reply to this question, but to ensure the co-operation of taxpayers and to increase their faith in the government I think it would be wise for the minister to consider this point.

Mr. Ritchie: My question refers to subsection (7) on page 434. I presume that the provision means that if there is a loss which is carried forward, the taxpayer will not be able to claim any interest—in a sense he will lose his interest under this section.

Mr. Mahoney: That is correct, Mr. Chairman. When the taxpayer takes advantage of his right to claim a loss carried forward, he is not entitled to interest on the overpayment of the instalment that might have occurred in that period.

Mr. Ritchie: This seems unusual. It may be somewhat unfair from the moral point of view. What is the justification for this?

Mr. Mahoney: The government, of course, has no control over whether or not he had a loss, but the government does offer him an opportunity to offset that loss against the previous year's profit. At the same time, the requirement to pay tax by instalment would mean that during the year of the loss he would be making instalment payments related to his earnings of the previous year. There does not seem to be any justification for the payment of interest in these circumstances. Of course, the taxpayer does get a refund of the instalment payments that he made during that period.

Mr. Danforth: I have a question for the parliamentary secretary. Perhaps I missed the implication of this section, but I should like the parliamentary secretary to indicate the amount of the penalty and whether or not a penalty would be assessed. Let me use as an example a farmer who complies with the regulation to forward two-thirds of his estimated tax by December 31 and fulfils the obligation of returning the balance before April 30. If his assessment shows that his computation was far out and he was delinquent in the payment of two-thirds of the amount by the deadline, he is assessed an additional penalty. I am taking into consideration the fact that there are tremendous variances in farm income from time to time and there may be no deliberate intent to defraud. How would the department deal with a situation of this kind?

Mr. Mahoney: He has two options. He can estimate his current year's earnings on the basis of the previous year's, and that would be valid and binding regardless of the discrepancy which in fact occurred, or he can make an

honest estimate of it for the current year, as he undoubtedly would if he felt it was going to be somewhat below the previous year's income. If he makes the payment on the basis of what is in fact the situation at that particular time, he will not be penalized; but if he miscalculates arithmetically or if he misrepresents the situation, he would be subject to penalty.

Mr. Danforth: May I carry this further because I am not entirely clear. I am aware of how it is estimated, but taking an exaggerated example so that the parliamentary secretary may get my point, suppose the farmer makes two-thirds of his payment by December 31 as prescribed by law, and then, in formulating the balance by April 30, it is found that due to some circumstance he was delinquent on his payment on the two-thirds amount by, say, $5,000. This could be due to the sale of livestock, or some other occurrence which could not be foreseen in the previous season's estimate of normal income. What would be the process in such a circumstance?

Mr. Mahoney: I do not quite see how the farmer could be delinquent in such a matter, because as soon as you get past the end of the year you are into the next taxation year and the farmer is not concerned with transactions or large profits that come in after the end of December when he is supposed to have made the two-thirds payment. The two-thirds payment relates to transactions of which he should have knowledge when he calculates the amount.

Mr. Danforth: Thank you. I am satisfied, Mr. Chairman.

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Gray) agreed to.

Clause 1, section 161, as amended, agreed to.

On clause 1—section 162: *Penalties.*

Mr. Downey: I believe that the whole area of penalties and the onus of proof is one of the key provisions in the taxation act. When we look at the advent of the capital gains tax on valuation day we realize that advance rulings will become of increasing significance. I would say that with the advent of the capital gains tax, whoever is making these advance rulings will be very busy and I suppose the staff will have to be greatly expanded.

But we run into the inescapable fact that since advance rulings are made here in Ottawa in the taxation period—the parliamentary secretary can correct me if I am wrong—advance rulings will not be available in the district taxation offices, and many small businessmen and other individuals will look twice before they travel the length and breadth of this country to obtain an advance ruling in the interest of their business. The individual who lives in Vancouver, Victoria or St. John's, Newfoundland, would have to incur the expense of travelling to obtain the advance ruling, the expense of his stay in Ottawa and his transportation. Thus we see that only people in a certain income group can afford to make use of these advance rulings.

• (5:40 p.m.)

This aspect makes the legislation biased against people of insufficient means, those whom the reformed Income Tax Act is supposed to help, those at the lower end of the economic scale. They will not be able to get the assistance of these advance rulings that people in the higher income brackets can receive. Organizations like Imperial Oil and Home Oil have tax consultants and accountants at their disposal. They can afford to get advance rulings. I believe that in the interests of equity these advance rulings should be available in all district taxation offices.

People in my riding should be able to drive to Edmonton and get advance rulings through the district office there. The other day when talking about income splitting between husband and wife, the parliamentary secretary referred to the question of equity in taxation. In the interests of equity I repeat that these advance rulings should be available in every district office.

For the most part the onus of proof has rested on the individual, but I know many small businessmen who were too busy making a living to keep sufficient records to satisfy the tax department. Some immigrants to this country have worked hard all their lives from dawn to dusk. I am thinking of the corner groceryman and such people. Some have not had the linguistic ability to understand the tax rules and regulations. Ignorance of the law is no excuse, but I do not think it is right that the onus of proof should be placed on such individuals.

I have had people tell me that sometimes officials of the Department of National Revenue entered their premises and took advantage of their ignorance. Sometimes they were asked questions that in law they were not required to answer. Their files were examined, but they were not told of the protections available to them in law. The officials made things very difficult for them. Grave injustices were committed. If they had had tax accountants they could have arranged their affairs in such a way that they might not have had to pay one cent in tax.

I suggest that there should be some switching of the onus of proof. When departmental officials contact such people they should make an accountant or tax lawyer available to advise them of their rights.

Mr. Mahoney: Mr. Chairman, as the hon. member is aware, the system of advance rulings is of very recent origin and I am sure is a very welcome innovation. Under the system, requests for advance rulings must be handled by mail. If a person wishes to request an advance ruling he must set down in writing the precise details of the circumstances he wishes the ruling on, so such rulings can be quite as readily obtainable anywhere in Canada where there is a mail box as they are here in Ottawa.

The hon. member talked about the burden of proof. I might note that even though we are on section 162 there is a change in section 163 which does shift the burden to the minister where a penalty is being assessed. However, as simple in equity as the hon. member's argument might seem, there always remains the fact that the individual taxpayer is the man who is in possession of the facts and of the evidence to substantiate them.

Right now there are over 7 million individuals who are paying personal income tax, plus several hundred thousand who are paying corporate tax. To suggest that the Minister of National Revenue should require of all these taxpayers the kind of information upon which he can carry the burden of proof is not entirely reasonable.

Mr. Downey: I understand that there may be a mass of documents involved and that the taxpayer is supposed to have them in his possession. But in the case where an assessment has not been made for a number of years and the department requires an individual to produce documents dating back a long time, through carelessness or for other reasons, such as moving from place to place, he may have lost some papers. Once in a while we all lose the odd letter or document. I suggest there should be a shorter limit on the length of time that the department can go back over an individual's records. The parliamentary secretary said advance rulings were available by mail, but I understand there are costs involved in respect of departmental officials.

• (5:50 p.m.)

I think it would be useful for the *Hansard* record if the parliamentary secretary would indicate the costs inherent in acquiring an advance ruling.

Mr. Thomson: Mr. Chairman, in addition to the comments made by the hon. member for Battle River I would suggest that occasionally the taxation department makes mistakes. I know of two farmers, both with the name Hammond, near the village of Springwater. The tax people had investigated the case of a cattle buyer and had listed one Hammond as receiving a certain amount of income from the sale of cattle. He was assessed a certain amount and asked why he had not listed it as income. He denied having this income.

The tax people were quite insistent, but in this case they were in error. The farmer went to a lawyer or a tax accountant, at some expense, before the issue was resolved and it was discovered that the cattle were actually purchased from the other farmer named Hammond. Why should the burden of proof be on the farmer in this case, since it was a mistake on the part of the tax collector? Why should the department not pay the expenses incurred by the farmer?

I know of another case where hail damage was listed to two cousins who had land listed separately. The income tax department assessed the hail against the wrong man and the burden of proof was on him. My question to the parliamentary secretary would be, is the department prepared to reimburse the taxpayer in a matter of this kind?

Mr. Mahoney: Mr. Chairman, I shall have to get the answer to that question from the Minister of National Revenue. It is not within the immediate confines of the bill before us, as far as I am aware. I shall look into the question and report to the hon. member.

Mr. Downey: Perhaps the parliamentary secretary did not hear me because the officials were leaving as I spoke, but I was wondering if he could tell us the costs involved in making advance rulings.

Mr. Mahoney: It is my understanding, Mr. Chairman, that the Department of National Revenue charges a fee for an advance ruling, but rather than attempt to remember it I shall inquire and give it to the hon. member.

Mr. Downey: I gather that it is a reasonably significant amount. Do I not understand that it costs something in the order of $90 a day for officials to study a case? I should like to know if it is a significant amount. The parliamentary secretary must have an idea whether it is $5 a day or $100 a day. Can the average taxpayer afford an advance ruling?

Mr. Mahoney: Mr. Chairman, I think the average taxpayer who is looking for an advance ruling has in mind a transaction which would not render the fee unduly burdensome if he gets the ruling that he wants. Rather than guess, I would prefer to get the exact amount. It is designed to accommodate the general body of taxpayers of Canada for the services of officials who examine the affairs of a single taxpayer with a view to advising him of the tax implications of the contemplated transaction.

Mr. Downey: This is true as things were in the past when advance rulings would only have been necessary for organizations that could well afford the time and expense of travelling, etc. But with the advent of the capital gains tax it should do well for people who own small businesses, and farmers. A man may have a $50,000 farm—and it does not take much land for a farm to be worth that today—and an advance ruling may help him to the extent of $1,000 or $2,000. To him this is a considerable sum. Once this tax act goes through there will be thousands of advance rulings which could be used to the taxpayer's advantage. I suggest it is vitally important that these advance rulings be available to everybody, not just to the people who can afford to ask for them.

Mr. Chairman, I see the hour is six o'clock and I would call it six o'clock.

Progress reported.

Mr. McCleave: Mr. Speaker, I rise on a point of order. To help the discussion along, perhaps it could be stated on the record that the discussion resumes on Monday on the capital gains provision. I think that was agreed earlier.

Mr. Mahoney: That is correct, Mr. Speaker.

At 6.01 p.m. the House adjourned, without question put, pursuant to special order, until Monday, November 15.

HOUSE OF COMMONS

Monday, November 15, 1971

The House met at 2 p.m.

PRIVILEGE

MR. BALDWIN—PUBLICATION OF ALLEGED REPORT TO CABINET ON FOREIGN OWNERSHIP IN CANADA ECONOMY—REFUSAL OF GOVERNMENT TO TABLE

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I rise on a question of privilege of which I have given notice to Your Honour under the appropriate rule and which I think affects all members of the House. It deals, of course, with the publication in a Canadian periodical of what is known as the Gray report. Mr. Speaker, the facts appear to be simple and I can be quite brief. We all know that in response—

Some hon. Members: Speak up.

Mr. Speaker: It is a little difficult to hear the hon. member for Peace River. Perhaps we might have silence and the hon. member might use his louder voice so that we can hear him.

An hon. Member: And start over again.

Mr. Baldwin: I was saving that for the moment of outrage, Mr. Speaker.

I will repeat that I rise on a question of privilege notice of which I have given to Your Honour and which affects the rights and privileges of all members of the House. It deals, of course, with the question of the publication in *The Canadian Forum* of the so-called Gray report. The facts are simple, Mr. Speaker, and I can be quite brief.

In response to growing pressure on and requests to the government to examine the whole question of foreign ownership in Canada a special committee or task force was set up under the guidance of the Minister of National Revenue (Mr. Gray), at that time Minister without Portfolio. This fact was well known and from time to time numerous questions were asked in the House about the report which was being prepared and about the nature and time of its release. For example, on November 30, 1970, as found on page 1621 of *Hansard*, the Parliamentary Secretary to the Minister of Industry, Trade and Commerce, talking about the report on the late show, said:

> It is being studied at the present time. As soon as it is printed and available, the report will be considered in consultation with the principals of the industries concerned in Canada and with the provincial governments concerned.

At page 3567 of *Hansard* for February 19, 1971, in response to a question by the hon. member for Winnipeg North Centre (Mr. Knowles), who asked about this report, the Prime Minister (Mr. Trudeau) said:

> Yes, Mr. Speaker, we are taking such steps—

That is to obtain the report.

> —and I think it is safe to gamble on the fact that we will overtake by far the New Democratic Party and the statement of its policy.

There was a clear indication that it was the intention of the government and the Prime Minister to publish the report. At page 5298 of *Hansard* for April 27, 1971, the Parliamentary Secretary to the Minister of Finance said:

> The hon. member will be aware that the Minister of National Revenue (Mr. Gray) has under review the whole matter of foreign ownership and that we are anticipating a full and comprehensive report on this subject.

Subsequently, admissions were made that the report was available and was in the hands of the cabinet.

• (2:10 p.m.)

At the end of last week, Mr. Speaker, what purported to be a copy of the report or of some portion of the report at one stage was published by a Canadian magazine, *The Canadian Forum*. A press conference was held at which Professor Rotstein, a person connected with that publication, indicated that the statement published was in fact what it purported to be and that he felt it to be in the general interest of the country that publication should be made. So far, Mr. Speaker, there has been no official denial that the material published was a true copy of at least part of the documents and reports in the hands of the government. I feel that I and all other members of the House have a justified cause of complaint and grievance which can only be reflected by a question of privilege such as I have raised today.

My argument is reinforced by a statement Your Honour made on October 27 last, as recorded at page 9076 of *Hansard*. At that time the hon. member for Battle River was attempting to secure the unanimous consent of the House to put a motion under Standing Order 43 and, in circumstances where there was some parallel, Your Honour said:

> I have serious doubts about the hon. member's motion. Basically, I think it is a privilege motion—

I marked those words at the time. Those words of guidance by Your Honour are reinforced by a citation from Blackstone. I am glad to put Your Honour and Blackstone in the same bracket and call upon these authorities for support.

Where governments make public statements about the existence of reports of committees and task forces which inquire into matters the public are concerned with and which are currently the subject of discussion and debate both in the House and outside the House, there is and ought to be, where the taxpayers' money is used for that purpose, an equitable and certainly a moral obligation on the part of the government to produce such a document to the House. I think there is far too much secrecy. Far too many political games are being played with inquiries and reports of this kind and there is far too much hole in the

corner skulduggery which is causing the public confusion and anxiety.

Finally, Mr. Speaker, I suggest that when a matter of this kind has proceeded to the extent to which this has it comes into the public domain and certainly there ought to be an obligation upon the government to publish. It was for this reason that I made a proposal through a private member's bill to this effect. In my view, either the government deliberately allowed the contents of the document to be made public for either domestic or international political reasons, and there is a fair suspicion that this could be the case, or else it was so negligent and so slovenly in its handling of security in this matter that it allowed the document to fall into the hands of the publisher of *The Canadian Forum*. There was either a theft in the dark of night because of slipshod and slovenly security or we have here the tattletale "Gray" of a deliberate leak.

Some hon. Members: Oh, oh!

Mr. Baldwin: It was either nonfeasance or misfeasance. In addition to the precedents I have alluded to may I quote citation 106(2) of Beauchesne's Fourth Edition which says:

> The dignity and independence of the two Houses are in great measure preserved by keeping their privileges indefinite. If all the privileges of Parliament were set down and ascertained, and no privilege to be allowed but what was so defined and determined, it were easy for the executive power to devise some new case, not within the line of privilege, and under pretence thereof, to harass any . . . member and violate the freedom of Parliament.

For those reasons, Mr. Speaker, I suggest to Your Honour that there has been a violation of the privileges of this House and of every member of this House, and I have sought this opportunity to bring this matter, by way of grievance, to the attention of the House.

Mr. Speaker: The hon. member for Peace River has given the Chair due notice under the provisions of section 2 of Standing Order 17. There is little need for the Chair to say that the matter involved in the hon. member's proposed question of privilege is one of general interest. The report itself, to which the proposed motion alludes, deals with problems which are, I am sure, of concern to all hon. members. It seems to me that those conditions or circumstances alone should not be all-persuasive in determining whether the proposal of the hon. member should be judged a *prima facie* question of privilege.

It would appear that two conditions are set out in the hon. member's notice. In the first instance the hon. member suggests that the Prime Minister has allowed the so-called Gray report to be made available to unauthorized persons. To me, it seems that the release of the so-called report is more a matter of administration which may be brought before the House in due course under the provisions of our well established and recognized procedures for debate and decision.

The second aspect of the matter is the suggestion that the failure to table the report within a prescribed period of time, or at all, is a breach of parliamentary privilege. I know of no authority to support this contention. The House is well aware that in point of fact numerous reports of a like nature never see the light of day—I refer, of course, to parliamentary light of day—and, indeed, successive governments have frequently refused to table them. In the circumstances and on the basis of long-established precedents, it is difficult to agree with the suggestion that there has been a breach of parliamentary privilege which should be further considered by the House or referred to a parliamentary committee.

In the statement he has just made the hon. member suggested that this question was being brought before the House as a matter of complaint or grievance. It may well be so. There may well be a legitimate grievance. I cannot give an opinion on this point but, if I may say so, there is a long way between a grievance and a question of privilege. The Chair has come to the conclusion there is no *prima facie* case of privilege that ought to be considered by the House at this time.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk)

MONDAIR AVIATION LIMITED

Question No. 1,775—**Mr. Nielsen:**

Has the Department of Regional Economic Expansion paid funds under the Regional Development Incentives Act to Mondair Aviation Limited of Montreal and, if so, how much and for what purpose?

Hon. Jean Marchand (Minister of Regional Economic Expansion): No.

SOCIAL WELFARE WORK—ALLOCATION OF GRANTS FOR EDUCATIONAL PURPOSES

Question No. 1,811—**Mr. Orlikow:**

1. What amount has been allocated under the welfare training grants to help pay for the education of people desiring to improve their qualifications in the field of social work?

2. How many people are now at recognized professional schools under the provisions of these grants?

3. What are the amounts of the bursaries provided?

4. Has any money been allocated for research projects in the field of social service?

5. Have any plans been developed for research into appropriate use of sub-professional staff in the field of social welfare?

Hon. John C. Munro (Minister of National Health and Welfare): 1. During the current fiscal year $160,000. has been allocated under the Welfare Scholarship and Fellowship programs.

2. Thirteen scholarship and 25 fellowship recipients are currently undertaking studies in recognized professional schools of social work.

3. The basic value of a welfare scholarship is $2,500. and that of a welfare fellowship is $5,000. for a full-time academic year of 12 months, and pro-rated if the period of study is less than 12 months.

4. Yes. $475,000. has been allocated in the current fiscal year.

5. The Welfare Grants Division has funded a research project on an Experiment in the Development of Welfare Aides, conducted at the Children's Aid Society of Vancou-

ver, B.C., in 1970, and is currently funding another research project on the deployment of social work graduates from universities and community colleges across the country.

REGIONAL DEVELOPMENT ACT—GRANTS MADE TO PRODUCTION OR CONSUMERS CO-OPERATIVES

Question No. 1,826—**Mr. Laprise:**

Were any grants made to production or consumers' co-operatives under the Regional Development Act and, if so (a) how many received grants (b) for what amount (c) how many jobs were thus created?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Yes. (a) 12; (b) $1,824,748; (c) 513.

[*English*]

BELLECHASSE CONSTITUENCY—ALLOTMENT OF SYLVICULTURE PROJECTS

Question No. 1,835—**Mr. Lambert (Bellechasse):**

Has the government allotted sylviculture projects to anyone in the constituency of Bellechasse and, if so, to whom or to what company?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): No. However, under the second ARDA agreement, the federal government contributed toward reforestation projects, initiated by the Department of Lands and Forests of Quebec, in the districts of Talon, Patton, Ashburton and Bourdages.

[*English*]

ARDA PROGRAM—STUDIES MADE IN NORTHWESTERN QUEBEC ON TOURISM AND RECREATION

Question No. 1,838—**Mr. Laprise:**

Was any study made on tourism and recreation in the northwestern area of Quebec under the ARDA program and, if so, were the results of this study published?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Yes. Under the ARDA program, the federal government contributed one-half of the cost of a study commissioned by the Department of Tourism, Hunting and Fishing of the Province of Quebec. The study was not made public.

[*English*]

PURCHASE OF LAND BY FOREIGNERS

Question No. 1,847—**Mr. Yewchuk:**

By province and territory, how many acres of land have been purchased by foreigners to date?

Mr. J. A. Jerome (Parliamentary Secretary to President of Privy Council): The federal Government does not have the information requested.

ASSISTANCE TO PROVINCES UNDER TECHNICAL AND VOCATIONAL TRAINING ASSISTANCE ACT

Question No. 1,866—**Mr. Orlikow:**

Under the formula for the equitable distribution among the provinces of federal contributions under the Technical and Vocational Training Assistance Act for financial assistance to the capital cost of training facilities, what amount has been paid, or will be paid, to each province, expressed both in dollars and as a percentage of the total amount each province is entitled to receive under the formula and what amount remains to be paid or will be paid to each province under the formula from March 31, 1967 to 1971?

Hon. Otto E. Lang (Minister of Manpower and Immigration): The Capital Assistance Program was begun in 1961 under the Technical and Vocational Training Assistance Act and continued under the Adult Occupational Training Act of 1967 which set a limit on the total amount payable to each province. According to this formula, the distribution of the total provincial entitlement both in dollars and percentages is shown in the following table:

	($)	(%)
Nfld.	35,063,200	3.1
P.E.I.	7,100,000	.6
N.S.	51,391,200	4.5
N.B.	42,811,200	3.7
Que.	373,940,800	32.6
Ont.	349,506,400	30.5
Man.	56,646,400	4.9
Sask.	58,291,200	5.1
Alta.	79,203,200	6.9
B.C.	90,122,400	7.9
Y.T.*	612,000*	.1
N.W.T.	1,359,200	.1
Total	1,146,047,200	100.0

*In accordance with the regulations before the present formula came into effect, Yukon Territory was paid $957,820.

All provinces received their full entitlement prior to September, 1971, except Newfoundland, whose $4,130,-393.95 balance of entitlement is payable during the current fiscal year.

REGIONAL ECONOMIC EXPANSION ACT—GRANTS TO INDUSTRIES IN COMPTON CONSTITUENCY

Question No. 1,887—**Mr. Latulippe:**

Have any industries in the constituency of Compton been subsidized by the Department of Regional Economic Expansion since the Act for the provision of such grants to industries was passed and, if so (a) which ones (b) what amount was granted to each such industry?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): The following companies have been offered incentive grants under the Regional Development Incentive Act for projects in the constituency of Compton.

(a) Company	(b) Estimated Amount of Offer
Chemcell Ltd.	$ 20,100
Industries Ben Angus Ltée	51,602
Bestar Ltée	9,047
Syl-Ester Wood Products Corp. Ltd.	553,566
C. A. Moreau Inc.	36,300
Salaison Idéale Ltée	88,538
Frontenac Plywood Door Co.	19,552
Raymond Boisvert Sportwear Inc.	19,500
Thomas Bonar & Co. (Canada) Ltd.	34,600
Confection Stornoway Inc.	8,400

Questions

[*English*]

ROYAL COMMISSIONS

Question No. 1,916—**Mr. Latulippe:**

1. Since the Right Hon. Lester B. Pearson became Prime Minister, how many Royal Commissions and Commissions of Inquiry were established?

2. What was the title and cost of each?

3. Who was the Chairman of each commission?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Prime Minister's and Privy Council Offices, The Department of National Health and Welfare and The Prices and Incomes Commission as follows: (a) 21; (b) and (c) See following statement:

Title of Commission	Total Cost	Chairman of Commission
Bilingualism and Biculturalism	$9,029,305	Mr. A. Laurendeau* Dr. A. D. Dunton Mr. J. L. Gagnon
Irregulatities in processing claims under Prairie Farm Assistance Act	17,957	Hon. H. W. Pope
TCA Overhaul and Maintenance Base, Winnipeg, Manitoba	55,340	Mr. D. A. Thompson
Crash of TCA Aircraft at Ste-Thérèse	21,038	Hon. G. S. Challies
Export Marketing Problems of Salt Fish Industry in the Atlantic Provinces	42,116	Mr. F. B. Finn
Dorion Inquiry	180,053	Hon. F. Dorion
Irregularities in 1963 Federal Election—B.C.	14,107	Hon. N. T. Nemetz
Inquiry into Freshwater Fish Market	39,611	Mr. G. H. McIvor
Inquiry into Group D. Salary Increases	7,193	Hon. J. C. Anderson
Working Conditions in Post Office Department	78,960	Hon. A. Montpetit
Inquiry into Mr. Justice Landreville	55,831	Hon. I. C. Rand
Inquiry into Complaints made by one George Victor Spencer	13,099	Hon. D. C. Wells
Inquiry into matters relating to one Gerda Munsinger	54,708	Hon. W. F. Spence
Farm Machinery Costs	1,568,768	Mr. C. L. Barber
Security	406,586	Mr. M. W. Mackenzie
Status of Women in Canada	1,947,281	Mrs. J. Bird
Hay River	15,923	Hon. W. G. Morrow
Indian Claims Commission	202,071	Dr. L. Barber
Commission of Inquiry into Mail Transport in Montreal	5,210	Mr. H. Carl Goldenberg
Commission of Inquiry into the Non-Medical Use of Drugs	2,263,354 to Oct. 15, 1971	Gerald Le Dain, Q.C.
Prices and Incomes Commission 1969–70	569,000	
1970–71	2,068,527	
1971–72 (to sept. 30, 1971.)	818,000 (approximately)	John H. Young

*Deceased.

*NATIONAL REVENUE—COST OF INCOME TAX FORMS PRINTED PRIOR TO OCTOBER 14, 1971

Question No. 1,936—**Mr. Knowles (Winnipeg North Centre):**

Were income tax return forms, guides and any other materials for the year 1971 printed prior to October 14, 1971 and, if so, will such materials have to be re-printed because of the tax changes announced on October 14, 1971, and what is the total cost of the forms, guides and other materials to be discarded?

Mr. J. A. Jerome (Parliamentary Secretary to the President of the Privy Council): Mr. Speaker, income tax return forms, guides and any other materials for the year 1971 were partly printed prior to October 14, 1971, and such materials will have to be partly reprinted because of the tax changes announced on October 14, 1971. The total cost of the forms, guides and other materials to be discarded will be approximately $50,000.

IMMIGRATION FROM REPUBLIC OF IRELAND AND NORTHERN IRELAND FROM 1960 TO 1971

Question No. 1,986—**Mr. Robinson:**

1. How many immigrants has Canada received from Eire in each year 1960 to 1971 inclusive?

[Mr. Marchand (Langelier).]

2. How many immigrants has Canada received from Northern Ireland in each of the same years?

Hon. Otto E. Lang (Minister of Manpower and Immigration): Immigrants admitted to Canada from the Republic of Ireland and Northern Ireland 1960 to June 30, 1971.

	Republic of Ireland	Northern Ireland
1960	799	1035
1961	415	688
1962	452	951
1963	590	1743
1964	680	1847
1965	861	1934
1966	1774	2400
1967	2181	2644
1968	1545	1477
1969	1235	1491
1970	1123	1620
1971 (June 30)	447	432
	12102	18262

BILINGUALISM BONUS

Question No. 2,090—**Mr. Robinson:**

1. Since the beginning of the program, how many public servants received additional pay for being bilingual (French and English)?

2. What is the total amount paid by year for public servants for bilingualism?

3. How many English speaking public servants receive additional pay because they also speak French?

4. How many French speaking public servants receive additional pay because they also speak English?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): 1. and 2. See return to question No. 1,391 deposited with the Clerk of the House of Commons on October 4, 1971.

3. and 4. None.

SPECIAL GRANTS FROM FEDERAL GOVERNMENT

Question No. 2,097—**Mr. Robinson:**

1. During the fiscal year 1970-71 and 1971 to date, what requests were made for special grants from the government?

2. How many were accepted and how many were rejected?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): This information can only be obtained by searching the files, the cost of which in manpower and time would be exorbitant or prohibitive.

MOTION TO ADJOURN UNDER S.O. 26

THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—NECESSITY FOR RELEASE OF REPORT TO CABINET IN VIEW OF PUBLICATION IN "THE CANADIAN FORUM"

Mr. David Lewis (York South): Mr. Speaker, I ask leave, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles), to move the adjournment of the House under Standing Order 26 for the purpose of discussing a specific and important matter requiring urgent consideration, namely, the necessity for the release by the government of the report on foreign ownership prepared by or under the direction of the Minister of National Revenue (Mr. Gray) in view of the publication by *The Canadian Forum* of a document alleged to be a part of the said report.

Mr. Speaker: The Chair has received due notice from the hon. member for York South of his intention to request leave to move the adjournment of the House to discuss the matter set down in his notice under the provisions of Standing Order 26. This notice has given me an opportunity to give very serious consideration to this matter and to the suggestion that the debates of the House should be adjourned later this day for the purpose of considering the matter alluded to in the hon. member's proposed notice.

As the Chair stated a few moments ago in relation to the question raised by the hon. member for Peace River by way of a question of privilege, the matter proposed for discussion at this time by the hon. member for York South under the terms of Standing Order 26 is undoubtedly one of general interest. It seems to me that a debate on the proposed motion would produce a repetition of the debate on the question of economic and political relations with the United States which was the subject of a most interesting and exhaustive discussion as recently as the third and fourth of this month.

• (2:20 p.m.)

The primary question to be asked before the matter is put forward for debate at this time is whether a new dimension of sufficient import has been added to a question which has been under debate on many occasions during the current session, and which I am sure will be debated again in the days ahead, so as to justify a special debate in this sitting under Standing Order 26. My response would have to be in the negative. The question of whether the so-called report should be released at this time is, to my mind, a matter of administration and not a matter which should be resolved under the provisions of Standing Order 26. With respect, I suggest to the hon. member and to all hon. members that in any event the matter should not be resolved by way of debate under Standing Order 26. As the hon. member knows, there are available to him other methods and opportunities to deal with this question.

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—REQUEST FOR RELEASE OF FULL TEXT OF REPORT TO CABINET

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Acting Prime Minister whether, in view of the interest and the confusion created by what government sopkesmen have admitted is part of a draft report to the cabinet, the government will now release the full text of this report, generally referred to as the Gray Report, so that the Canadian people can debate the issues with all the information in front of them?

Hon. Mitchell Sharp (Acting Prime Minister): The answer to that question, Mr. Speaker, is no. The government has made it clear that it does not think cabinet documents should be published. What has appeared so far, as the Prime Minister has said, is an early draft of a study prepared for the government in connection with the whole question of foreign ownership. The government still has this matter under consideration and when it has reached a decision on policy—and, of course, this study is not a statement of government policy—it can then decide what kind of information might at that time be published in connection with its decision.

Inquiries of the Ministry

FOREIGN OWNERSHIP—DISCUSSION AT FIRST MINISTERS' CONFERENCE—SUPPLYING OF REPORT TO CABINET TO PROVINCIAL PREMIERS—POSSIBLE SCREENING MECHANISM

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to ask the Acting Prime Minister whether the subject of foreign investment and the control of foreign investment in Canada will be discussed at the conference of first ministers currently taking place, and, if so, whether the government of Canada will place before the first ministers of the provinces a full copy of the report made to the government so that at least the premiers of the provinces will have before them all available information—all the information which is before the government.

Hon. Mitchell Sharp (Acting Prime Minister): It is the intention of the government, as soon as it has reached a decision on this very important question, to make its views known publicly. I would think there would also be some prior consultation with the provinces which, I am sure he realizes, would be very much affected by any decisions that might be made. The question of whether this particular study, which is only one of those before the government, should be made public in whole or in part would be a decision to be made later but, as I said in answer to the first question, I would not think that anyone in this House would recommend that secret cabinet documents should be made public. Whatever is to be made public should be a matter for government decision.

Mr. Stanfield: The Acting Prime Minister did not say whether the matter would be placed before the conference of premiers. I should like to ask him whether, in fact, there exists a cabinet document stating: "The main policy approach to the issue of foreign ownership should be the creation of a screening mechanism." Is there any such cabinet document?

Mr. Sharp: This, of course, is a matter of cabinet secrecy and I am bound by my oath not to disclose what goes on in cabinet.

FOREIGN OWNERSHIP—REQUEST FOR PUBLICATION OF STUDIES NOT INVOLVING POLICY TO PROVIDE INFORMATION

Mr. David Lewis: (York South): I should like to ask the Acting Prime Minister a question arising out of the answers he has given, from which I would conclude there are studies before the cabinet as well as documents requiring actual decisions by cabinet. May I ask the Acting Prime Minister whether the government would seriously consider publishing studies that are not binding on the government, with a clear statement that they are not government policy, so there will be available to Members of Parliament and the people of Canada information on the extent of the problem that Canadians are now anxious to know about?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I think the dimensions of the problem are very well known. It has probably been the most debated subject in the country. It has been debated by members of the hon. gentleman's own party within which, of course, there are differences of opinion as to how important the matter is.

In any event, what I think would be welcome from the government is a statement of its decisions. Then, of course, studies could be presented to illustrate the nature of the problems and the reason the government arrived at its decisions. I do think that if studies are to be published now which purport, as it has been alleged this one does, to be government policy, it would add not to clarification but to even further confusion.

Mr. Lewis: Mr. Speaker, no one but the Acting Prime Minister has suggested that this study, alleged to be part of a government study, is government policy; no one has suggested that to my knowledge. In view of the fact that the government, particularly the Prime Minister, have often emphasized the need for people to participate in decision-making, is the refusal of the government to publish this information, which is all I am asking about, that would assist the Canadian people to understand the process of decision-making on this issue and therefore to appreciate better the decisions that may eventually be announced, explainable by reasons other than those the minister has given?

Mr. Sharp: No, Mr. Speaker. I think the reasons are very clear. Since there has been a debate on the issue for so many years during which a great deal of information has been placed before the public, I think it is important for the government to reach a decision.

Some hon. Members: Hear, hear!

Mr. Sharp: When that decision is made, at that time I think the government can also reach a complementary decision as to whether and how it may publish supplementary information. But I repeat what I said, that we have not lacked material on this subject. What we should have now is government decision, and this is what the government wants to proceed to do.

POSSIBLE LOSS OF PRODUCTION AND JOBS BY U.S. PARENT COMPANIES CLOSING CANADIAN SUBSIDIARY OPERATIONS—ACTION TO PREVENT

Mr. David Lewis (York South): Mr. Speaker, I am delighted to hear that at last the government thinks a decision should be made; that is one important step forward. In view of present United States policies which may well affect jobs in Canada as a result of the export of subsidiary plant operations from Canada to the United States by parent companies that would find it more profitable to carry on those operations in that country, may I ask the Acting Prime Minister whether the government is giving immediate consideration to setting up some machinery that would prevent Canadians losing production and jobs in the near future?

Mr. Speaker: I suggest to the hon. member that that question is not entirely supplementary, though I appreciate it is closely related to the others. As the question has been asked, the Chair will allow the minister to reply and then the Chair will recognize the hon. member for Peace River.

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I assume the hon. gentleman is referring in particular to the DISC proposal.

Mr. Lewis: And the job incentive plan.

Mr. Sharp: And the job incentive plan. The problem here is not simply that of subsidiaries in Canada. The DISC proposal and the job incentive plan would affect Canadian-owned companies just as much as those that are subsidiaries of parent companies in the United States.

• (2:30 p.m.)

FOREIGN OWNERSHIP—PARTICIPATION BY PROFESSOR ROTSTEIN IN PREPARATION OF REPORT TO CABINET

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to ask the Minister of National Revenue whether Professor Rotstein participated in or in any way contributed to the preparation of the report to which the Prime Minister has referred as being a secret cabinet document?

Hon. Herb Gray (Minister of National Revenue): No, sir.

FOREIGN OWNERSHIP—SOURCE OF MATERIAL APPEARING IN "THE CANADIAN FORUM"

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I think we can clear up a great deal with the Minister of National Revenue here, because this looks like Gray's elegy and not Gray's eulogy. I should like to ask him simply whether these quotations which have appeared in *The Canadian Forum* came from any official document in the possession of the minister, and has he any idea how they were obtained?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, I would draw the right hon. gentleman's attention to the statement issued by the Prime Minister's office on Friday which said that the article in *The Canadian Forum* is based on only one draft of a study prepared for official discussion at one stage in the preparation of documents to be submitted to cabinet. I have no knowledge at this time as to how any information may have reached *The Canadian Forum* in an unauthorized way.

Mr. Diefenbaker: Mr. Speaker, it is a strange thing that the minister has to give secondary evidence regarding this matter. I did not ask him what the Prime Minister said or what somebody in his office answered. I want to know whether the quotations that appeared in *The Canadian Forum* are in any way representative of the recommendations of the task force. That is the question. Can he not answer that or must he have the assistance of the Prime Minister's staff?

Mr. Gray: Mr. Speaker, there is nothing I can usefully add to my previous answer.

[*Translation*]

Mr. Speaker: Does the hon. member for Témiscamingue have a supplementary?

Mr. Réal Caouette (Témiscamingue): No, Mr. Speaker.

Mr. Speaker: I will recognize the hon. member for Témiscamingue in a minute.

[*English*]

For the moment the Chair will recognize the hon. member for Prince Edward-Hastings and then move on to the hon. member for Témiscamingue and reward him for his patience. If hon. members want to return later to this burning subject, they may do so. For the moment the Chair recognizes the hon. member for Prince Edward-Hastings.

FURTHER RESEARCH INTO ESTABLISHMENT OF SCREENING MECHANISM TO CONTROL FOREIGN INVESTMENT

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I have a supplementary question for the Acting Prime Minister. Is the government now giving consideration to or actually undertaking further research into the recommendation contained in the Gray report that the government should establish a screening process to control foreign investment in Canada?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, this is one of several methods that have been proposed. I think it has come from every side of the House and certainly from many people throughout the country.

Mr. Hees: As the government has had a full six months to consider this matter, would the Acting Prime Minister advise the House when the government intends to break away from the stultifying immobility which it has indulged in for quite a long time and get on with the job of dealing with this matter?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The question is argumentative.

* * *

[*Translation*]

CANADIAN BROADCASTING CORPORATION

INQUIRY AS TO ADVERTISEMENTS IN NEWSPAPER "QUÉBEC-PRESSE"

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Secretary of State.

This week's issue of *Québec-Presse*—a separatist and probably pro-FLQ newspaper—contains three costly ads paid by the CBC. Is the Secretary of State aware of the fact that federal funds are thus used to finance the revolutionists of Québec-Presse?

Mr. Speaker: This question might perhaps have been placed on the Order Paper, but since it is the first question put on behalf of the party of which the hon. member is the leader, I shall allow the minister to answer it.

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, as I do not read the paper referred to by the hon. member for Témiscamingue, I am in no position to decide whether the allegations he made before putting his question are right or wrong.

As for the ads in that paper, I promise to inquire as to how and why they were put there and for what purpose the CBC has them published, and I shall then be able to forward that information to the hon. member.

Inquiries of the Ministry

[*English*]

THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—AVAILABILITY OF REPORT TO CABINET TO PROVINCIAL PREMIERS AND HOUSE COMMITTEE—CONSIDERATION AT FIRST MINISTERS' CONFERENCE

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to direct a question to the Acting Prime Minister which is supplementary to my leader's question. Is the Gray report or a draft copy being made available to the provincial premiers at the conference currently taking place in Ottawa? If so, is the government prepared to make a copy of that draft report available to an appropriate standing committee of the House?

Hon. Mitchell Sharp (Acting Prime Minister): The answer to this question, Mr. Speaker, is no. As I said earlier, cabinet documents are not made public.

Mr. McGrath: May I ask the Acting Prime Minister whether the general subject of foreign investment is on the agenda of the first ministers' conference?

Mr. Sharp: I do not think so, but any provincial premier is free to make reference to it if he wishes. We do not intend to raise the question.

FOREIGN OWNERSHIP—TIME OF STATEMENT ON GOVERNMENT POLICY—TABLING OF REPORT TO CABINET

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, in view of the promise made by the Prime Minister and today by the Acting Prime Minister that the government proposes to release to members of the House a white paper or some other form of statement outlining the government's decision in respect of foreign ownership, may I ask whether we can expect such a statement before the Christmas recess?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I cannot give a definite answer. I know it is the desire of the Prime Minister and the government to reach a decision as quickly as possible.

Mr. Douglas: May I ask whether the Acting Prime Minister will undertake to assure the House that when such a statement is released the report to the cabinet by the Minister of National Revenue will also be made available at the same time in order that members may have the benefit of the study and the data upon which these decisions have been made?

Mr. Sharp: Mr. Speaker, there will be several studies put before the cabinet before any decision is made; in fact, there are several before the cabinet now. This is only one study, as the Prime Minister has already said and, as I said before, I do not believe that cabinet documents should be released. I think the government should make a decision as to the publication of a report but that it should not, of course, release cabinet documents.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I suggest to hon. members that we will have to try to limit the number of supplementary questions. We have spent a great deal of time on this same subject.

[Mr. Pelletier.]

An hon. Member: As we do all along.

Mr. Speaker: I will return to the hon. member in a moment, but I recognize first the hon. member for Annapolis Valley on a supplementary.

FOREIGN OWNERSHIP—NUMBER OF DRAFT STUDIES

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, my question is for the purpose of seeking further amplification of the answer given by the Minister of National Revenue to the question posed by the right hon. member for Prince Albert. The minister replied by quoting what was said by the Prime Minister's office on Friday, that this was a first draft of the study. Will he inform the House what stage the study has reached now? Is there a second draft, a third draft and a fourth draft, or is there only one draft?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, I think it is clear from the statement issued by the Prime Minister's office—

Some hon. Members: Oh, oh!

Mr. Hees: What do you have to say?

Mr. Diefenbaker: What a gramophone record!

Mr. Gray: Mr. Speaker, I think it is clear from the statement issued by the Prime Minister's office that the document on which *The Canadian Forum* article is based is not a document which was submitted by me to cabinet.

FOREIGN OWNERSHIP—PARTICIPATION BY "CANADIAN FORUM" PERSONNEL IN PREPARATION OF REPORT TO CABINET

Mr. Thomas M. Bell (Saint John-Lancaster): Mr. Speaker, the minister said that Professor Rotstein was not involved in the preparation of this report. Can he say whether anyone from *The Canadian Forum* was in any way involved in the preparation of the Gray report?

Hon. Herb Gray (Minister of National Revenue): Not to my knowledge, Mr. Speaker.

Mr. Speaker: Order, please. Again I suggest to hon. members, in spite of the suggestion made a moment ago, that we should not spend the whole question period on supplementary questions, thereby depriving other members of the opportunity to ask their questions which I am sure they are anxious to pose. I will recognize the hon. member for Annapolis Valley on a supplementary.

FOREIGN OWNERSHIP—INVESTIGATION OF POSSIBLE LEAKING OF REPORT TO CABINET

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, in view of the fact the Prime Minister carried out an investigation some time ago in respect of a leak involving the B and B commission report, does the Prime Minister or the government now intend to carry out a survey or an inquiry through the RCMP to find out what happened and how this leak occurred?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, inquiries are already being made but whether the RCMP will be involved is still a decision to be made.

FOREIGN OWNERSHIP—STUDIES BEING USED BY CABINET IN ARRIVING AT POLICY

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): I wish to ask a question for clarification, Mr. Speaker. The Acting Prime Minister spoke of several studies being before cabinet, but the general understanding we have had from statements made by the Prime Minister is that the Minister of National Revenue was charged with the responsibility of preparing a report for cabinet. May I ask whether the report from the minister is before cabinet and is that report the basis upon which the government is acting, or are there a number of other studies and by whom have they been prepared?

• (2:40 p.m.)

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, as the hon. gentleman knows, for me to review what is going on in cabinet would be for me to break my oath. What he said is right. The Minister of National Revenue was asked by the Prime Minister to see that some studies were prepared. Some of them are before the cabinet. There are also, of course, other studies because this is a very large subject that covers many aspects of government policy including foreign policy.

* * *

GRAIN

REGULATIONS TO PROTECT FARMERS WITH CROP STILL IN SWATH AGAINST POSSIBLE LOSS OF QUOTAS

Mr. Craig Stewart (Marquette): Mr. Speaker, my question was for the minister responsible for the Canadian Wheat Board but as he has left the House I shall address it to the Acting Minister. Because of the amount of crop still out in swath in western Canada and particularly in Manitoba, and as this grain will not be combined until spring, and because under the new quota system these farmers will not be able to take advantage of the earlier specified delivery dates, does the government intend to introduce regulations so these farmers will be protected against possible loss of quota under these circumstances?

Hon. Martin P. O'Connell (Minister of State): Mr. Speaker, I will take this question as notice on behalf of the minister.

Mr. Speaker: The hon. member for Oshawa-Whitby. Order, please. Perhaps the hon. member for Marquette might be allowed a supplementary and the hon. member will then be recognized.

Mr. Stewart (Marquette): Thank you, Mr. Speaker. Because of the loss of income to many farmers in western Canada, would the minister ask the Canadian Wheat Board to investigate the situation?

Mr. O'Connell: Mr. Speaker, I will draw that question to the minister's attention also.

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THE CANADIAN ECONOMY

ACTION TO ACHIEVE INCREASED INVESTMENT BY BANKS IN CANADIAN INDUSTRY

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker,

I have a question for the Acting Prime Minister. In view of the disclosure in the so-called version of the Gray report which has been published by *The Canadian Forum* that Canadian banks are not doing what they ought to in terms of investing in Canadian industry and thus creating jobs in Canada, can the Acting Prime Minister inform the House whether or not the government intends to do something about channeling the investment dollars of Canadian banks more generally into Canadian industry?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I must repeat that the report which has been abbreviated and appears in *The Canadian Forum* is not a statement of government policy. When government decisions are made, and I hope they will be made soon, they will be announced.

Mr. Broadbent: Mr. Speaker, I was not asking the Acting Prime Minister if it was government policy. What I was asking him, and I shall repeat it, is whether the government is giving serious consideration to changing the regulations actually pertaining to Canadian banking to ensure that a greater percentage of investment dollars coming from Canadian banks go into the Canadian sector of the economy?

Mr. Sharp: Mr. Speaker, it is obvious from what has been revealed that this is one of the matters which has been brought to the attention of the government, but the government still has to make its decisions.

FOREIGN OWNERSHIP—REQUEST FOR COMMITTEE REFERENCE TO DETERMINE WHETHER REPORT TO CABINET WAS LEAKED

Mr. James A. McGrath (St. John's East): Mr. Speaker, I have a supplementary question for the government House leader. Is the government prepared to refer the subject matter of the article that appeared in *The Canadian Forum*, which is alleged to be a copy of the Gray report, to an appropriate standing committee so that the committee may call witnesses to determine whether or not this was a deliberate leak?

Hon. Allan J. MacEachen (President of the Privy Council): No, Mr. Speaker.

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AIR TRANSPORT

HIJACKING—RATIFICATION OF CONVENTION—AMENDMENTS TO CRIMINAL CODE

Mr. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, this question is for the Secretary of State for External Affairs or the Minister of Justice. In view of the major hijacking which took place in Canada on Friday, is the government now ready to ratify the convention on hijacking and introduce articles in the Criminal Code to deal with the matter? I asked this question about a month ago and the government promised to take action.

Hon. John N. Turner (Minister of Justice): Mr. Speaker, on the international front dealing with the issue of hijacking, Canada signed a convention at The Hague last December regarding hijacking of aircraft and a further convention was signed at Montreal last September dealing

with other offences against aircraft, including sabotage. Both these conventions will be ratified as soon as some incidental amendments are made to the Criminal Code, which I intend to bring forward in the very immediate future.

* * *

THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—TIME OF STATEMENT ON GOVERNMENT POLICY

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Acting Prime Minister a question. In view of the statement of the hon. gentleman and the Prime Minister that the material published in *The Canadian Forum* is not to be taken to be government policy, but also in view of the fact that the government has not said it is not government policy, and because of the resulting confusion that exists in the country, is the Acting Prime Minister prepared to give the House any time within which the government will undertake to reach a decision and eliminate the confusion that is bound to do nothing but damage to the economy when there is already an excessive amount of unemployment and uneasiness?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I can give assurance that the government would like to remove the confusion which has arisen from the unauthorized publication of this study. I think it serves to underline the inadvisability of having these preliminary studies published in this way because it leads the public to believe that this is government policy. But I assure him we are anxious to make a government decision as quickly as possible.

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FEDERAL-PROVINCIAL CONFERENCE

INDICATION TO PROVINCES OF ISSUES UNDER DISCUSSION WITH UNITED STATES AND FEDERAL GOVERNMENT POLICY

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, my question is directed to the Acting Prime Minister. Without reference to any statements which may have appeared today in respect of the conference of first ministers, particularly that by Ontario with regard to a new joint economic committee to establish economic goals for Canada, I wonder whether the government intends, through the Prime Minister or some other cabinet minister at the conference, to indicate to the provinces what issues are presently under discussion with the government of the United States and just what policy the government is adopting in respect of these particular subjects?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I cannot speak for the Prime Minister concerning how far he may want to take the first ministers of the provinces into his confidence on these matters, but one of the problems we have at the moment is that the position of the United States itself is rather unclear. We are having a series of meetings, one of which is going on today, at which we are attempting to get some clarification of the aims and objectives of the United States, but until we know that more completely it is very difficult for us to convey anything to anyone.

[Mr. Turner (Ottawa-Carleton.)]

Mr. Lambert (Edmonton West): Mr. Speaker, I was asking whether the government would merely indicate to the provinces, Alberta and Ontario, for example, which have made very serious representations in this connection, what subjects are being discussed with the United States and whether the provincial authorities will be brought into the vital discussions in these negotiations?

Mr. Sharp: I must repeat what I said, but perhaps I might take advantage of this occasion to say that one of the things which is not under discussion is negotiation of the 10 per cent surcharge. The Canadian government has refused to negotiate that. There are some problems that the two countries are discussing. I say this because it has been suggested in the public press that somehow we are going to bargain energy policy against the 10 per cent surcharge and there is absolutely nothing to that.

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TRADE

CREATION OF HEMISPHERIC CURRENCY AND TRADING BLOCS SUGGESTED BY UNITED STATES—CANADIAN POSITION

Mr. S. Perry Ryan (Spadina): Mr. Speaker, I have a supplementary for the Acting Prime Minister. As the United States Under Secretary of the Treasury, Charles Walker, suggests that the solution to the present surcharge and currency problems may be the creation of hemispheric currency and trading blocs, is the government prepared to consider such a formula for North America as part of bilateral talks with the United States at this time?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, no such proposal has been made to us by the United States and we have not proposed it to them.

Mr. Ryan: Mr. Speaker, will the minister assure the House that a statement on negotiable and non-negotiable Canadian trade and economic goals will be made to the House before any substantive bilateral deal is made with the United States in these areas?

Mr. Sharp: Mr. Speaker, I think we have made it very clear that we are not prepared to negotiate for the removal of the 10 per cent surcharge. We have said to the United States—I have said this publicly as have other members of the government—that we would like to help the United States overcome its balance of payments problems because this affects us but we are not negotiating for the removal of a tax which was placed on our trade unilaterally without negotiation.

• (2:50 p.m.)

UNITED STATES PROTECTIONIST MEASURES—PARTICIPATION BY CANADA IN EUROPEAN GOVERNMENT TALKS TO ACHIEVE COMMON FRONT

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct a supplementary question to the Acting Prime

Minister. There are growing reports that western European governments are trying to hammer out a common front to deal with the United States surcharge and other protectionist moves. In order to avoid the complete isolation of Canada in this crisis, is the government attempting to participate in any meaningful way in such European talks?

Hon. Mitchell Sharp (Acting Prime Minister): No, Mr. Speaker, other than that the Minister of Finance is a member of the Group of Ten in which the leading financial and economic countries of the world are represented. We have, of course, been talking to the United States at all levels—ministerial, official and so on—to try to discover what are the problems that are concerning the United States in their trade relations with us. So we are not isolated in any way. Indeed, Mr. Speaker, we are making as much progress with the United States as anyone else.

Mr. Crouse: As one further supplementary—

Mr. Speaker: Order, please. I suggest to hon. members that we have to give an opportunity not only to other members but to spokesmen on behalf of other political groups. There has to be some proportion with respect to questions and, subject to returning to the hon. member in a moment, the Chair will now recognize the hon. member for Selkirk.

[*Later:*]

Mr. Crouse: Mr. Speaker, this question is directed to the Acting Prime Minister and is supplementary to the question I posed a moment ago. At that time he stated that we were participating in the discussions, or rather that our Minister of Finance was participating in the discussions held by the Group of Ten. As the Acting Prime Minister is aware, the finance ministers were to meet on November 24 but that meeting has now been deferred until well into December. There is obviously a difference of opinion over what valuation should be put on currency and on gold—

Mr. Speaker: Order, please. The hon. member should ask his question. He was recognized for the purpose of asking a supplementary question.

Mr. Crouse: Yes, Mr. Speaker. My question is this: has the government made it clear to the European countries that Canada will not be a party to any package deal that would imply appreciating the Canadian dollar over par vis-à-vis the U.S. dollar?

Mr. Sharp: Mr. Speaker, we have not heard any proposal of that kind, and certainly we have not advanced any proposal to revalue the Canadian dollar over its present level.

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THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—LEAKING OF REPORT TO CABINET—DESIGNATION OF ALL GOVERNMENT DOCUMENTS AS PUBLIC UNLESS OTHERWISE INDICATED

Mr. Doug Rowland (Selkirk): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. A few moments ago he indicated there was an investigation in train into the loss of this document. I wonder if the government is also considering reversing current government policy which requires that government documents be confidential unless otherwise designated so that all government documents would be public documents unless otherwise designated by the government?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I am sure I speak for all those who have been charged with responsibility for government when I say that unless there are confidential relations between public servants and the government the whole system breaks down, and that is what is at issue here.

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[*Translation*]

FINANCE

DATE OF NEXT MEETING OF GROUP OF TEN

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Acting Prime Minister about the Group of Ten of which he has just spoken and which decides to some extent of the western world's behaviour.

This morning, in the newspaper *Le Devoir*, one could read the following:

Monetary ping pong: one week without results—

That meeting was held last week.

Can the Acting Prime Minister tell us when the next international monetary ping pong game will take place?

[*English*]

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I am not certain. There was a postponement of the meeting. It was to have been held earlier in December and the Secretary of the Treasury of the United States proposed a deferment for a short period. Therefore I cannot answer the question directly. However, I do suggest to the hon. gentleman that in these matters some ping pong among the Group of Ten sometimes may be as useful as ping pong can be in other connections.

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FEDERAL-PROVINCIAL CONFERENCE

PRESENTATION OF ECONOMIC AND EMPLOYMENT GOALS TO PROVINCES

Mr. John Lundrigan(Gander-Twillingate): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. In view of the request by the provinces that the government and the Prime Minister spell out their short and long-term economic and employment goals for the country, will the Prime Minister be presenting these to the provinces at the present conference, and will an opportunity be taken in the immediate future to make them clear to the House and to the country?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I gather the hon. gentleman is referring to some discussions that have taken place at the federal-provincial con-

ference with which I am not familiar. Therefore I will take his question as notice.

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TRADE

UNITED STATES IMPORT SURTAX—GOVERNMENT PARTICIPATION IN MULTILATERAL NEGOTIATIONS FOR REMOVAL

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. In view of his statement a few moments ago that the government was not prepared to bargain for the removal of the 10 per cent surtax, do I take it from this that the government of Canada is not prepared to participate in any multilateral arrangements leading to the removal of the surtax?

Hon. Mitchell Sharp (Acting Prime Minister): No, Mr. Speaker, that is not the implication of what I said. The implication of what I said is that the United States does not have the right to put on a surtax and say, "Now you must bargain your way out of it." That is the position we have taken. I am sure that if we put a surtax on United States goods and asked them to bargain their way out of it they would refuse, and so have we. We feel we can do better by co-operating in overcoming the problems that led to the application of the surcharge.

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POST OFFICE

ACTION TO AVERT THREATENED STRIKE BY LETTER CARRIERS

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, my question is for the Postmaster General, but in his absence and in view of the urgency of the matter perhaps the Acting Minister could reply or take notice of it. What steps is the government taking to deal with the threatened strike by the letter carriers of Canada in several major urban areas?

Mr. Speaker: Perhaps while the question is being pondered the Chair will recognize the hon. member for Churchill.

[*Later:*]

Mr. Speaker: The hon. member for Broadview.

Mr. Dinsdale: On a point of order, Mr. Speaker—

Mr. Speaker: Order, please. The hon. member for Brandon-Souris rises on a point of order.

Mr. Dinsdale: With respect to the question I asked, Mr. Speaker, there seems to be nobody responsible for the Post Office in the House today, and I wonder if I could—

Mr. Stanbury: I will take it.

Mr. Dinsdale: Because of the urgency of the matter may I ask the Acting Prime Minister to see that a statement is made on this matter, and particularly to inform the House if the threatened strike arises from the fact that casual labour is being hired to avoid paying overtime to the regular letter carriers?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I think the Postmaster General will be in the House tomorrow and I will direct the question to him.

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INCOME TAX ACT

SUGGESTED AMENDMENT RESPECTING MONEY PAID FOR ADVERTISING TO OTHER THAN CANADIAN NEWS MEDIA

Mr. Robert Simpson (Churchill): Mr. Speaker, I wish to direct a question to the Minister of National Revenue. Is he in a position to say whether he or his department is in receipt of a recommendation from the chairman of the CRTC that amendments should be made to section 12(a) of the Income Tax Act with respect to moneys paid out for advertising to other than Canadian owned news media?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, it would appear that what the hon. member is referring to is a matter of tax policy and as such it would fall within the purview of the Minister of Finance rather than that of the Minister of National Revenue.

Mr. Simpson: Mr. Speaker, I direct a supplementary question to the Secretary of State. In view of the fact that the Minister of National Revenue has said this question should be addressed to the Minister of Finance and as the Minister of Finance has already answered by saying he is not in receipt of any such request or recommendation, would the Secretary of State look into the reported statement by the Chairman of the CRTC in Manitoba that this question is currently before Parliament and get the matter straightened out with the Chairman of the CRTC?

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ADMINISTRATION OF JUSTICE

CORONERS' INQUESTS—ALLEGED IMPAIRMENT OF FAIR TRIAL FOR ACCUSED

Mr. John Gilbert (Broadview): Mr. Speaker, I wish to direct a question to the Minister of Justice. In view of the statement by the Minister of Justice that the holding of inquests impairs a fair trial for the accused, what steps does he intend taking to cope with this very serious situation?

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I did not hear the first part of the preamble.

Mr. Gilbert: I will repeat the question. In view of the statement by the Minister of Justice that the holding of inquests impairs a fair trial for the accused, what steps does the minister intend taking to cope with this serious situation?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I did not quite put it that way in Toronto. I said there were two

aspects of coroners' inquests that disturbed me. One is that there is an indistinct difference—

Mr. Speaker: Order, please. Perhaps the question should be put directly and the minister might reply directly. I have often quoted long established precedents to the effect that during the question period we should not rehash speeches made outside the House. The only way this can be done is by asking the Prime Minister, or someone else on behalf of the government, whether a statement represents government policy. Certainly nothing can be gained by going over what was said or what was not said outside the House. The minister might like to reply directly to the question rather than by reference to his speech.

• (3:00 p.m.)

Mr. Turner (Ottawa-Carleton): There are certain aspects in provincial coroners' acts relating to the treatment a suspected accused may receive before coroners' inquiries, and the publicity attaching to those inquiries, which I should like to bring to the attention of the provincial Attorneys General at the next meeting of the uniformity conference.

Mr. Speaker: The hon. member for Cape Breton-East Richmond.

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HOUSE OF COMMONS

ROSTER SYSTEM—ATTENDANCE OF MINISTERS

Mr. Donald MacInnis (Cape Breton-East Richmond): I did not rise at any time to ask a question but I will take advantage of your generosity, Mr. Speaker.

Mr. Speaker: I hope the hon. member has a question because we are running short of time. However, I have recognized him and if he has a question certainly he has a right to ask it, now that he has been given the floor.

Mr. MacInnis: Thank you for your generosity, Mr. Speaker. I shall take this opportunity to ask the Acting Prime Minister if he is aware that 22 ministers are absent today and if the appearance of the Minister of National Revenue means that the roster system is breaking down? If that is the case, can we expect ministers, whether on the roster or not, to answer appropriate questions put to them?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the reason for the many absences is that most of the ministers on the roster for today are attending the federal-provincial conference.

An hon. Member: Twenty-two?

Mr. Sharp: I asked the Minister of National Revenue to appear today because he was going to be unavoidably absent later in the week.

Mr. Baldwin: He might as well have stayed away.

Mr. MacInnis: It is not by way of a compliment to the minister that he is in attendance here today, but is the

Acting Prime Minister aware that the Minister of National Revenue is the first minister of this government who has attended the House when he has not been on the roster?

Some hon. Members: Oh, oh!

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HEALTH

REQUEST FOR IMPLEMENTATION OF INSURANCE PLAN TO COVER DRUG COSTS

Mr. P. B. Rynard (Simcoe North): My question is for the Acting Prime Minister. In view of the fact Senator Croll's report on poverty indicates the immediate necessity for a drug care insurance plan for many of the poor, those on pensions and low income, who often do not have the necessary funds to purchase the drugs prescribed by their doctors and who end up as costly hospital casualties, I should like to ask the Acting Prime Minister if he would give sympathetic consideration to bringing in a plan right away?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the government will give sympathetic consideration to the hon. gentleman's request.

Mr. Speaker: Order, please. Although we have reached the end of the question period, hon. members might agree to allow the hon. member for Hamilton West to ask the last question. I think other hon. members who are rising now have supplementaries but they have had the floor once during the question period. This is not true of the hon. member for Hamilton West.

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POST OFFICE

ST. CATHARINES AND HAMILTON—INQUIRY AS TO STRIKE SITUATION

Mr. Lincoln M. Alexander (Hamilton West): I should like to direct a question to the Minister of Communications—never mind about Hamilton, they will win the next game—dealing with the strikes that exist in the city of St. Catharines and which have been accelerated by sympathy strikes in Hamilton. I wonder if the Minister of Communications has a statement with respect to those strikes in effect right now, in view of the fact he indicated he is speaking for the minister responsible for the Post Office?

Hon. Robert Stanbury (Minister of Communications): I have no information of that kind, Mr. Speaker, but I shall be glad to make inquiries from the minister responsible for the Post Office, the Postmaster General, and ask him to convey the information to the hon. member.

Mr. Speaker: Orders of the day.

• (3:10 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Wednesday, November 10, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: In accordance with the statement of the hon. President of the Privy Council, as recorded at page 9528 of *Hansard* for Wednesday, November 10, 1971, the committee will now proceed to consideration of the sections dealing with capital gains, being sections 38 to 55 inclusive, 3, 71, 73, 85, 87, 88, 89, 96 and 111. I assume that it is the intention of the committee that this grouping is for the purpose of debate and that we will deal with each clause separately. Is that assumption correct? Shall section 38 carry?

On Clause 1—Section 38: *Meaning of Capital Gain and Allowable Capital Loss.*

Mr. Lambert (Edmonton West): Mr. Chairman, it is not my view that the clauses should be dealt with separately, but that we would ultimately take a separate vote on these sections. I believe the discussion on section 3, that is the one that makes the first general declaration with regard to capital gains tax, should open the discussion generally to hon. members. With the greatest respect, there is no way that one can accept section 3 without accepting the principle of a capital gains tax, the matter that is going to be under discussion. I do not think there will be any problem.

We have before us what I think is the first discussion in committee of the radical departure from former decisions on what is income for purposes of income tax. In dealing with previous sections, we have found new concepts with regard to exemptions or allowances, such as child care expenses and the workers allowance. This is the first time we have come to the other side of the question, the determination of what additional income and new kinds of income have to be considered with respect to the impact of the Income Tax Act.

The first time that the subject became a reality in relation to the taxation system in Canada was at the time of the publication of the white paper in November, 1969, when a capital gains tax was proposed. To say that this became one of the most controversial of the radical departures from the then existing pattern of Canadian income tax is perhaps the understatement of the year. I think hon. members will agree with me that in the deliberations of the Committee on Finance, Trade and Economic Affairs, no subject raised more controversy than this question of the capital gains tax. It involved many facets which may not appear before us today, yet they all drew their inspiration from the idea of the imposition of a capital gains tax.

It might be worth while to discuss whether one should consider a capital gains tax at this time, the nature of the economy being what it is. After all, this is not a question of an increase in the progressive rates of income tax, with all of its inflationary implications, nor is it an increase in corporation income tax with inflationary implications; rather, this is a move into an entirely new field of imposing taxes on capital gains. A lot of people have a misconception of capital gain as we know it in Canadian law. Our friends to the left talk about land speculation as being the biggest area of capital gains, but they do not read their law reports. It is very easy to talk about speculative land profits and the fact that these generally escape taxation. Therefore, it is suggested, these profits are wages levied by speculators and which ordinary citizens must pay.

But that is not the case and has not been the case for years. Oh, yes, there are individual cases no doubt where a farmer owning land abutting urban property is able to sell it as one big parcel and make a gain over its value as farmland because that land is to be used as urban residential or commercial land. That does happen. But, Mr. Chairman, let him develop that land himself; let him subdivide that land himself rather than sell it to a development company or to an individual who will develop a subdivision and the law will provide, as it has provided for years, that the funds resulting from that transaction are to be taxed at income tax rates. If you want to know why, in many instances, there has been an increase in prices of subdivided land, I say, trace the increase back to the impact of the Income Tax Act. The developer or the individual selling always looks at the price on a net or take home basis. And who is paying the tax? The purchaser of the lot is, of course, since that part of the cost is passed on, just as inflationary wage demands and increases in taxes for either individuals or companies are passed on to the consumer. It is always the consumer who ultimately pays.

Some hon. Members: Hear, hear!

Mr. Lambert (Edmonton West): And who is the consumer? Who but the Canadian citizen. There is no difficulty about that. That is simply and understandably political science and economic fact, and anyone who dares to deny that concept must take the prize for shoving his head into the deepest, darkest sack. This is as true as that we are standing here this afternoon.

Now comes the idea of a capital gains tax and we ask, is it time for that? I make the suggestion that it is wrong at this time, when one compares present times against those of two years ago when the economy was on a much better basis and people generally felt a little easier about the imposition of this new tax. This is going to be a new tax; let no one misunderstand that. The Canadian public will have to accept the new tax. It is not one that is to be deductible from income tax or for which we will get a credit.

Although the Estate Tax Act is to be eliminated, any tax paid under the head of capital gains is not going to be treated as an offsetting credit against any succession duty of any province. That is an entirely different matter. Any deemed realization on death, because of the inclusion of capital gains in the hands of the legatee, as provided for in this act, will call for the payment of income tax. For instance, where a farmer wills his farm to members of his family, they will pay income tax at the increased rate because there may be a capital gain there. It is argued

that there is no federal estate tax; but every province, bar one, has either a succession duty or estate tax, or intends to impose one. The matter of whether there should be such impositions is being discussed at another place in this city at this very time. Because there is no offsetting credit, the Canadian taxpayer in that position will be paying additional tax. Why should he pay additional tax? Is it because big brother government is better qualified to spend the money and requires the money? Is that why? We want to know about this. I know that our friends on my left think that by directing the spending of money, they can spend it to much better advantage than the private individual. Oh, yes.

Mr. Peters: At least we will be sure how the money will be spent.

Mr. Lambert (Edmonton West): That is all right; but the hon. member must then admit that he is foolish on occasions in spending his own money, and that he cannot make good decisions.

Mr. Peters: Not at all.

Mr. Lambert (Edmonton West): That is so; we all admit that we do not always make good decisions, but we do not say that somebody else should be able to tell us how to spend our money on all occasions. Nobody suggests that except members of the NDP.

I wish to raise a question which will be argued at greater length by some of my colleagues and by myself when we discuss this matter further. In view of the international situation, the complexity of the corporate side of income tax and the fact that the question of capital gains is involved in this, and in view of the complicated provisions with regard to international income which also involve income tax and the fact that the provinces have demanded a deferral of the implementation of a goodly portion of this bill, I wonder whether the question of the imposition of a capital gains tax should not be deferred as well. That is one position. That matter will be argued and examined.

At present, because of the time limitation at this particular stage of the debate and because I wish to bring forward an amendment, I will turn immediately to a quick review of those proposals in the white paper dealing with capital gains and see how the present proposals stack up against them. First, Mr. Chairman, you will recall that capital gains were to be included 100 per cent in income, at marginal rates, and, second, any gains could be offset by losses on capital only. Third, there was to be a valuation day. The only value to apply was the value on that day, except in the case of government bonds. In that case a sort of recapture on loss was allowed. Fourth, principal residences were to be subject to a capital gains levy, with certain periodic allowances. Fifth, and here I refer to one of the more emotional and controversial proposals which lots of hon. members seem to have forgotten, there was to be a provision with regard to a deemed realization, effective every five years, on shares of widely held corporations. This was one of the most misunderstood provisions and was certainly one that raised lots of "spooks" among the Canadian public. There was to be a capital gains tax on personal property that was quite restrictive.

What is the new proposal? I do not have time to read what was said in the Report of the Standing Committee on Finance, Trade and Economic Affairs. I will do that at some time in the future. First of all, we have half the capital gains and half the capital losses being considered at marginal rates. This means that the maximum rate will be about 30½ per cent. This is calculated on the basis of the maximum average federal and provincial rate being 61.1. In Manitoba, Alberta and some other provinces it is higher, but in Ontario and Prince Edward Island the rate is 61.1. This means the capital gain would be taxed at 30.5 per cent; in other words, half the capital gain at the marginal rate of 61 per cent. This is approximately the equivalent or perhaps a little less than the United States rate.

• (3:20 p.m.)

The second matter is gains versus losses. If there are insufficient losses to offset the gains, there are two ways of dealing with the matter. The first is by the purchase of a forward annuity, and the second is the write-off of accumulated or unaccounted for surpluses at $1,000 per year against income with no time limitation. The exception, of course, is listed personal property which comes under other rules that are not germane at the moment. The purpose of valuation day is to create an option under which you may use that valuation only or, second, market cost, whichever is higher, in calculating capital gains or market, cost if it is lower, in calculating losses. If one has opted for the option of valuation day, frankly there can be areas which may call for some retroactivity. We will examine that later.

Taxation of capital gains on the principal residence has been abandoned, except under certain circumstances. There is an abandonment on the deemed realization of widely held shares. That concept is gone.

Last is the matter of personal property. There was a welcome increase in minimum sale value to $1,000 per unit. There are some particular circumstances that limit averaging. It is unfortunate that the act does not cover this one area, although there have been many representations with regard to farm lands. It will not be news to the committee that I will advance an amendment with regard to this, and it will be consistent with the amendment I put forward for the consideration of the finance committee. It was voted down by the government majority. Many of my colleagues are going to expand on the point that there should not be any capital gains tax on the disposition of farmlands for bona fide farming purposes. Whether it is by sale, a gift from husband to wife or father to son or by way of a legacy, we should not impose on farmers a penalty for efficiency or good husbandry, a penalty which will serve to drive them out of business or break up the farm. This is the point. It is so easy. We have seen many ways of driving people out of business, including farmers, such as imposing taxes at the time of death. I want to talk later about estate taxes. There is a capital gains tax at the time of death because it is a disposition with a deemed realization. Even though there are some minor provisions in the act that we are trying to alleviate, it seems to us that this is quite wrong.

Agriculture is in a tough enough position as it is. It is a most difficult position. May I say in passing that the $1,000

a year allowance provided in the act for the years of occupancy applies whether it is an 80 acre farm or a 2,500 acre farm. Regardless of the size or the value of the land, this $1,000 allowance is an across the board exemption. This is wrong. Therefore, I move:

That paragraph (b) of section 3 as set forth in clause 1 of the said bill be amended by inserting in lines 15 and 21 on page 2, immediately after the word "property" in each said line, the following:

"other than land used in farming as defined in this Act and"

[*Translation*]

Mr. Lambert (Edmonton West): Mr. Speaker, I apologize for not having had the opportunity of translating it, but I think that the French-speaking members have understood what I said.

[*English*]

The Chairman: The Chair might ask the advice of the committee. I was under the impression we had before us sections 38 to 55 inclusive and then section 3. If the Chair is in error, I ask the advice of hon. members. My information is that we are dealing in accordance with the statement of the President of the Privy Council, with sections 38 to 55 and then section 3. We can certainly change this in accordance with the wishes of hon. members.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I think the understanding is that we have before us at this time sections 38 to 55 inclusive and the other group that begins with section 3 and ends with section 111. The understanding is that the Chair having called section 38, we are dealing with all these sections including section 3, 111 and so on and that we handle them in the same way we have handled the other groups of sections. The only difference between what Your Honour has said and what I think is our understanding is that what we have here is not two separate groups, but one group consisting of sections 38 to 55 inclusive and the group that consists of sections 3, 71, 73, 85, 87, 88, 89, 96 and 111.

Mr. Lambert (Edmonton West): Frankly, Mr. Chairman, this disposition with regard to grouping had its origin with me. Section 3 was specifically exempted from an earlier discussion because, as I indicated, section 3 is the section that first sets out capital gains. Section 38 starts in with the specifics. I ask Your Honour to look at section 3 which appears at page 2. Line 12 reads:

(i) the aggregate of his taxable capital gains for the year from dispositions of property other than listed personal property, and his taxable net gain for the year from dispositions of listed personal property.

For that reason, I have moved to exempt farm property as defined. The definition of farming appears in section 248. We will then be squarely on target, because I cannot put this amendment with regard to section 38.

• (3.30 p.m.)

The Chairman: The Chair understands precisely. It was just in order that there might be no misunderstanding at a later date. The committee has heard the hon. member for Winnipeg North Centre and the hon. member for Edmonton West, so we can proceed on that basis.

The question the Chair must resolve, however, is an immediate one. It is the acceptability from a procedural standpoint of the amendment of the hon. member for Edmonton West. It does seem that if this amendment were accepted I would be permitting a private member to do something which lies within the prerogative of the Crown, that is, to take a financial initiative. The hon. member might be able to dissuade me from this view; I am merely making an initial observation and I shall invite assistance from the committee. However, it does seem to me that if farmland is made exempt, revenue with respect to capital gains would be lost to the Crown, there having been a shifting of the incidence of taxation. Possibly hon. members can assist me on that point.

Mr. Lambert (Edmonton West): Yes, Your Honour. I put it to you that any possible amendment, according to the interpretation you have suggested, must result in a shifting of the incidence of taxation. But no quantum of tax has been fixed with regard to farmland. No quantum has been fixed in this particular area. It is proposed in a general statute that there shall be a tax levied five years hence, but, with the greatest respect, what incidence of taxation is there? There is no special amount which is to be raised. It seems to me incidence of taxation relates to a quantum of money which is to be raised by the government by certain means in certain circumstances. We are now considering an event in the future. There are no revenues which are projected from this particular source, nor will there be in the future. I put it to Your Honour that in these circumstances if we follow your argument, no amendment was possible with regard, for example, to the child care allowance. To vary the statutory age limit from 21 to 18 would have meant increasing the scope of child care allowance, thus resulting in a shift in the incidence of taxation. Then again, as I recall it, an administrative change was made, without any accompanying resolution on the part of the Crown, with regard to the transfer of property in trust for minors.

This matter was discussed on Wednesday afternoon last. A change was made in the age, from 19 to 18. It may be we shall see further changes with regard to the age as a result of discussions which have taken place. If the suggestion which Your Honour has made is adhered to, then, as I understand it, outside of crossing a "t" or dotting an "i" or the substitution of one word for another so as to better express an idea, an ordinary member has no possibility of proposing changes to a statute of this type, and this I cannot accept.

We are not proposing tax increases. It is said I have introduced proposals for tax reductions. I have. This is, I agree, a proposal for a general tax reduction covering farm lands. But it does not disturb the indidence of taxation in any way. I am working within the confines of that act. I am not enlarging the scope of farming as defined in the legislation. Farming remains as defined in the act—a definition which covers even beekeeping. Had I proposed amendments to the definition clause, had I, for instance, sought to enlarge the scope to cover, say, trout farming or pheasant farming or some type of farming which is not included in the present definition, Your Honour would doubtless feel constrained by the limitations he has indicated to rule that the amendment was out of order as being beyond the scope of an hon. member who is not a member of the government.

I suggest Your Honour might review what I have said and perhaps consider some of the implications of the limitations suggested by the Chair. The subject will be debated in any case and we could perhaps obtain further clarification.

The Chairman: Are there other members who wish to make representations on the point of order which has been raised? If not, I shall recognize the hon. member for York South.

Mr. Lewis: Mr. Chairman, I rise to take part in the debate partly because of the observations made by the hon. member for Edmonton West and partly to deal with the problem which arises from what is before us—lack of necessary information concerning foreign control of Canada's economy.

I was not surprised when the hon. member for Edmonton West twitted our party for insisting that there should be a capital gains tax and that it should be 100 per cent of the capital gain. I say, without meaning any offence to the hon. gentleman or to his hon. friends in the Conservative party, that there is a basic difference of approach. He is concerned about gains by corporations and business. We are concerned about the lack of gains by the ordinary people. He is concerned about enabling those who make a great deal out of capital gains to retain those sums. We are concerned that the tax system should be equitable, that the rich and the powerful should fully pay their share of taxation in order that the burden falling on the poor and the less wealthy might be reduced.

Every time some section of the community gets a tax exemption, whether it is an oil corporation or a mining company or a guy playing the stock market, the rest of the community have to make up for it because government services must continue. Government services have increased over the years and will continue to increase in a modern civilized society, and somebody has to provide the funds with which these services can be carried on. Every time that the wealthy and the powerful are exempted from a share of the tax burden that they ought to carry, the less wealthy and the less powerful have to carry that part of the burden.

• (3:40 p.m.)

I am not surprised that the hon. member for Edmonton West takes the position that I have always known is the position of his party, but he makes the general statement that, in effect, he is opposed to all capital gains at this time; that this is the wrong time to impose a capital gains tax. Then, for reasons which are not very difficult to understand he zeroes in on capital gains resulting from the sale of farm land.

Again, in the way in which that approach necessarily ends, he does not make any suggestions that would really protect the farmer. He makes a blanket proposal that all land transactions be free of capital gains tax, which I suggest to you, Mr. Chairman, would result in speculation on farmland of a sort which would undo what I believe the hon. member wants to achieve. The worst thing that could possibly happen to young people who may want to go on the farm is that speculation on farmland be allowed to go on because there is no capital gains tax. This would result in the price of farmland going up, and thus the prospect of starting farming becomes a thousand times more remote for the young farmer than it is today.

My colleagues will be making some amendments, or will be proposing some, Mr. Chairman, which I hope you will be able to accept. They will deal with legitimate aspects of farmers' problems, aspects which it seems to us the government's advisers have never even looked at let alone tried to solve. I will leave it to them to deal with the details, but I want to indicate three objectives, which we believe a capital gains tax as it relates to farmers ought to seek to achieve. In order to achieve those three important objectives certain situations ought to be exempted from capital gains tax. I do not mean a blanket exception of all farmland, which would invite speculation, but concrete exemptions in particular situations affecting the farmer and the future of the family farm.

The first objective is to exempt farmers from the tax so as to protect the family farm as a continuing and viable entity. One of the ways this is done—and this is the second objective—is to allow farmers to invest income which they gain from selling their land to purchase another farm—if they want to purchase another farm—and make the operation of that farm their principal or sole source of income. That is a legitimate exemption that must be considered by the House. The exemption must also try to achieve the objective of ensuring that when a farmer hands his farm on to his sons or heirs they should be able to take over the farm without having to pay any capital gains tax, again to preserve the family farm unit, to make it viable and able to survive.

Finally, we think that since the farmer, like the small businessman, has no opportunity, as the industrial worker or management has, of having some share in an industry-wide pension plan, and can only have a kind of security for himself in his old age either by buying insurance to give him an annuity or qualifying for the Canada Pension Plan—he has no opportunity like industrial workers, management and so on of joining in some kind of negotiated industry plan—we believe that this legislation ought to enable the farmer, or allow the farmer, to invest his capital gains in a retirement savings plan, which would then become taxable as income when he draws his benefit annually or monthly as a pension.

In addition to this, if there is any increase in the value of his farm and machinery as a result of his own productive efforts and that of his family, results that frequently are achieved only by mortgaging his future in order to make his farm more economic and viable, then if he desires to do so he should be enabled by law to invest that increase in value in a retirement plan so that in this way he has a pension waiting for him at retirement. As I say, most of the methods of providing for a pension for city folk are not open to the farmer.

We believe this kind of protection for the farmer is justified and necessary and would not lead to land speculation in the way in which the hon. member's amendment would lead. My colleagues who are more knowledgeable in this field than I can claim to be will deal with this aspect at great length later on in this debate, but in view of the amendment before the committee I wanted to indicate immediately what is our thinking on this subject. We have always taken the position—and we do not retreat from it for a moment—that what should be taxed is the

income of people without regard to the source of that income; we except only those exemptions that human considerations make necessary, such as the exemptions to which I have just referred.

We think there is no reason why a person with an income of $10,000, $5,000, or $20,000 a year from capital gains should be able to have it taxed at half its value whereas the worker and everybody else pays on his full income. There is no reason in the world why the speculator, whether on the stock market or anywhere else, or the person who benefits from a windfall profit that is not due to any particular efforts of his own, should be taxed on that return at a much lower tax rate than people who earn wages or salaries, the small businessman and others who work hard for every dollar they have.

We have always taken the position on this issue, subject to the practical, humane exceptions that must always be made in decent tax legislation, of supporting the principle expressed in the Carter report on taxation. We believe this legislation now before us is another example of the double standard that governs the decisions of this government, and treats the man or woman who benefits from capital gains in a way that is unjustifiable in terms of tax equity.

In the few minutes remaining, I want to draw the committee's attention to another aspect of capital gains. One of the major reasons, in our view, why a capital gains tax is essential, particularly in Canada, is that the absence of such a tax has been one of the important reasons that Canadian investors have been tempted, and have yielded to the temptation, to sell out Canada to foreign corporations. The achieving in many cases of very large incomes as a result of the sale to or merger with a foreign owned corporation, and the achieving of very large incomes as a result of selling out Canadian plants, branches, industries, or mining claims or rights to minerals under the surface of the land without having to pay any tax on it has always been a great temptation or incentive to Canadian owners to sell out to foreign owners.

• (3:50 p.m.)

One of the side reasons we support a capital gains tax based on an equity tax system is that it would take away this incentive or temptation to sell out Canada to foreign corporations. At least, this would take away any important, if not all, incentives and temptations. I have said in this House and across the country on many occasions, particularly since I have been honoured to hold the position I now occupy, that I reject the notion that anyone has done wrong to Canada because they wanted to do wrong. I reject the suggestion made by many people that Canada has been raped by the United States. I suggest there can be no rape where there is invitation and consent.

The fact is that Canadian industry, political leaders and major Canadian investors have over the years invited foreign corporations, even begged them, to come into Canada and denude our non-renewable resources, build plants in Canada and the like. This is our fault and the fault of all Canadians having investment capital, and that means large Canadian corporations, including banks. This is the fault of Canadian political leaders of successive federal and other government in this country over the years. They have thought there was a fast buck available and sold Canada out without regard for future consequence, with the result that Canada has been the only country in the world to my knowledge that has permitted foreign investment without limit, without rule, without regulations—without anything. Anybody was welcome to come in and take away Canada's resources and do with them what they might, with the exception of certain areas which have arisen in recent years, namely banking, the media of communication and uranium. This is one of the things they have allowed to happen, that element of our society which is concerned only with maximizing their profits and not with the welfare of future Canadians.

One of the elements has been the absence of a capital gains tax, and one of the reasons Canadian people have permitted this to continue for more than 100 years is that successive governments have deliberately kept the Canadian people ignorant about the extent to which the Canadian economy has been controlled. Any information which successive governments have had has been kept secret on the basis of one excuse or another. As a result, the people of Canada did not know what was happening to their country and to their economy, and did not know how or even that this was affecting their lives now and would affect the future generations of this country.

It is the habit of Canadian governments to keep Canadian people ignorant about this important subject which is the very life blood of their economy and their future, and a good example of this is what has taken place in respect of the Gray report and the documents relating to it. All this sanctimonious nonsense of the Prime Minister and Acting Prime Minister, and all this sanctimonious hypocrisy about being tied by the oath of secrecy and cabinet documents does not impress any intelligent Canadian one iota. The government knows how to release papers, and it would not break any law of Canada if it released them, except information that is in the narrow sense of the word strictly cabinet information or a cabinet document, quite apart from what is in the wider sense of the word a document or information to which Members of Parliament and the people of Canada are entitled.

The most significant statement made by the Acting Prime Minister today, if you listened carefully, as I am sure you did, was to the effect that when the government has made its decision on policy, it will bring forward its decision and at that time will consider what part if any of the information should be made available to the Canadian public. That is what the Secretary of State for External Affairs said, but what does that mean?

It means the government is determined to make a decision some time, and I am glad to hear it will make it some time within the next two or three years because it has taken two years for consideration, and it will then release that part of the information which will support its decision. However, it will continue to keep secret the rest of the information the Canadian people ought to have in order to make any judgment about the decision the government will have made. The government is not only going to make a decision on policy, it is going to decide how much we Members of Parliament ought to know about the subject and how much the people of Canada ought to know about it. At times such as these and on issues such as these, the Members of Parliament and the people of Canada ought to know every bit as much as the government knows regarding the situation in this country.

We do not want doctored and carefully selected evidence that will support the government's decision.

Mr. Guay (St. Boniface): Mr. Chairman, I should like to ask a question of the leader of the New Democratic Party.

Mr. Lewis: Mr. Chairman, the hon. member must have my permission to ask a question, and if he was rising to ask that, let me say that I do not intend to grant that permission.

Mr. Guay (St. Boniface): I rise on a point of order.

The Chairman: The hon. member is rising on a point of order.

Mr. Guay (St. Boniface): The hon. leader of the New Democratic Party has been talking about selling out Canada. Why is it members of his own party—

Some hon. Members: Order, order.

The Chairman: Order, please. The hon. member is not making a point of order, but rather asking a question.

Mr. Lewis: I do not know what kind of so-called point of order the hon. member was putting—

Mr. Guay (St. Boniface): You don't practice what you preach.

Mr. Lewis: We certainly do, Mr. Speaker. Let me tell the hon. member for St. Boniface that if I ever wanted to preach I would not go to him to get my sermon.

At this time in Canadian history, in this difficult situation regarding Canada's economy, we are entitled to all the information that is in the hands of the government relating to the extent foreign control is having an effect on our economy.

I will conclude in two or three sentences, Mr. Chairman, and I will make them shorter than usual. Let me point out that the United States policy of the surtax, the job incentive program and the DISC program will affect many countries in the world, not only Canada, in respect of trade. When the Acting Prime Minister said today that DISC and these other programs would affect Canadian-owned corporations as well as United States subsidiaries he was of course right, but he was right only to the extent that Canadian corporations and others in the western world will be affected by the closing off of trade. In that way, we will be affected and Canadian corporations will be affected. But—and this is one of the points made in the *Canadian Forum* summary, or version, or whatever it may be—because of the extent of United States control of our economy Canada is in danger constantly of having subsidiary operations in Canada closed down or reduced so that Canadian jobs are lost, so that operations are exported from Canada to the United States. In that field Canadian corporations will not be affected. I therefore say I hope the Canadian people will recognize that the government's refusal to make these documents public is a betrayal of its duty to Canada.

• (4:00 p.m.)

Mr. Guay (St. Boniface): Mr. Chairman, I should like to know if the remarks of the Leader of the New Democratic Party are relevant to the point at issue, at the moment. I suggest they are not.

The Chairman: Order, please. The hon. member for York South has concluded his remarks, but it seemed to the Chair in the last two or three moments he was perhaps going a bit wide in so far as relevancy was concerned. However, in fairness to the hon. member, in his introductory remarks he tied in the matter of future investment in Canada with capital gains. The Chair listened very closely to the hon. member and, on balance, I believe he was relevant.

Mr. Nesbitt: Mr. Chairman, I think we all appreciate that the well-known oratorical style of the Leader of the New Democratic Party has inflamed some quarters of the House, and certainly has brought what he had to say to the attention of hon. members. I can only hope that the very enthusiastic and vigorous manner in which the Leader of the New Democratic Party has dealt with the wickedness of control of the Canadian economy by foreigners will also be evident in his approach to the subject of labour unions with which he is quite familiar. I have no doubt that he will explain his views in that regard on the next occasion.

The subject of capital gains, which is presently before us, is not a new concept of income. I do not want to take up the time of the House in going into the background of the matter, but for some time at least some forms of capital gains have been taxable. For instance, if a person invests every few days in the stock market I believe it has been established—and I think the original case was called the Northrope-Strachan securities case—that this is in effect the basis of his income. If a person makes an investment in the stock market today, makes another investment four years later and receives a profit, it is clear that this income is not taxable. However, if he did the same thing every day it would be taxable. So, in some respects, the concept of capital gains is not altogether new.

When politicians, journalists and others get up on the platform or on the soap-box, as it is sometimes described, they tend to oversimplify the whole problem we have had in respect of exemptions. If we were to ask the man on the street if he believed there should be a tax on capital gains he would probably say "sure" and if asked why, he might say, "if some of these birds can make a fast buck on the sale of a farm which happens to be located where an airport is to be built or if somebody buys some penny stock and makes a fortune on it, should they not be taxed on this?" I do not believe there is any disagreement on that score.

However, the capital gains question is a highly complicated one. It is not something over which we should get carried away in some emotional, dogmatic approach such as we heard from the previous speaker. I believe we must be a little more pragmatic about it. We should look at some of the more complex aspects of a capital gains tax. The Income Tax Act, for instance, has many exemptions. For example, if you should have a very large income you pay a different rate than you would pay if you had a lower income. There are many such examples of provisions which are made for social and equitable reasons and we are prepared to accept them. Apparently the framers of

the bill, in proposing this capital gains tax, have not given very much thought to the exemptions and the different rates which exist in respect of income tax. I do not believe there is any doubt that most members of this House—and one never wants to say "all" because there may be one or two exceptions—in all parties agree with the principle of a capital gains tax. The difference between some points of view in this House and others is in respect of the exceptions and the different rates which may be applied.

It has been pointed out by my colleague, the hon. member for Edmonton West, that farmers and perhaps fishermen may need assistance in this regard. There may be a case for an exemption from the capital gains tax in respect of the passage of a farm to another person and with regard to farms used for bona fide farming purposes. I have in front of me the amendment moved by my colleague the hon. member for Edmonton West which makes this very clear. Apparently the hon. member for York South had not had the time to carefully consider the amendment, because from what I heard he was apparently a little confused about the exact meaning of the amendment. The hon. member for Edmonton West has explained why—and others of my colleagues will also do so—farming should be exempt from the capital gains provisions. I think the same might apply to small businesses. For example, a man and wife may own a small grocery business into which they have plowed the profits over the years—which perhaps were dammed few—and when the business is sold an exemption should be made for such a situation. Again, for the same reason as in farming, working capital is pretty low in most small businesses, and the tax to be paid, even over a period of ten years, might well use up the working capital involved.

• (4:10 p.m.)

Another type of exemption might be made with respect to prospecting. Here, I am not referring to prospecting operations carried out by such huge mining corporations as Noranda and Inco, which use their own planes and electronic equipment. I point out that there are still a few areas of Canada in which individual prospectors work, trying to locate new, natural resources. I believe an exemption might be made in such cases with respect to any profits up to certain defined limits. The same type of exemption should apply to certain types of new industries. An exception should be made with respect to any capital gain made by those industries.

Then, Mr. Chairman, there is the question of employee profit sharing plans. I think the parliamentary secretary is well aware that the government's tax proposals would work a hardship in certain technical areas on employee profit sharing plans.

Another question which has been alluded to, and no doubt will be mentioned again, is that concerning certain provinces. The federal government proposes to give up the estate tax, and in lieu of that impose a capital gains tax. Undoubtedly some of the provinces will move into the estate tax field, as a result of which Canadians in certain parts of Canada will, in effect, be taxed doubly as compared with Canadians in other places. This would be unfair, and exemptions might be made in those cases.

There is also the question of applying different rates. It may not be wise to give complete exemptions with respect to some of the examples that I have cited. It might be wise to have capital gains taxed at different rates for different kinds of industries. There is a concept of taxation other than that of equity. My hon. friends to my left are always harping on the dogmatic approach that they have to the principle of equity. Mr. Chairman, everybody realizes that the principle of equity is very important, but it is not the only principle involved in taxation. As I mentioned previously, my hon. friends to my left are concerned about dividing up the melon in smaller and smaller pieces so that everybody gets some, but so far as I am concerned it is a lot more advisable to encourage the melon to grow so that we will have more pieces to divide. I believe the growth aspect is a much more practical approach.

The equity principle evolved in the London School of Economics back in the 1930's, and it was very important in poverty stricken England of those days when there was class stratification. Hon. members to my left talk about members of other parties being dinosaurs. So far as I am concerned, Mr. Chairman, some of my hon. friends in the NDP are economic pterodactyls. They have learned nothing and forgotten nothing, like the Bourbon kings of France after the French revolution. They do not know that there are other principles than that of equity.

Members of other parties in this House are interested in the principle of equity, but we are also interested in having more results of production to divide, something which does not seem to interest my hon. friends to my left. Their's is the typical approach of stirring up class hatred. This has always been part and parcel of the propaganda of the NDP. They have not been able to play a new tune for years and years.

Mr. Peters: The old one is so popular we don't need to.

Mr. Nesbitt: It certainly didn't prove to be popular in the recent Ontario election, but there may have been some bad players in the orchestra.

Now, leaving these pleasantries aside, Mr. Chairman, I say that the government should give careful attention to the costs of collection. I would like to know if the parliamentary secretary has any figures which would give us some idea of the costs involved in collecting the taxes that will be imposed under these proposals. I would also like to have an estimate of the amount of money that is likely to be collected in capital gains tax if the present proposal is adopted. We know that sometimes the cost of collection rises to the point where imposing the tax may not be advisable.

I can well recall that during the time when I served on the Canada-U.S. Parliamentary Committee our American colleauges said time and time again, "For heaven's sake don't make the mistake of getting into a capital gains tax; the costs are so heavy." This was the opinion expressed by both parties on the other side of the border. They said, "We wish we could get out of it; but now we are in it, we have the administrative services set up, and it isn't so easy to get out of it."

The appropriateness of the timing of these tax proposals has already been mentioned. That, of course, is a matter of opinion. It might be all right to bring in these proposals at the present time with modifications such as those that I have suggested, that others of my colleagues

have suggested, and that perhaps members on the government side may suggest. But without any modification of the proposed rates of taxation, and without any modification with respect to exemptions, I cannot help but feel that it may be a very bad mistake to present these proposals at the present time, in the present state of the economy, and faced with the uncertainty of what the provinces might do.

Unless consideration is given by the government to the modifications that I and others have suggested, it might be unwise to bring in these proposals for at least a year, or perhaps two years. More time should be given to studying the types of exemptions that might be made and the different types of rates that might be charged to different industries. These are things the government has not considered as yet, and that should be considered before proceeding with this measure.

Mr. Mahoney: Mr. Chairman, the hon. member for Oxford asked a couple of specific questions. On the basis of estimates of 1972 incomes, it is anticipated that capital gains tax collected from corporations in the first year of the new system will account for about $50 million in revenues, and that capital gains tax from individuals will account for some $80 million in revenues.

It is also anticipated that the costs of collection will be in line with those which we are experiencing with the present Income Tax Act, in that the new bill does continue to present a workable self-assessing income tax system. In 1970, the last year for which I have any information, the cost of collection was 73 cents per $100 of revenue.

Mr. Burton: Mr. Chairman, the absence of a capital gains tax from the Canadian tax system has been a glaring loophole that even the Liberal government could not altogether overlook. Consequently, it had to come up with some solutions to the problems created by that loophole. As a result, we now have this very lightweight proposal which provides many concessions that demonstrate that the government has bowed to the wishes of wealthy people and of large corporate interests. The absence of a tax on capital gains, within the framework of an over-all tax system, simply encouraged people to take their profits in the form of capital gains rather than in some other form that would result in a fair tax assessment being made against them.

With respect to the comments made during the debate so far this afternoon, there are a few points to which I would like to draw attention. We must keep in mind that in dealing with the subject of capital gains, essentially we are dealing with two different types of institutions and two different forms of activity where capital gains will come into play. The first is the area of corporations, corporate activity and its related aspects. This is reflected in the gain in capital value achieved by corporations within their own framework of operations which is then shown in the valuation as far as shareholders are concerned. That, along with other factors, results in a change in the valuation of shares held by individuals or institutions in these corporations. The government proposals have given every possible consideration to the situation of shareholders and corporations in order to minimize the problems they might face.

• (4:20 p.m.)

There is a second category, that is people carrying on an activity in other than a corporate pattern of operations. This involves holdings in terms of a residence, holdings in the form of a small business, in the form of farming or fishing activities and other small enterprises which are controlled by an individual or a small group of individuals on an unincorporated basis. The government has shown very little concern for this form of economic activity. It is another example of the discrimination evident in drafting and developing the tax bill now before us. Every possible consideration has been shown to corporations and corporate activity, but very little to the individual who is having a difficult time surviving against the economic strength of those corporations in today's economy.

Another area of activity concerns the financial paper held in many forms by individuals and corporations. The government has shown a surprising lack of consideration for the situation of the individual. There is some response from the government in terms of changes made with respect to the handling of capital gain on the principal residence of an individual, and I suggest that the government should have shown the same consideration to other people hurt by the capital gains proposals or where there is a potential for such damage.

This has been referred to in the context of farming activity. I know the hon. member for Edmonton West has moved an amendment in this regard and I want to acknowledge, as did the leader of my party, that I do not question his motives. But I do suggest, Mr. Chairman, that in addition to the motive we have to look at the content of the amendment and ask what it will actually do. I have a copy of the amendment before me and it proposes to exclude from any calculation of capital gains, ". . . other than land used in farming as defined in this act . . ." This would totally exempt farm lands from any consideration of capital gains, no matter who, what or what for.

I would ask the hon. member for Edmonton West and his colleagues in the Conservative party to give careful consideration to what this amendment would do. Would it actually help the farmer? I suggest not, in its present terms. If farming is exempted from capital gains tax what will be the results? I suggest the result will be a rash of speculative activity in farm lands beyond anything we have seen up to the present. There have already been serious problems in southern Ontario in particular, in the periphery of the large urban centres. A lot of this speculative activity has made things very difficult for farmers honestly attempting to carry on a farm operation. I suggest that the effect of this amendment placed before us by the hon. member for Edmonton West will be exactly opposite to what is intended; in fact, it will hurt the farm and farmers rather than helping. I hope we give serious consideration to the amendment and do not proceed with it in the form in which it now stands.

When we come to deal with the principle of capital gains as such, I think we have to fill this loophole within the framework of our tax system. The argument against the capital gains tax is that it weakens the incentive of individuals. But it must be acknowledged that in fact when the proposals in the white paper were announced originally—and I am certainly no defender of the white

paper—the stock market did not collapse or slump; in fact, it rose. That was the reaction of the financial market to the government's announcement of the proposed introduction of a tax on capital gains.

I think the most glaring error in the bill as it concerns the treatment of income and the treatment of economic financial gain is the fact that the concern is not with how much money, but rather how it is made. This is a very important distinction. One thing that can be said for the Carter Commission Report is that it enunciated the philosophy that "a buck is a buck". This should have been followed by the government in a consistent fashion rather than the patchwork solutions contained in Bill C-259.

I want to make it clear, too, that I am no defender of the Carter Commission Report. It proposed a rational tax system and some principles to which those of us in this party can subscribe—the principles of equity, redistribution of income, the philosophy that "a buck is a buck". The over-all thrust of the Carter report however was an attempt to point the way to maintain and save the existing economic system without effecting fundamental changes.

As I have already said, we certainly agree that a capital gains tax should not be imposed on a taxpayer's principal residence. We also feel that it is vital to make provision for dealing with the situation and problems of farmers in order that family farms may continue as viable institutions as a result of the application of this act. The leader of the New Democratic Party has already proposed a provision allowing farmers to invest their capital gains in retirement savings plans, the proceeds of which would be taxed when received as income. He also proposed a rollover provision providing that farmers who may wish to sell one farm and invest the proceeds of the sale in another farm may continue their farming operation without being liable to pay capital gains tax.

• (4:30 p.m.)

Another real area of concern has to do with land legacies, and the passing of land from farmer to son. According to my understanding of the bill before us, if land is passed on by way of sale through an agreement for sale or by way of inheritance, there is to be a deemed realization of a capital gain and someone must pay tax on this deemed realization of a capital gain. There may be people who can meet the bill and pay in cash. Others may pay the bill over a period of time, as is already provided for in taxation legislation. Nevertheless, because of the very nature of agriculture and farming operations, many farmers will find it impossible to pay the tax which may be levied under the act on any capital gain without destroying the viability of the farm unit. It seems to me that careful consideration must be given to this matter. Farmers should either be exempt from the provisions relating to the deemed realization of capital gains which would apply when family farms are passed on within the family, or else they must be given adequate time for paying the tax on capital gains which must be paid.

The subject of capital gains received a good deal of study by the Standing Committee on Finance, Trade and Economic Affairs of the House of Commons. In this area we received many representations. Members of the New Democratic Party listened to those representations carefully. Very often those representations were framed in such a way as to suggest that they were being made on behalf of the average or typical Canadian taxpayer. Yet, very often the so-called average typical Canadian taxpayers went to the expense of having the briefs printed. They spent money on travel and accommodation and spent the necessary time to appear before the committee and protest against the capital gains tax. I suggest that many of the people who appeared before the committee—and I am in no way criticizing them for appearing or suggesting that they should not have the right to appear—certainly were not typical of the average Canadian taxpayer. Many of those people probably were able to deduct the expenses associated with their appearing before the committee from their personal taxable incomes, or from the incomes of the corporations on whose behalf they were appearing.

As I said before, we noted, when the white paper on tax reform was announced and when subsequent discussions took place, that the stock market did not collapse. It did not collapse when it was announced that there was to be a capital gains tax, because the pleas of those who opposed the capital gains tax were discounted by the facts. For the members of the New Democratic Party, the introduction of a full capital gains tax, which none the less takes into consideration some of the situations I have already mentioned, remains a sound and necessary principle if we are to have any form of an equitable and just tax system. Thus I hope that the government, in giving these matters consideration, will make the necessary changes in the bill in order to take into account suggestions which have been made to the government by members of this party.

Mr. Murta: Mr. Chairman, I welcome the chance to speak on the capital gains tax provision, especially as, in my view, it will affect the farming areas of Canada. I believe that the capital gains tax will be a tax which, when it is administered, will completely disregard the nature of the farm economy. In my opinion, this tax will seriously hamper the growth of an already troubled farm economy. Agricultural development will be seriously hindered as a result of this tax.

Many economists say that Canada does not lack the capital which is needed for expansion but that Canadians are too hesitant about investing their savings. I dispute this, Mr. Chairman. In my district there are definitely limited amounts of money available for farm and business expansion. Until the present, capital gains were one of the sources of investment income. Now, those gains will be taxed. This measure, combined with government tax measures affecting credit unions and the complete destruction of the incentive for foreign investment to come here, will definitely cut down available moneys which are desperately needed for expansion in the rural areas of Canada. I will save my criticism regarding the taxation of credit unions and express it on another occasion. However, I will make one point. Credit unions, especially, serve a tremendously useful purpose in that a credit union's loosened credit restrictions have often made moneys available to farmers and small businessmen when there was no other source available. Now these loosened credit restrictions are to be seriously curtailed.

My purpose today, Mr. Chairman, is to point out to this committee that there is a great deal of urgent concern among the agricultural community and that the present

draft regulations represent a very real and immediate threat to the viability of agriculture. There is both concern and conviction with regard to this matter. It is thought that the provisions of the act applying to farms have been prepared without a full recognition of the effects of these provisions. If they are not further amended, they will have a depressing effect on the ability of farmers to maintain a viable income generating operation. If this capacity is lost or materially reduced, the implications for Canadian agriculture will, I believe, be most unfortunate.

My concern about Bill C-259 derives from the fact that I believe insufficient recognition is given to the unique and special nature of farming. I would, therefore, like to point out two of the main areas which I believe merit consideration and attention in the development of tax laws. There is, first, the high investment and low return nature of farming. It has long been recognized that the ratio of investment to return in agriculture is extremely high. Not only is this a characteristic of agriculture, but the problem is further compounded by a moderately high risk factor associated with the varieties of climate and market with which farmers and agricultural producers in general have to contend. Second, one must consider the family farm itself. This factor has been alluded to before in this debate.

The second aspect in which farming is almost unique is that the same operation remains in the same family from generation to generation. This applies to farms in a more general way than to other businesses. The reasons for this are manifold. I will not deal with them in detail at this time. Briefly, however, farming skills are most commonly attained by farm youths who are involved in the operation during their growing years. In many cases they build equity in the farm in return for labour. A related consideration, of course, is that the high investment and low return characteristic of agriculture discourages new entrants. In view of this, I believe that the transfer of an ongoing farm operation between generations should not in any way be hampered by further taxes which cannot be borne by the ongoing operation.

From looking at the various sections of the legislation, Mr. Chairman, I am convinced that farming has not been considered adequately. The provisions of Bill C-259, as they now apply, represent one of the most serious issues that has confronted agriculture in many years. A few weeks ago we talked a great deal about the grain stabilization bill and the effect it would have on farming in western Canada. I believe that the long run implications of the taxing legislation, Bill C-259, will have a far more serious effect on farming than any proposed legislation has had to this date.

• (4:40 p.m.)

There is, as I understand it, absolutely no provisions for farms to be transferred within a family, except to a spouse, whether by sale or inheritance without immediate realization of capital gain. This would be true of the sale or transfer of a farm to a son or inheritance by the son from the father. This problem can be avoided in many cases by good estate planning or incorporation of farms. However, even the death of a son who holds the common shares in a corporation could result in the realization of a taxable capital gain while the father is still in active charge of running the farm. This would create serious financial problems. However, I do not believe that it should, in all cases, be necessary for a farmer to incorporate in order to achieve stability and continuity of the farm business within the family. Payment of the capital gains tax out of the tied up assets of an on-going family farm operation could, and probably would, be disruptive and place the continuation of the enterprise in jeopardy.

Tax legislation should not be of a nature that would preclude the possibility or increase the difficulty of internal transfers. Neither do I believe that the tax structure should be such that it would have the unfortunate effect of tending to lock people into agriculture for purely tax considerations. If this piece of legislation is looked at on the basis of its long-term effects, this could very well happen. I very strongly urge the government to have another look at the capital gains tax as it affects farmers, with the view to a possible modification of it in terms of the transfer of a farm from father to son.

Also, Mr. Chairman, while the federal government has, as far as its own funding is concerned, given up use of estate and gift taxes, this does not settle the question of what may happen if the provinces impose these taxes. Under these proposals, farmers are still potentially faced with double taxation on the farm on inheritance, something which should be avoided at all costs. We have seen what has happened in Manitoba and Saskatchewan where the governments have stepped into the gap left when the federal government dropped the estate and gift taxes. We will very shortly have in these two prairie agricultural provinces a form of double taxation on some farms, not all farms but some farms. To alleviate this problem, I suggest that in the case of any province imposing estate or succession duties, a tax abatement system be introduced by the federal government so that the amount of capital gains tax payable could be reduced by the amount of succession duties payable by the producers in those particular instances.

The present proposal in section 40(2)(c), as I understand it, is that a farmer may opt for either exemption from capital gains on his principal residence or exemption of $1,000 on disposal of the farm, including his principal residence. I would like to raise one or two points in this connection. First, I think it should be provided that an incorporated farm business qualifies for these exemptions in respect of both the $1,000 provision and the principal residence provision. Also, under the provisions of the bill a farmer must be in residence on the farm for each year for which he qualifies for the $1,000 farm exemption option. This can create real problems for a great many people in the farming community.

There are a great many farmers fully occupied in farming who do not have their principal residences on their farms, but for reasons of education for their children and other social amenities live in an adjacent town or village. It should be possible for the farmer to utilize that $1,000 option provision for the years in which he was engaged in farming even if he was not a resident on the farm. This would also solve other problems relating to the use of the farm home by the son while both work on the farm, and the retirement of the farmer from the farm while the farm continues to be worked by the son or hired help, without sale or the transfer of it.

I also believe, Mr. Chairman, that it should not be necessary for the purposes of using the $1,000 per annum option for the sale of the farm to include the sale of the principal residence. Many farmers will, on retirement, wish to retain their homes. While the exemption for the $1,000 per year as applied to principal residence is desirable, it appears to be an attempt to treat the farmer in the same manner as a city dweller who is exempt from all capital gains on his principal residence.

Another provision that I think should be made in the legislation relates to the sale of a part of a farmer's land. As I read the bill, it would not be possible, unless under expropriation, for a farmer to sell land and reinvest the proceeds in the same or another farm without realization and taxation of capital gains. There are many circumstances when a reorganization of the farm business requires disposal of land and purchase of either other land or depreciable assets for the farm business. This is particularly important for a farmer who wishes to change to production of another agricultural product, such as a prairie wheat farmer who starts into cattle, hogs, or poultry. Public policy has in recent years emphasized the necessity of farmers to adapt their productions to market conditions. The capital gains tax provision now proposed would introduce a necessary rigidity. There should be no realization of capital gains on such reinvestment. This will be a real problem for many farmers and we request that it be taken into account.

Also, I would like to point out that for persons who do not need to invest their capital gains in their own enterprises, the annuity arrangement permits extensive averaging. The farmer who wishes to reinvest in farming should have the corresponding option I have suggested. There will also be many cases where the farmer will suffer capital losses on disposal of property. If he is faced at that time with new investment in the reorganization of his business, the backward averaging provision may be of little use to him, or unavailable. I recommend that in such cases a forward averaging over a period of years be provided for the farmer.

These, Mr. Chairman, are basically the areas where I find amendments should be made to the legislation. The transfer of a farm within a family, whether by sale or by inheritance, without the realization of capital gains is probably the most important area to be dealt with. I think it is absolutely necessary that the government take another look at this area because, as I have mentioned before, the family farm is a special problem in relation to other segments of our society. The $1,000 exemption for the principal residence should be amended to include farm corporations because they are becoming increasingly more numerous and are very much a part of modern day farming.

To conclude my remarks, Mr. Chairman, I do not believe that the points I have made are entirely beyond realization or would be unacceptable for the government to bring in as amendments to the tax legislation. As I tried to stress earlier, farming, because of its very nature, is unique when compared to a great many other businesses and it should be treated as such in any taxation proposals that are brought forward.

[Mr. Murta.]

Some hon. Members: Hear, hear!

• (4:50 p.m.)

Mr. Thomson: Mr. Chairman, I should like to ask the parliamentary secretary a question having to do with the depreciation allowances with respect to farm machinery. When I have done so I should like to make a comment or two on that item. I understand that under the new act what might be called a capital gain arising from the trade-in of capital equipment will be taken directly into a farmers' income.

Mr. Mahoney: I am sorry. Is the hon. member speaking about the present bill or the existing act?

Mr. Thomson: I am referring to the legislation before us. Will the residual value of a piece of farm machinery, when it is traded in, be taken directly into farm income, and not considered to be a capital gain?

Mr. Mahoney: To the extent that it constitutes recaptured depreciation, it is income. The only way in which capital gains would arise would be if a farmer were fortunate enough to sell a piece of machinery for more than he originally paid for it, the item of equipment having been acquired after the system comes into effect.

Mr. Thomson: I am still not clear about the position, but if I am in error, I hope the minister will correct me. The present system of dealing in farm machinery appears, now, to be out of line, in the sense that machinery companies allow a big mark-up in the value of pieces of farm machinery traded in near the end of the depreciation period. Then, the farmer has to pay what might be called an outrageous price for the new machine. Neither price reflects the true value of the equipment. It seems to me that if my understanding of the hon. gentleman's reply is correct, there would need to be a considerable adjustment of the mechanism now operating in the farm machinery market. Take, for instance, a combine which sells for $10,500. A farmer wishing to buy it will get a $5,000 trade on an old combine of his which is worth only $2,000.

I telephoned a farm machinery company to ask what their procedure was and they indicated they were already responding to the new situation by giving a cash discount and placing a truer value on the used machine. I am really wondering whether the depreciation schedule as now set up should be allowed at all. If a farmer is allowed to take a figure for depreciation of $10,000 when the value of his equipment is only $7,500, then the assumption with which we have begun is an unreasonable one. Possibly the parliamentary secretary would care to comment about this aspect in a moment or two, but it appears to me the whole system will have to be changed. The present situation illustrates the way in which systems are built up when the rules are one way. If the rules are changed, something different has to be done.

I should like to make a few comments, now, on another difficulty which arises with respect of the imposition of a capital gains tax on farm land. The last speaker pointed out that the administration of laws of this kind is extremely difficult. I have in mind problems which have arisen in connection with estate tax in the past. Perhaps these arose not because the estate tax in itself was so much out of line as because the people administering it did a poor job, in

my opinion. Let me give the committee an illustration. I know a case of a house in a small town being valued for estate tax purposes as if it were situated in a city. It was not the true value. It was not possible to get a price of that sort for the house. But the officials insisted it was a true value. I believe it would be difficult to arrive at an accurate value of farm land for capital gains purposes. I have recently been arguing with the Minister of National Revenue on behalf of a farmer in my constituency about the value of a particular piece of farm land. In effect, I said: If the department is so certain that their value is a correct one, why do they not take the land at their price in payment of the tax the department says the farmer owes.

I suggest to the parliamentary secretary that the assessment of the value of a farm when it passes from father to son should bear some relationship to the capacity of that farm to produce well. Even this will present difficulties. For example, the price paid for a quarter-section of land purchased to round out an economic unit might well not bear a true relationship to what it was worth on the open market. Farmers sometimes pay much more than the true value of land in order to start a son farming or round out an economic unit. I am sure the government does not wish to penalize anyone in particular, but it appears to me there is room for debate here and considerable room for friction between the department involved and the individuals directly concerned.

The Deputy Chairman: It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Temiscamingue (Mr. Caouette)—Air Canada—Request for DC-9 Air Service in Rouyn-Noranda Region; the hon. member for Yorkton-Melville (Mr. Nystrom)—Grain—Wheat—Statement by Minister of Supply and Services on necessity for two-price system—government policy; the hon. member for Central Nova (Mr. MacKay)—Harbours—Pictou, Nova Scotia—Implementation of plans for improved facilities.

Mr. Mahoney: In response to the point raised by the hon. member for Battleford-Kindersley I would grant that the existing income tax law providing for straight-line depreciation and no recapture of depreciation applicable to farm equipment may be a contributing factor to the way in which some of the pricing mechanisms have been built up in connection with the farm equipment industry. It would certainly be the sort of thing which would encourage a policy of writing up the true value of a trade-in on the one hand and of the price of the new equipment to be sold on the other. I understand that the pricing mechanisms of the farm equipment companies are overdue for an overhaul according to suggestions made by those who have studied this question with particular concern. I would say that the amendments presently before the House would at least remove one obstacle to a significant revision of this pricing mechanism.

• (5:00 p.m.)

Mr. Gundlock: Mr. Chairman, the parliamentary secretary suggested in his answer that amendments to the Income Tax Act might correct this ambiguity. Or did I misunderstand him?

Mr. Mahoney: If the committee will excuse me, I suggested amendment might remove one obstacle. I am not for a moment suggesting it is a cure-all.

Mr. Gundlock: That is exactly what I am saying. We are not talking about the Income Tax Act itself; we are talking about income tax reform. The immediate subject under discussion is capital gains made by farmers. I should like to know what the parliamentary secretary is really saying. Is he going to tell us tomorrow that this matter will be corrected by the Income Tax Act or the regulations made pursuant thereto? We have plenty of time, so why does he not tell us now what he is really saying?

Mr. Mahoney: Mr. Chairman, I am sure that when the hon. member has had an opportunity to read my answer in *Hansard* tomorrow it will come through to him a little more clearly than it apparently has at the moment.

Mr. Gundlock: Mr. Chairman, we have had the opportunity of reading *Hansard* on so many occasions and also the act. What we are doing today is discussing capital gains as they relate to farmers. We are not talking about the Income Tax Act as such. According to the press, the parliamentary secretary from Calgary South has lamented the ineffective opposition in the debate on this bill, and now he tells me to read *Hansard.* The parliamentary secretary says that we are so ineffective, and I want to be effective. Since he is so worried about our ineffectiveness, he should be so magnanimous as to tell us why.

To turn to the amendment, I support it fully. Let me go back some eight or ten years to a time when we were discussing this matter in this House. As reported at page 4191 of *Hansard* for May 1, 1961 I said:

> I am in the particular category of farming which the hon. member mentioned. That is what is commonly known as the category of family farms. I do not think it is the intention of this government—although it may have been the intention of former governments—to remove every other farmer, as I think was mentioned, or the small family farmer.

I wish to emphasize that. One of the previous speakers was a member of the Liberal government and he spoke about a very important act that meant a great deal to Canada, particularly to our farmers. The present government had an answer to its policies as recently as last week in Saskatchewan, but the amazing thing is that the parliamentary secretary today is speaking in exactly the same vein as the hon. member to whom I referred spoke ten years ago, because he is suggesting that the family farm should close down.

The hon. member can sit there and chuckle if he likes.

Mr. Mahoney: I am shaking my head, not chuckling.

Mr. Gundlock: It is about time he shook his head. There are a lot of other people a little closer to home who will be shaking their heads, too. The parliamentary secretary has failed to answer a very pertinent question.

I should like to refer to something I said very recently, and which I have been saying for over ten years. It is rather like the little boy butting his head up against a stone wall, but repetition is the only way to get through to the government and finally, to give credit where credit is due, I think the government is beginning to listen. I was

referring to the advisers of the government and asked how in the world a practical politician, such as the Minister of Finance or his parliamentary secretary, could dream up such a bill as this. I know the Chair will call me back to the amendment in a moment, but at page 8969 of *Hansard* for October 22, I quoted remarks made at page 8335 of *Hansard* by an hon. member opposite, who had this to say:

I suggest we should have a minister whose primary concern would be the co-ordination of the economic policies of all these departments and the development of general economic policies. I suggest we should have a minister of state for economic policy who would undertake this task.

By coincidence, I read on the front page of the *Globe and Mail* that the premier of one of our greatest provinces has called, in effect, for the same thing, namely for doing away with waste and duplication and for a joint study to decide economic goals. In deciding what our economic goals are to be we must necessarily consider farmers and small businessmen, though here we are referring in particular to farmers. We are talking about farmers and small businessmen who have built up some sort of estate, and whose heirs or successors are required to sell part of the estate to pay tax on the death of those farmers or businessmen. If you are against taxes you are popular, but we must be realistic. I quoted earlier from a speech I made here in the House dealing with the lack of regulations under the Income Tax Act regarding an exemption for the cost of rock picking. Let me now refer to section 30 of this bill which relates to land clearing exemptions.

• (5:10 p.m.)

In my area of the country there are very few trees, unlike that area around Regina, but we do have a lot of rock. Over a period of 30 years my expense for rock picking has amounted to about $50 per acre. I am not allowed to deduct that expense from the cost of my farming operation. Every other expense is spelled out, and to me rock picking is an expensive operation. This expense is not allowed under the Income Tax Act and it is not allowed apparently under this bill. If I sold my land, I would not be allowed to deduct that expense before calculating any capital gains tax, yet the clearing of that rock contributed to the increased value of the land. I will not be allowed to deduct the capital gains tax as an expense under the Income Tax Act, therefore there will be double taxation. I would be very happy if the parliamentary secretary would explain the situation. I feel this is a legitimate expense which should be allowed as a deduction under either the Income Tax Act or as a cost in calculating capital gains tax.

Mr. Mahoney: Did I understand the hon. member correctly to say that he was not allowed to deduct the cost of clearing land from his taxable income?

Mr. Gundlock: As usual, the hon. Parliamentary Secretary did not understand. I was referring to the removal of rocks from farms in certain areas. This involves a great expense but is not covered as a cost of land clearing such as clearing brush, trees and blasting stumps. Perhaps you will refer for a moment to section 30 of this bill which refers to these exemptions. It refers to the removal of trees, brush, stumps and such things but it does not refer to rocks. I pointed out that I had spent perhaps $50 an acre on rock picking, and I was not allowed to deduct this as an expense in calculating income but that this would contribute to the value of the land and therefore the capital gains tax. In that way, I would pay double taxation.

Mr. Mahoney: Mr. Chairman, I am sure the appreciation of land value as a result of the work and investment the hon. member has put into it through rock removal would be reflected in the land value at this point, and any appreciation in value up to the time of the new system with the capital gains included in the tax base would not be subject to the capital gains tax. I do not think the hon. member is right in suggesting there would be an element of double taxation for the kind of expenditure he has made in the past, and certainly for that kind of expenditure in the future. If it is not a deductible item under the Income Tax Act, but it did contribute to the increased value of the land, it would be a capital cost that would come into the cost base in calculating the capital gain.

Mr. Gundlock: That is what we are looking for in this amendment, some sort of assurance in this regard. The hon. parliamentary secretary says he is not sure when he is talking about the future. That is the whole point of the debate. We want some assurance now for the future when we talk about capital gains in relation to agriculture. This is not a new subject. I talked about it ten years ago. The situation existed under an old law passed by the government of which the parliamentary secretary is a member, and existed for a short period even under a different government. We are now facing the same situation, and we want some assurance that a deduction will be made to allow for this kind of expense either under the Income Tax Act or the capital gains tax. This is what we are talking about and I should like to have an answer.

Apparently the parliamentary secretary is not going to say anything, and that almost leaves me without words, so I will just quote again because the agricultural people of this country are listening and want to know what is to be done. Small businessmen in many constituencies, and even those in big towns like Calgary, have an interest. All these people are affected by the agricultural communities and they want to know about this capital gains tax. Perhaps the parliamentary secretary would listen for a moment and give us an explanation. I should like an explanation about that part of the capital gains tax which requires that an individual has to be a resident in Canada in order to avail himself of these exemptions. This sounds to me as though we would have to bring back the body of a man who died outside the country in order to take advantage of the exemptions to the capital gains tax. It looks as though we will wind up with a lot of bodies here.

I have received a number of letters from farmers regarding this proposed capital gains tax and I should like to read one. This man met me at the airport yesterday before leaving to return to Ottawa. He said: "Dean, we are old friends. What are we going to do about this? I have written to the Minister of Finance, Mr. Benson, and I have written to Mr. Mahoney. I have not had any answer. What can I do?" I said: "Apparently they are not listening in the House of Commons, but I promise that if you will give me permission I will read your letter into the record on

Monday when we will be talking about capital gains." The letter is dated November 14, 1971 and reads as follows:

• (5:20 p.m.)

Dear Sir,

I hope you will read this letter to the House of Commons, at Ottawa.

I read *Hansard* so I am pretty well posted. I can't see why this government can't separate the good legislation from the bad. Take the income tax bill, it helps some people and hurts others.

If they do away with the depreciation on farm machinery and put the capital gains tax on the farms, it will put the family farm out of business.

I could say a lot more, but think these are the most important points right now.

Sincerely yours,

A. J. Walks

After he handed me this letter, Mr. Walks pointed out that he is a life-long Liberal. I was aware of that because we are good friends. I told him he did not have to point this out to me but he said to me, "Say it; I have written the Minister of Finance and the parliamentary secretary and have had no answer. Now, I come to you." Mr. Chairman, and Mr. Parliamentary Secretary, I believe you understand what this man meant. People engaged in agriculture are not having a very good time because of the high rates of interest and so on. I hope the parliamentary secretary, and through him the minister, will consider for a moment that there might be a bit of difference between agriculture, small business and what we might call the "fast buck boys".

I have before me an article which appeared in a newspaper in western Canada entitled "Cattlemen gain tax concessions". I might say a word of commendation for my colleague, the hon. member for Crowfoot, in this regard because I believe it was mostly due to his efforts. I would hope that perhaps the farmers and small businessmen in western Canada—I put it that way although I really do not mean it in that way—as well as businessmen in all Canada would receive some of the consideration due to them. I think the government could perhaps stand this portion of the bill in order to have another look at it. It is not necessary that we in the opposition have credit for this. This is something that is needed by the country.

The other day I pointed out that a year ago in Three Rivers, Quebec, the chain stores had advertised pork at 19 cents a pound for halves and quarters, and beef at 39 cents a pound for halves and quarters. Something has to be wrong with a government administration that would allow such a situation. This goes right back to the people who have worked for years and years in agriculture and who at their retirement age are faced with such a situation. I say there must be some realignment in the government administration. I realize this is another point. There probably are controls. The United States is looking after its business, and quite rightly so. I believe it is time Canada looked after her business. There is an old axiom to the effect that if you do not look after your own business someone else will. This is exactly what will happen to the party opposite. If it does not look after Canada's business, somebody else will and that will be a great day.

Mr. MacKay: Mr. Chairman, in speaking in support of the amendment proposed by my colleague from Edmonton West I hope to do so without being bombastic or long-winded, but it occurs to me that perhaps there is a quote from a great man which might relate to what is being discussed today. I believe it was William Jennings Bryan who said, in assessing the importance of the farm to a country's economy, that if you destroy the cities and leave the farms intact the cities will spring up by themselves, but if, on the other hand, you do anything to diminish or destroy the farms there will be grass growing in the streets of every city in the land. This may be, as I said at the outset, a little bombastic, but there is an element of truth in it. I believe the government would be remiss if it underestimated the effect the family farm, and farms generally, have on the economy of this country. I think there is an excellent case to be made for exempting farms from the capital gains provisions. It would seem obvious to every thinking Canadian that the time has possibly come in this country when it is necessary to have some capital gains provisions if it is proposed to tax the wages of a worker.

I suppose in some instances it is only equity to also tax the fruits of speculation and short-term gains by speculators. It may even be necessary to tax some forms of short-term real estate transactions. What disturbs me, however, in looking at the effect of capital gains on the family farm, and indeed on real estate in general, is that at the present time we are in a very unsatisfactory state so far as federal-provincial agreement is concerned on taxation generally. Last June the Minister of Finance said something to the effect that he was proud to announce that the federal government was abdicating the fields of gift and estate taxes and instead was substituting a capital gains tax. Yet we find that at the present time many provinces, with encouragement from the federal government, intend to remain in the estate and gift tax field if certain financial arrangements are made in this regard. It seems to me that what we need more than anything else in reference to capital gains, specifically in relation to farms and real property, is a national approach to taxation.

• (5:30 p.m.)

If one looks at the records, one finds that the provinces, and many responsible people in government and in business, feel that something must be done to integrate and correlate taxes on a federal, provincial and even on the municipal level. It is good business to do this. It is not only good business, it is good for national unity. I do not see why something cannot be done to defer or to exempt to some extent some types of capital gains, particularly as they relate to assets held for a long time by working people and, in the particular context of the debate this afternoon, by people who have farms.

I would suggest that it is one of the most onerous of taxes to apply to people who have put a great deal of work into building up a farm, who have already paid tax throughout their working lives in respect of the moneys they have earned and the moneys they have used to purchase and to improve farms in order to build up a worthwhile asset not only for themselves but for the whole community. For the government to impose a capital gains tax on these people under these circumstances is, in my opinion, almost immoral, particularly when one finds there is no general agreement among the provinces as to

whether some sort of arrangement will be made with the federal government on an abatement or other similar basis regarding estate tax.

Thinking back over the events of a few days ago when the hon. member for Crowfoot and the Parliamentary Secretary to the Minister of Finance engaged in a very interesting bit of repartee on capital gains with reference to the basic herd concept, I remember that previously I had thought the government had not given sufficient consideration to the experience that was available in the United States of America with regard to the concept of a capital gains tax. Listening to the exchange between those two hon. gentlemen reinforced my belief. I wish I were more expert in the tax field and could speak with more authority, but it seems to me there is much to be learned from the American experience with regard to long- and short-term capital gains and other aspects of taxation which the Americans have had a chance to refine over a long period of time—certainly longer than we have had, particularly with respect to capital gains.

I think it would be in the best interests of the country—and so far as that goes, of the government—if serious consideration were given to treating farmers in a definite and specific way that would exempt them, at least at this time, from the provisions of a capital gains tax. I do not think there is anything to be gained by imposing such a tax at this time, given the present state of the agricultural and national economy. I want to be definite about this. I am not opposed to the concept of a capital gains tax. I think that probably the time has come in this country when it is necessary to have it. What I am opposed to is the method, the haste, the uncertainty and the mechanics used by the government to impose such a tax at this time.

It is a matter of record that many nations—and not only undeveloped nations—do not find it necessary to have a capital gains tax. I believe that Japan, Australia, South Africa and France have no capital gains tax. I may be wrong and maybe the parliamentary secretary will disagree with. I cannot swear that this is true, but I believe it is. I believe that Belgium, Germany, Holland and Italy have a tax only on speculative gains. If this is true, I would think that an excellent case could be made in this country for exempting certain types of assets from a capital gains tax.

I do not think anyone would quarrel with taxing speculative gains, whether those gains be made in the stock market or in the real estate market. They are a fast buck method of gains and I do not think anyone would disagree with taxing it. But I think it is morally wrong, and I think the government would find it politically indefensible in years to come, to impose a capital gains tax on family farms and not take immediate steps to get together with the provinces, and even the municipalities, to stop the very real possibility developing of double taxation, at least in theory, as the proposal now stands.

Mr. Dinsdale: Mr. Chairman, I wish to support the amendment proposed by the hon. member for Edmonton West with respect to the application of capital gains tax to farming enterprise. In view of the remarks that have already been made on this matter, there is no need to deal with the capital gains concept: I am sure that all hon. members agree that the time has come when some revenue should be derived for the public treasury from capital gains.

Whenever this subject was discussed in the House, particularly in recent years following the appointment of the Carter royal commission, I recall that the argument advanced was that the Canadian economy was not sufficiently mature or developed to contemplate adding capital gains tax to the existing income tax and corporate tax measures. However, Mr. Chairman, we must remember there was the same resistance to the introduction of income tax when it was first applied in Canada on a temporary basis during World War I. What was regarded as temporary to meet the exigencies of war has become permanent to the extent that it is now accepted without too much protest by all citizens of Canada. The concept of a capital gains tax has been going through the same process of evolution with regard to acceptability.

Canada, in terms of its economic development, is still largely dependent upon primary rather than secondary production. Those who have a substantial interest in the processes of primary production argue that to apply a regressive capital gains tax at this stage in our economic development would have a decidedly negative impact on our gradual movement toward emphasis on secondary production. Those who engage in developing the resource industry have much justification in the argument they make, that there should be no undue exacting of tax from this part of our productive processes at this particular time in our development. I am not going to engage in a discussion on the general aspects of primary producers other than to focus—and I think this is the purpose of the amendment—on the capital gains tax as it would apply to farming as part of our primary production industry.

• (5:40 p.m.)

I want to link it with the seemingly negative attitude of the government toward the agricultural industry, as has been manifest in its policy initiatives since it assumed office in 1968. I refer to the Lift program, the Lower Inventory for Tomorrow program—which was immediately re-named by the farmers whom it was supposed to benefit as the Lower Income for Tomorrow program—more recently Bill C-176, the agricultural products marketing bill, and the subject that was debated quite extensively in this House during the present session, the grain stabilization bill. I do not think it is unfair criticism to say that each of these legislative initiatives has had a negative reaction from the primary producers, the farmers, who have indicated that they feel that government policy generally is out of tune with the agricultural industry. I should like to suggest, Mr. Chairman, that this argument can justifiably be applied to the application of a capital gains tax as outlined in the voluminous legislation before us.

I want to turn to page 569 of the bill which gives the definition of "farming" for the purpose of the act. At the top of the page the marginal note "farming" appears and the definition as follows:

"farming" includes tillage of the soil, livestock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing and the keeping of bees, but does not include an office or employment under a person engaged in the business of farming—

That is a very broad definition of the agricultural industry and it may be necessary to further delimit the terms of reference. For example, "maintaining of horses for racing" is rather a unique category of farming that might be excluded as an essential part of the industry.

In supporting the amendment I would suggest to the parliamentary secretary and the government that at this stage of development of the agricultural industry, when it is obvious that very serious economic hardship is being suffered by our farmers, there is every argument to be made that the proposed amendment is one of the best ways of avoiding further serious deterrent to the progress of the industry.

I do not have to outline the statistics or the pattern that has evolved in the past couple of decades. More and more of our farmers have been leaving the industry. It is part of what the sociologists call the rural-urban drift. Judging by government policy initiatives that I have outlined briefly, the government has accepted that the drift from the farm to the cities is an inevitable process and has decided that any policies it initiates will accelerate the process. How else can the pattern that has evolved in legislative initiatives over the past two or three years in this House be explained?

I think farmers are quite justified in resisting as strenuously as they can through farm organizations and personal protests what the government has been trying to do. Members of this House who represent farming communities have been vigorous enough in the debates on the grain stabilization bill to demonstrate to the government that it is moving in the wrong direction in dealing with the so-called farm problem.

There are still many arguments pro and con the imposition of a capital gains tax, as has been demonstrated in the debate thus far. Surely the government will accept the amendment and remove entirely from the application of capital gains tax the agricultural industry, perhaps with a narrow definition. It does not necessarily have to include horse racing. Farmers engaged in primary production are finding it increasingly difficult to comprehend the rationale of their industry at the present time, as is demonstrated by the movement of farmers from the land and by the increase in the size of farms as farmers move toward corporation farming. If this process continues to be encouraged by the government, we will have corporate farms rather than family farms and then the problem of capital gains will be resolved even if there is an exemption as recommended in this amendment. Though we have had extended debates on agricultural problems over the last few months, the government obviously has not accepted the reasonableness of our arguments.

I should like now to deal with the broader social implications of legislative initiatives as represented in this further attack on the integrity of the family farm. Perhaps this applies to western Canada more than it does to other parts of the farming economy. There is a social problem involved in the imposition of a capital gains tax which would eat at the very foundations of the preservation of the family farm, which would have serious implications with respect to the growth of our urban population at the expense of the rural population and which would aggravate and compound the social and economic problems that are increasing in the large metropolitan communities at such a rate that local government is not able to cope.

• (5:50 p.m.)

It is in urban communities that you find the major social difficulties, the problems of pollution and the problems associated with the decline and disintegration of the family as a basic social unit. That is where you will find the greatest deliquency and crime; that is where you will find problems associated with the drug culture which is espoused by young people. That problem is exercising governments at all levels to a great extent today. All these basic social issues have their origin in the phenomenon which has been part of the twentieth century, of the accelerating drift of the rural population to the big, booming metropolitan communities.

I do not think it is inevitable that this situation should persist. It is not a natural phenomenon. I think we will find, as is already occurring, that more and more young people will be moving out of the big city because there is a repeated lowering there in the quality of life associated with the pursuit of some of the basic values which are not necessarily connected with economic and fiscal values. Economic and fiscal values were perhaps the prime motivating forces in the earlier part of the twentieth century. It is significant that young people today are repudiating these values and emphasizing the qualify of life as measured in human values rather than as measured in economic and fiscal values.

Any step put before the government which will encourage the slowing down of the so-called rural-urban drift should, I think, receive the wholehearted support of members on all sides of the House. We have here an opportunity to do that. Without destroying the broader intention of section 3, in particular, of Bill C-259 we can do it by removing entirely from the legislation the application of a capital gains tax to certain groups.

Let me say again that we may require a further redefining of the agricultural industry. The government has already brought in numerous amendments and amendments to amendments, so there is no problem in this respect. Certainly, enough has been said already about this particular item. Yet we can demonstrate that the family farm should be preserved at all cost. We are moving very gingerly into the capital gains field. The rates of tax will not be applied at the regular level of income or corporation tax. Actually, certain exemptions have already been brought in by the government through its legislative initiative. For example, the basic division between securities and other forms of property is one attempt by the government to differentiate between the kinds of assets that should be taxable under the proposed capital gains provision.

I strongly recommend that the parliamentary secretary and the government accept this amendment. They have proposed many amendments of their own. The government has been reluctant to accept any amendments proposed as a result of committee hearings held prior to committee of the whole discussion at which Bill C-259 was discussed. Surely they can accept at least one amendment proposed by members of the opposition. It is designed to protect a fundamental, primary industry—the agricultural industry—from further erosion, to preserve the family

farm and to slow down the drift from rural to urban communities, a drift which is having such a deleterious effect on the quality of Canadian life.

Rather than encouraging that process, let the government introduce legislation the aim of which, as opposed to the aim of the grain stabilization bill, of the Lift program and of the farm marketing bill, is to encourage farmers to stay on the land. Let them take a policy initiative that will encourage farmers to stay on the land, and encourage the preservation of rural values which to a large extent have been destroyed by the rapid and disastrous depopulation of our rural communities.

Mr. Korchinski: Mr. Chairman, may I call it six o'clock?

The Deputy Chairman: Is that agreed?

Some hon. Members: Agreed.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

Mr. Korchinski: Mr. Chairman, this afternoon the hon. member for Edmonton West moved an amendment which was of primary concern to farming areas throughout Canada. I will not be revealing any secret to the House when I say that many farm communities in Canada have been fighting a losing battle under the present administration. Under the circumstances, it is difficult to understand why at this time another tax is being loaded onto the backs of our farmers. Any explanations we have had from the government have attempted to prove that what is being done is necessarily good for the farm communities.

This afternoon the parliamentary secretary stated that the taxes collected will be in the order of $50 million from corporations, and $80 million from individuals. He can correct me if I am wrong on this. The tax burden will not be on the corporations, as the members of the New Democratic Party claim. This money will come from small businessmen, enterprisers and struggling individuals. These people have been paying the bulk of the taxes up until this time.

In a young country like Canada I fail to see why it is necessary to burden everyone with a capital gains tax. A capital gains tax sounds very nice. However, we must realize that the burden will be on the individual. I do not think we are so smug to suggest that we have all the money we need, that we should not have savings or that no one in this country should make money. It will be a sorry day for this country if efforts are bent upon finding loopholes whereby people will avoid paying taxes. This, surely, will not build a better Canada. I know the NDP philosophy inside out. I was born into it; I lived it.

Mr. Gleave: Did you go to school, or something?

Mr. Korchinski: The hon. member asked if I went to school. I heard the philosophy inside out. It is falling out of my ears. It will fall out of the hon. member's ears also. I do not know whether he realizes it, but it will affect his farm and his neighbour's farm. I do not care if it affects the hon. member's farm, but I am concerned about his neighbour. In reply to the member's question, yes, I did go to school. I have heard the comments of the leader of the New Democratic Party.

An hon. Member: Socialism!

Mr. Korchinski: You can call it socialism or anything you like. For the sake of $130 million, I wonder whether this country needs the NDP philosophy. I want to differentiate between capital gains that are speculative and those earned by inflation, general increases in prices. There is not very much wrong with taxing an individual who makes money by speculating. I do not argue with that. However, I do have one argument. I am talking about the farmer who made his child pick rocks and roots, and the businessman who struggled to put his child behind the counter. These people kept their children home from school in order to build a viable unit. Suddenly, for the sake of a philosophy that has been continuously pushed by the New Democratic Party, we have to swallow a philosophy of a group of people who do not amount to a hill of beans.

Some hon. Members: Hear, hear!

An hon. Member: Slave labour.

Mr. Korchinski: It is slave labour. Capital gains are earned through slave labour. This bill does not suggest that a child will receive a minimum of $1.75, $2 an hour or whatever it may be. All the bill says is: You have it, and you must give it to us. This is the philosophy of capital gains. I do not mind the speculator being taxed. I want to differentiate from real and imaginary capital gains. Imaginary capital gains are inflation. Inflation increases prices.

It was interesting to listen to some of the speeches of the NDP. When the hon. member for Edmonton West moved a motion, they disagreed with it. Did they move a subamendment? No. They were afraid to do that. They wanted to put us in a position where it would appear that they wanted to do more for the farmer than the farmers of this party. They do not want to put their words into action. They do not want an amendment for only one reason—it defies their philosophy.

• (8:10 p.m.)

How can a leader who has always worked on behalf of labour tell me he is working on behalf of farmers? Does he realize for one moment what it is like to have to spend all your money, nothing brushed off, breaking stones, as my seatmate mentioned this afternoon? Does he realize that every bit of ditching meant a capital gain on the land? If you work hard to leave something for posterity, then one day they want it. It does not matter to them that every time you did that your assessment went up on your land and you paid your taxes accordingly.

Oh yes, they say, "If you don't pay it, somebody else will." Let me tell the leader of the NDP that the farmers who went out to work and made improvements on their land paid taxes to the municipalities for roads and other improvements that the men who are sitting as labour representatives now enjoy. They pay income tax, but so

does the farmer—if he ever makes a dollar. We built the roads, the schools and paid for the teachers. We did everything else as well. But we are to pay taxes in the way now laid down for us, and if you turn around and make a capital gain because you have struggled like a devil, you have to pay a capital gains tax.

Why do I support the amendment? The people to my left do not understand. Their leader will never understand what it is like. He cannot mislead me because I know the difference between digging soil, digging rock and picking one's pocket. I find it hard to understand how the NDP movement can come to us and say, "You are all right, but this is what it will do." They suggest there will be speculation in land. The hon. member for Regina East said so in the course of his remarks. Speculation, he predicted, would become rampant and the amendment, if adopted, would encourage it. Why did he not move a subamendment to cover the situation? Maybe they will come out with one after my speech. You never know. Maybe we can get them out of their corner.

Mr. Woolliams: They said the white paper did not go far enough.

Mr. Korchinski: Let me tell the hon. member this. If we do not adopt the amendment, every time a farmer has a capital gain on his land he will seek to recover the amount of the capital gain on the price at which the land is sold. As a result, farmland will cost more. I know I would do this. If a capital gains tax were applied to my land, I would try to recover the amount. The price of land would obviously go up. Judging by his comments, the hon. member for Regina East does not realize that a man has to get his money out of the land.

Mr. Burton: I do not think he is going to get it.

Mr. Korchinski: For a long while he was getting it. I know a lot of people who have gone into farming on that basis.

Mr. Saltsman: Speculators.

Mr. Korchinski: That is right. There is nothing wrong with speculation.

Mr. Burton: I thought you did not like speculators.

Mr. Korchinski: There is nothing wrong with speculators in certain fields. If this tax were applied to people who have more than they require for a livelihood, fine and dandy. I am thinking of those who speculate in stocks and bonds. But when a man tries to set up a viable unit as a farm, it is not done for speculative purposes but to provide, he hopes, a reasonable living for himself and his family. That is the difference when it comes to speculation. If the hon. member has some money left over and uses it to speculate, I would say tax him. But when a man is trying to provide a living for himself and his family, I would never describe that as speculation but as a struggle for existence.

Mr. Burton: That is not what the amendment says.

Mr. Korchinski: The point is that the NDP is not posing any kind of amendment or subamendment. We have moved an amendment.

Mr. Burton: There has been no ruling on your amendment.

Mr. Korchinski: I do not wish to become involved in an argument with the hon. member for Regina East on that point. The chair may wish to ignore him or it may wish to ignore me.

Mr. Guay: You may meet your "Waterloo."

Mr. Korchinski: Let me tell the hon. member that about six NDP-ers have run against me in my lifetime, so that remark does not hurt my feelings one bit.

Mr. Burton: Tell us about Assiniboia.

Mr. Alexander: Tell us about Ontario.

Mr. Korchinski: It does us a lot of good sometimes to stir up the hornet's nest to my left. I have always been outspoken when it comes to expressing my views about the government: now it is the turn of the NDP. They do not like to hear these things, maybe because this capital gains tax proposal is part of their philosophy, part of their creed. They believe that provided somebody has a little more than you have, you have to get it from them.

Some hon. Members: Hear, hear!

Mr. Woolliams: It is like voting against a salary and taking it.

An hon. Member: That is another question.

Mr. Korchinski: I do not want a capital gains tax at this time. However, I admit there are speculators. I am not so naïve as to suggest there are not. But we differentiate between right and wrong. There can be proper taxation and there can be improper taxation. But to tax everyone on a capital gain is wrong. In these few minutes I have pointed out the difference between the two. I think the government should look carefully at the matter and make a differentiation. Let us not impose a capital gains tax overnight and then discover we are in a mess. Let us not find that having got ourselves into this position, we cannot back out of it. An amount of $130 million out of a total budget of $13 to $14 billion is not very great.

• (8:20 p.m.)

Mr. Saltsman: What's $130 million?

Mr. Korchinski: It depends where it comes from. The parliamentary secretary has already indicated that $80 million will come from individual taxpayers and $50 million from corporations. The hon. member is arguing against himself.

Mr. Saltsman: Would the hon. member permit a question? Has the hon. member—

The Chairman: Order, please. Is the hon. member rising on a point of order?

Mr. Saltsman: I wonder whether I could direct a question to the hon. member. Has he made any calculation to see how much of the capital gains tax would come from the farming community and how much from the industrial community?

Mr. Korchinski: I have not made any calculation of that sort, and neither has the questioner.

Some hon. Members: Hear, hear!

Mr. Korchinski: But let me say this to the questioner: Whether $1 million or $2 million came from the farming community, I think he would admit that the farming community is not in a position to give up that amount at this particular time.

Mr. Osler: Mr. Chairman, I have a couple of points I should like clarified. We are talking about capital gains made on farms, but it seems to me that the motive of the present system in this country is profit. Profit can only be derived from a system that is backed by capital investment. As far as three out of the four parties in this House are concerned, there is nothing wrong with capital investment.

I think there are two classes of people who have to be considered when we talk about capital gains tax, of which I am fully in favour. Having invested capital, you expect to make a profit and also a capital gain. Profits and capital gains should both be taxed. However, there are two classes of people in Canada who are in a unique position and should be considered—the good guys and the bad guys, as it were. In this case, the good guys are the farmers and the small businessmen. I suggest that for "small businessmen" we use the definition that the government of Canada has used in other parts of this legislation, namely, someone who has accumulated no more than $400,000 worth of profits. Up to that point they are small businessmen, at least according to the way in which the government treats their profits. I suggest it is also reasonable to treat such small businessmen in exactly the same way on the subject of capital gains.

I make one simple request to those on the government side who are listening to me tonight, and it is this. As the previous speaker said, it will not cost the people of Canada a lot of money. In fact, in the long run it will probably save them a lot of money because it will ensure that the profit system will still work and that the private investment system will still work. I refer to allowing the genuine farmer—I leave it to the government to define what is a genuine farmer—and the small businessman, and I have suggested a definition for a small businessman, to take advantage of the same provision, when a capital gain is realized at death, that applies under the Estate Tax Act. I suggest the government give the estates of these two categories five years in which to pay the estate tax that is levied at death. In that event the family would continue to operate the family business. The farm and the family store are both springboards from which we have developed this country, a country that is just beginning to arrive at a take-off position.

Mr. Saltsman: Mr. Chairman, I listened with great interest, as did all members of the committee, to the hon. member for Mackenzie, who I hope will shortly return.

An hon. Member: He hasn't left.

Mr. Saltsman: I am delighted to see him behind the curtains. As always, I listened to him with a great deal of interest, though I was a little surprised by his rather immoderate stance this evening since I have always known him to be a man who is very careful and cautious in debate and who always qualifies the remarks that he makes. I know how concerned he is that he not be misunderstood, that he be fair to everyone in his contribution to the proceedings in the House. This is why I was rather surprised by his comments on the amendment, which I felt were rather intemperate in spots.

I think we would agree with him to the extent that farmland that is passed on to members of the family unit who continue to farm it should receive special consideration. However, the amendment does not make that provision. What it provides is that all land used for farming be exempt from capital gains tax. If we were to accept that kind of proposition, I think we could equally put forward the same proposition on behalf of small businessmen in the community. There are small businessmen as well as farmers in the hon. member's constituency.

How would these businessmen feel if the farmers were able to pass on their land free of tax, whereas if they passed on their small stores, or whatever it was, they were subject to tax on a capital gain? Surely all components of a particular community should be entitled to the same consideration and justice. After all, they all hang together. Merchants and farmers are to a certain extent dependent upon each other, which is why I was rather surprised to hear him say that only farmers should be exempt.

I was particularly surprised that he should criticize my party's position in not moving an amendment to the amendment. We did in fact look at it with a view perhaps to moving a subamendment, and had it made sense we would have done so. It is difficult to add to something that is pretty senseless in the beginning. Therefore, we want to move an amendment later in the proceedings which will indicate our position more clearly, rather than support an amendment we now feel is essentially bad.

• (8:30 p.m.)

A case can be made for farmers being granted exemptions of various kinds. Everyone in this party knows how difficult the situation can be for a farmer who has built up assets and then has to dispose of them, being subject to a tax he may not be able to meet. We are very much concerned about this. For that reason my colleagues have urged that various measures be applied. We think there should be a long-term exemption when the assets are being passed on from one member of the family to another. But if one member of the family decides to get out of farming and sells the land for real estate development, what is the rationale for granting an exemption on that type of speculative sale? Every speculator in our society would ask for an exemption—and we feel there has to be fairness among speculators.

We have talked about equity among working people and among various classes in our society. But if the hon. member for Mackenzie thinks speculators in general should be subject to a capital gains tax, how can he with any sense of fairness say that only one type of speculator shall be excluded from the provisions of the tax system? I know he is a fair man and I am quite sure that if he reconsidered some of his remarks he would realize this suggestion just does not stand up on the basis of equity.

It may be that the absence of a capital gains tax has contributed to the decline of farm prosperity in this country. A few years ago farmlands were the subject of heavy speculation. People were raising the price of farmland with the result that a farmer's son could not buy from the father at the price being asked. One difficulty facing agriculture in this country is the result of overcapitalization of land and the inability to derive an effective return from the land. The amendment we are considering will not help the farmer but might exacerbate the situation in which he finds himself. For that reason I find it difficult to support this amendment and look forward to a more suitable one being moved later.

Mr. McCutcheon: Mr. Chairman, I do not think anyone in this chamber is not in favour of equity in taxation or would not applaud the application of a capital gains tax on windfalls. I am talking about the so-called extravagant gains we hear so much about which some entrepreneurs have made on the stock-market and others who have reputedly made tremendous gains on the real estate market. I think I speak for everyone here when I say these people should pay a fair tax. But I suggest we are putting out an awfully big net to catch the few who have profited in the way in which I have suggested. It will, in fact, catch many of those who have scrimped and saved to put together a few bucks for a rainy day out of their salaries and wages from factories and industries or their incomes from the little corner grocery store to which the hon. member from Halifax-East Hants referred to the other day as being a mamma and papa type of business.

It is interesting to note that with all this talk about people making inordinate profits from the stock-market, a study of the results of stock-markets in this country over the past 10 years does not show profits of anything like those suggested. As a matter of fact, I am informed that the professional investors in Canada are not looking today at stocks for great growth factors but are investing in mortgages and bonds.

I do not think this amendment will have the effect for which our emotional patriots are calling, that is, to buy Canada back. If there was any time in the history of this country when we needed risk capital for expansion and the provision of jobs, this is the time. We are discussing an amendment which would have the effect of relieving farm property of the capital gains tax. I suggest, with great respect, that small, independent businesses could well be included under this umbrella. It is not the time in the history of Canada to implement this capital gains tax. Perhaps my reason is a little vague to some hon. members.

We will have a valuation day for farm property and independent businesses, no matter where they are situated in Canada. There has never been a time when the selling price of farm property has depreciated more than it has in the last couple of years under this government. The same argument pertains to small businesses which are now going begging. I had occasion to look at a farm in my area which would have brought $100,000 two years ago had it been put on the market.

Some hon. Member: Are you buying?

Mr. McCutcheon: Not at those prices. I would be afraid to offer $75,000 today because I do not think there is a buyer on the horizon who would touch it at anything like that price. Yet this is the time we are going to value farms and put on the capital gains tax. I am optimistic. I am looking forward to the day when we get rid of this government—

• (8:40 p.m.)

Some hon. Members: Hear, hear!

Mr. McCutcheon: —and the value of a farm or a piece of property will return to what it was and should be. This government intends to grab such property because it is to be valued right now, while it is depressed, at fire-sale prices.

I am also disturbed that every small, independent business in this country is in virtually the same boat. I refer to grocery stores, independent hardware stores and many other small, independent businesses. The thrust of this legislation is toward the elimination of independent businesses. This is found all through the legislation. The unfair treatment accorded these citizens has been ably pointed out during the debate. Small, unincorporated businesses are unable to take advantage of the provisions that are readily available to big business and big government bodies. The mandarins in the government service would much rather be able to place a person on a punch-card and put him through a computer than have to deal with an independent businessman who thinks for himself.

This legislation would appear to be designed with only one thought in view, and that is to make the federal government independently rich by obtaining more money at the expense of the taxpayer who has two other jurisdictions on his back. I refer to the provincial and municipal governments. No thought has been given to the fact that it is the same individual who must pay all three levels of taxation. I submit that capital gains should not be implemented at this time because of depressed land values, depressed property values and lack of investment funds for development programs.

It is interesting to note that John Meyer, writing in the Montreal *Gazette* of October 6, 1971, said that we need investment to create jobs. He said:

> Canada has the fastest growing labour force, relative to population, in the western world. The cost of creating jobs for the entries into the labour force is on the rise. The investment required to create a new job in conventional manufacturing is around $25,000; in advanced manufacturing—an oil refinery as an instance—around $70,000. The trend towards rising investment per job created is accelerating with each technological advance.

One might ask what cost is involved in developing a job in agriculture. Someone might say it would be somewhere between $25,000 and $70,000. I, however, very much question if it can be done at those figures. To create an efficient job in agriculture, in my humble opinion, would require the accumulation of a minimum of $75,000 to $100,000 of capital. How can that be done if we implement a capital gains tax on farms? Mr. Meyer continued:

> At the same time, successive federal governments have laid the foundations for, and erected most of the structure of, the most comprehensive and generous welfare structures in existence. The generation of the income to finance it, is already straining our resources.

I say "amen" to that. People are also bothered by fear and frustration in respect of the direction in which we are going in this country. They are frustrated over tax reform and the fear they have concerning the proposed competition act, which is another classic example for the Canadian people of "big brother" government knowing best.

Mr. Nesbitt: A real dandy, that one.

Mr. McCutcheon: Yes, a real dandy. They have fear over the Canada Development Corporation which is really causing concern among business people. There is fear in respect of the workings of the regional development program.

So I say this would be an extremely good time for the Minister of Finance to come forward with an amendment, or to agree to this amendment so that farm and agricultural properties could be exempt. Then, as we progress with this bill he might do the same for small business. Farmers should not be called upon to pay capital gains tax on their equipment. This is a retrograde step; it cannot be classed as anything else. Because of the terrible pricing structure we have, farmers have been able to survive only because of the depreciation they have been allowed on their equipment. They have had to have good equipment in order to be efficient. About the only thing they have left is a little depreciation on the equipment they use. Farmers who had given exceptional care to their equipment were able to get a little more use from it over and above the depreciated value. Now even this avenue is to be closed.

I admit that the rate for recapture is not as high as it is on income tax, but none the less it is a major consideration. There will no longer be any point maintaining the equipment, because they will not be able to remain in business. They might as well wear it out as rapidly as possible and, when it is done, throw it in a fence corner and collect some of the government's welfare payments.

• (8:50 p.m.)

In conclusion, Mr. Chairman, I would like to quote again Mr. John Meyer, who in this article is talking about the tax reform bill and, in particular, pension funds. He summarizes the whole business of this tax measure in these words:

> Beyond these considerations is the fact that the reform measures impose generally higher taxes on production and on savings at a time when increases in production and the generation of savings have never been in greater need of encouragement. They also impose unrealistic financial structures on business activity at a time when business activity has never been in greater need to recognize reality.
>
> For all that, the sheer complexity of the legislation still is cause enough to delay its implementation. Parliament is being asked to pass judgment on a bill in a matter of months, which has been close to ten years in evolving to its present stage. It's being required to grapple with totally new concepts which, in the amount of rewriting that is having to be done, not even their authors clearly understand.
>
> It's simply too much and is recognizably too much. Mr. Benson should make clear now that he'll settle for passage of the generally non-controversial sections of the bill while holding over, for continuing discussion and amendment, the controversial sections. That would be the first step. The second step would be to withdraw those portions of the bill which drag on business activity.

For the benefit of the hon. member for Winnipeg South Centre, who was not paying attention, I again say that the author of this article was Mr. John Meyer. I would recommend that he read some of Mr. Meyer's articles. They make more sense than the Minister of Finance.

[Mr. McCutcheon.]

Mr. Gleave: Mr. Chairman, the proposal in the bill is to levy a capital gains tax on farmland, and the amendment which is before the House would exempt farmland from such a tax. I would like to address myself to the manner in which those who propose to levy a capital gains tax on land will establish the basis upon which to assess that tax. I want the minister to tell us upon what basis, on valuaton day, are his officials going to establish the value of land. I ask the minister this question: Are you going to take the market value?

It seems to me that there are three alternatives for deciding the value of land on valuation day. The officials may decide to take the productive value of the land and attempt to establish that as the value. Alternatively, they may decide to work from the property tax basis, the existing tax assessment basis of the land. The minister and his parliamentary secretary may find this very amusing, Mr. Chairman, but I want them to answer because it is important to me as a farmer and it is important to my neighbours.

If they want farmers to hire assessors to put a valuation on our land on that particular day, in a manner satisfactory to the department, I want them to tell us that while we are still studying this bill—because one of the most important factors in the equation is not the amount of tax that will be levied on capital gains but the method by which the valuation of the land for farming purposes will be established at that point in time. I think it is up to the minister and his parliamentary secretary to answer that question before these sections of the bill are passed.

Let me remind the Minister of Finance that when we asked the minister in charge of the Wheat Board to consider net income as a factor in the provisions of his stabilization bill, he replied that nobody could satisfactorily establish the level of net income. Mr. Chairman, if no one can satisfactorily establish the level of net income, then I say by definition you cannot establish the value of the land, which is certainly one of the major factors in production costs.

Mr. Osler: Hooey.

Mr. Gleave: It isn't hooey at all; it is a fact. If you don't know that, you don't know very much.

Mr. Orlikow: He doesn't.

Mr. Osler: I don't know very much, but I do know that.

Mr. Gleave: Mr. Chairman, any economist worth his salt will tell you that the cost of owning land is one of the major factors in the cost of production of farm products.

Mr. Osler: In Assiniboia I asked a bunch of farmers what their land was worth, and they told me. They knew.

Mr. Peters: They sure told you on election day.

Mr. Gleave: They will say anything to greenhorns in Assiniboia, and grain traders are their favourite mark.

Mr. Osler: Not being a greenhorn, they told me anyway.

Mr. Gleave: Fair enough. But I think it is the responsibility of those who propose to levy this tax to tell us the basis upon which they will establish the valuations.

Mr. Osler: You are just mad because the prices are down since the NDP government got in out there.

Mr. Gleave: The NDP government didn't have that much to do with it.

Mr. Osler: That is what they tell me.

Mr. Peters: That was a very small minority you were talking to.

Mr. Osler: I was talking to the ones on the farms, not in the city.

The Chairman: Order, please. The hon. member for Saskatoon-Biggar has the floor.

• (9:00 p.m.)

Mr. Gleave: The other matter to which I should like to call the attention of the committee, as I have before, is the effect on farm machinery prices and the method of operating and trading in farm machinery that this legislation will have. I have asked if this factor has been considered, but I have not received an answer. The hon. member for Lambton-Kent spoke just before me and he touched on the subject. He said, "What are you going to do? Run the old piece of machinery into the fence corner?" He was coming to the heart of the matter.

As a practice, across the country farm machinery has been traded in. The dealer has taken it off the hands of the farmer and in due course has disposed of it. In order to operate in this way he needed a margin and a market for the machinery. But the system worked. I say to the minister and his parliamentary secretary that they are in the process of destroying this system, whether they know it or not, and I do not think they know much about the way business operates on the farms and in the small towns of this country. One can only come to the conclusion that they do not know, or they do not give a damn. It may be the latter.

If we are going to set up a system of taxation which makes it impossible for the method that has been used in the past to operate, then we must consider whether the new method is more, or less, effective and efficient in terms of cost. I do not think this has been figured out, but if it has I would be glad to know about it. If the parliamentary secretary or the minister will rise and tell me, I am quite prepared to sit down and listen. Mr. Chairman, I address my question to those gentlemen. I should like to know whether they have considered this matter and if they can advise the House what changes will take place and how they will be affected.

Some hon. Members: Hear, hear!

An hon. Member: No answer.

Mr. Gleave: Mr. Chairman, if they are not prepared to answer, I shall continue. When a government comes to this House and to the country and proposes a new taxation system, they should be prepared to tell the House and the people affected how it will work and how it will affect their standard of living and their way of doing business. I cannot be indifferent to a method of taxation which will affect the people in Saskatoon-Biggar, the people who live in the city of Saskatoon and do business there and the surrounding rural area.

What shocks me is the government's indifference to the situation of the ordinary citizen, whether he is operating as an individual or as a member of a co-operative. I have received a great many letters which I have forwarded to the responsible minister, but these have not been answered to my satisfaction. We are suffering, and have suffered from the policies and machinations of this government as they affect farmers in western Canada through the Lift program and others. Before any new policy is introduced, those responsible for it should be able to tell this House what the effect will be on the ordinary citizen because it is the ordinary citizen, Mr. Chairman, who pays the taxes and who either survices or does not survive under such policies.

Mr. Alkenbrack: They can like it or lump it!

Mr. Gleave: Like it or lump it is right. That is why I have posed these questions and have brought this matter before the committee. I am not concerned about particular ideologies; I want to know how the ordinary individual is going to survive under it, and I have not had an answer.

Mr. Benson: Mr. Chairman, a couple of questions have been raised which I think deserve answers. The first is about the value of farmland at the beginning of the system. The beginning of the system is defined as valuation day. First of all, the value of the farmland on that day will normally be its fair market value. This is established in the same way as it is for estate tax. The owner of the land, when it is ultimately sold, will indicate what the value was at that particular time. That will be compared with the bank of knowledge that the Department of National Revenue will accumulate with respect to sales of similar farmland in the particular area around the time of the beginning of the system.

Beyond this there is the protection in the case where somebody has bought farmland and it has gone down in value at valuation day. It may be sold at some time in the future and what the owner is getting is not really a capital gain per se but a recovery of the decrease in value between the time he bought it and valuation day. There is a provision to take care of such circumstances. This, generally, is the system.

I think if my hon. friend looks back at the problems that have arisen for the provincial and federal governments under the Estate Tax Act and the Succession Duty Act he will find that there has not been a great deal of difficulty in establishing these values. First of all, it is established by the person filing the return and then it is up to the Department of National Revenue to say whether they agree. I think there have not been any great litigation problems in this regard.

Mr. Gleave: Mr. Chairman, in reply to the statement of the minister may I say that my personal experience in representations from my constituents has shown that there has been a considerable problem in establishing market value. I shall put it to the minister this way.

Usually, the Department of National Revenue will consider what a similar piece of land to the one in question has sold for in the community in recent years, maybe two or three years before. They will say, "Here is a quarter section of comparative value. This was the value placed on it, and therefore the parcel of land in question has this value." This is how market value is arrived at, and I suggest to the minister that it is in no way accurate. I have seen land values drop drastically in the last three years, so it cannot be a yardstick for what went before.

Let me put it to the minister again. In establishing value, do I understand correctly that it is not proposed to take into consideration in this equation the productive value, and it is not proposed to take into consideration the assessed value?

• (9:10 p.m.)

Mr. Benson: Mr. Chairman, I hope the people who read this speech will also read the speech of the leader of the New Democratic Party with respect to the value of farmland.

Mr. Gleave: That is all right. In no way is the minister scaring me with those remarks.

Mr. Mahoney: The hon. member is the biggest Tory in the House.

An hon. Member: What's wrong with being a Tory?

Mr. Benson: Mr. Chairman, I should simply like to say that I disagree with my hon. friend. There are always disputes between individual taxpayers and the Department of National Revenue. If he will look at the number of cases that have gone to court over the value of farmland, he will find that over the years the number has been very small. This matter has been settled quite equitably—agreed, after argument.

I am sure that my hon. friend would argue about his farmland just as other people would argue about theirs. They will look for a low value and the Department of National Revenue will look for a higher value, and finally they will settle on something which is still below market value. There have been very few court cases in this regard. Since my hon. friend says that this is a terrible problem, will he tell me the number of court cases that have arisen in this regard?

Mr. Alexander: That does not matter. Court cases do not always show what is going on in this regard.

Mr. Gleave: Mr. Chairman, I have not the slightest idea how many of these cases have gone to court. I suspect that there are not many. Let me point this out to the minister. Not far from where I farm in my constituency, an individual came to me a couple of years ago and said, "I transferred a quarter section of land and the Department of National Revenue says that I did not transfer it at the right value. They say that land is worth much more than the value at which I transferred it." He asked me what he could do and I said I did not know but that I would talk to the people concerned.

Mr. Chairman, that man did not go to court. He paid the $500. This matter cost him $500 and, as I say, he did not go to court. And why not? Because going to court would have cost him twice $500 and the people in the department would have taken that matter so far up the line that his tongue would have been hanging out before they would have settled with him.

Mr. Mahoney: Mr. Chairman, I am sure, in view of the announced intention of the NDP government of Saskatchewan to impose succession duties, that there will be an impulse on the part of taxpayers to reach a fairly equitable value as a base value for succession duties on the one hand and as a base value for the capital gains tax on the other.

Mr. Gleave: Fine, Mr. Chairman. I am getting all the political answers from the other side of the House.

Some hon. Members: Oh, oh!

Mr. Gleave: Neither the minister nor the parliamentary secretary have proposed before this committee a fair and reasonable way of arriving at the value of land on valuation day.

An hon. Member: But you people will be imposing succession duties.

Mr. Gleave: Thank you, that is fine. However, Mr. Chairman, succession duties have not yet been introduced. They may be introduced. That is not our concern here. We must deal with our responsibilities here in the House for those people, and the minister should answer this question. When you talk about market value, you do not take into consideration the productive capacity of the land or the assessed value. The market value is the most unreliable method of arriving at the actual value of a piece of farmland.

An hon. Member: Oh, oh!

Mr. Benson: Mr. Chairman, my hon. friend is saying that the amount you can sell a piece of land for is the worst way of determining its value.

Mr. Gleave: Right.

Mr. Benson: I disagree with that. I would say that if I owned a piece of farmland, the best way of determining its value is to see what I can get for it. You do not determine value by saying what it would produce or what it might produce in future. You determine its value by what you can sell it for. That is what fair market value means.

Mr. Gleave: But, Mr. Chairman, on valuation day the value might be depressed.

Mr. Peters: I wonder what this provision will do to the empires of some hon. members opposite.

Some hon. Members: Oh, oh!

The Deputy Chairman: Order, please.

Mr. Gleave: Let me tell the minister, if he does not already know, and the parliamentary secretary—

Mr. Mahoney: The NDP had better throw that Tory out of the party.

Mr. Gleave: —that at this point in time, if you go to any real estate broker in Saskatoon and place in his hands some good farmland, some good wheat land which is in and around that area he will advise you, if he is a good real estate broker, not to offer it for sale. Under those circumstances, how would you at this point in time arrive at fair market value, since values are depressed? Three years from now values may be different, and three years ago they were quite different. I am pointing out to the committee that the fair market value determination is an unreliable method of arriving at the value on valuation day.

Mr. Benson: Mr. Chairman—

The Deputy Chairman: Order, please. Is the minister rising on a point of order?

Mr. Benson: I wish to say simply that if someone bought land four years ago and it went down to a market value below the value at which he bought the land, and if the land then increased in value, the increase up to the level of his previous cost would not be taken into account in calculating capital gains in the future.

Mr. Gleave: I suppose, Mr. Chairman, that will not resolve this question because we do not seem to be on the same wave-length.

An hon. Member: Thank goodness.

Mr. Gleave: I am trying to point out—I am very serious about this—that the method which the government is proposing to use to establish the value of farm property is altogether unreliable. I am shocked and very much concerned to hear a responsible minister say that this is a reliable method of arriving at the value of farm property. I am sure that those sitting on this side of the House who are farmers and who know how farm values can fluctuate, will be as much concerned about this as I am.

Some hon. Members: Hear, hear!

Mr. Gleave: They will be worried about the methods to be used in arriving at property values. I can only say, for goodness sake change your methods and start taking into account actual productive values and assessment values. Add something else to your equation, for goodness sake, or you will create real hardship for the farming population of Canada.

Mr. Benson: May I answer the question, Mr. Chairman? I find it rather astounding that anyone in the opposition would say that the selling price of something, or the amount that something is worth now does not represent what that particular product or article is worth.

Mr. Gleave: The minister does not know what it is worth. Nobody knows.

Mr. Benson: No matter whether you speak of a house or any other article, the market value of the article at that time is what you can get for it and what you can sell it for.

Mr. Stanfield: But the price may be depressed.

Mr. Korchinski: Mr. Chairman, I listened with interest to the remarks of the hon. member for Saskatoon-Biggar and I conclude that he is on the right track.

Mr. Mahoney: But in the wrong party.

Mr. Korchinski: Notwithstanding what the Minister of Finance has said, the value to be placed on a farm property on valuation day can in no way be considered as accurate if the proposed method is used. It will be contested and argued about, and this question will be dealt with in the courts for years to come. The minister should be prepared to concede that there is a relationship between assessed value and market value for valuation purposes. Any formula used should take advantage of such basic factors in arriving at property value. With regard to my land, one quarter section is not worth as much as the next quarter section. In no way can anyone say that one quarter section should be assessed at the same rate as another quarter section. I therefore suggest that there should be some relationship between assessed value and market value at least for valuation purposes. The assessor should consider the assessed value on valuation day.

• (9:20 p.m.)

Mr. Benson: If I might just define "fair market value"—

The Deputy Chairman: Order, please. The Chair finds it difficult to allow the minister and hon. members to follow this procedure. Unless an hon. member asks a question of the minister or the parliamentary secretary, it is best to let the hon. member complete his remarks or at least complete his point before giving an explanation. This would be more productive to the work of the committee than interjection. The normal procedure would be more useful to the committee.

Mr. Korchinski: Thank you, Mr. Chairman. I will not be long. I want to point out to the minister that unless there is a set formula there will be a great deal of litigation, argument and unnecessary expenditure which no one in this country should be expected to meet. They should not have to do this for the sake of a minister or a department that is not prepared to establish a fixed amount. In this way they would know the price when the property was sold.

It is entirely wrong to use the method used in the income tax department whereby a property is worth the same as another property in the area which has been sold. I have already stated that I have land in a section. You cannot tell me that two quarters of land in the same section are worth the same amount. There are certain factors which must be taken into consideration such as road allowances, proper drainage, proper slope, better contour and productivity. Certain land has greater productivity. The department does not know that. It simply asks the ag. rep. what he thinks. In other words, they accept the opinion of the age. rep. An individual may have a better appreciation of his land than the ag. rep., but theoretically they accept the value established by him.

I may have missed the point, but it is my understanding that the hon. member for Saskatoon-Biggar argued that it is necessary to establish a formula. That formula should be established before we get into argument, litigation and unnecessary spending. It is bad enough to be taxed later. Who wants to fight the government, with all its resources? Because people do not have the unnecessary resources, they throw in the towel. Why should anyone in this coun-

try admit that he is guilty simply because a few officials in the department suggest he is wrong? The minister should carefully consider this question and come up with a formula, rather than involve individuals in unnecessary squabbles with the department, which I am sure the department does not want. I am sure the individual will find it absolutely unnecessary.

Mr. Benson: Mr. Chairman, I find it very unusual for the hon. member to say that the government should dictate a value, with regard to farmland, which nobody can appeal. I think the use of a fair market value, which is what a willing vendor will accept from a willing purchaser, is a much better way of establishing the value of land. If the vendor thinks that the valuation is wrong, he can appeal to the courts. I am very surprised that members opposite would like us to have some dictatorial policy whereby we can say that an individual's land is worth so much and he cannot appeal it.

Mr. Korchinski: Is it other than dictatorial, the way you want to do it?

Mr. Stanfield: The problem is that prices are so depressed under your policy.

Mr. Burton: Mr. Chairman, I think the hon. member for Saskatoon-Biggar has raised a very important question with regard to the valuation of farmland. I was amazed at the answer of the minister. In a very blasé fashion he indicated we will use the same method that has been used with regard to estate taxation in establishing market value.

Mr. Benson: Fair market value.

Mr. Burton: Fair market value. The minister has not had very much contact with western Canada if he accepts that simple proposition without any qualification. He does not know what is going on; he does not know the situation; he does not know what is happening; he does not know the real problems that families in western Canada face. The minister had better wake up and find out what is going on before he does this country any greater disservice than he has in recent months.

Mr. Mahoney: Compare your speech with the speech of the leader of your party.

Mr. Burton: I know the speech of the leader of the New Democratic Party very well. I hope the member for Calgary South looks at it very carefully. If he reads it enough times, he might then have some understanding of it.

There are some deficiencies in using a fair market value as stated by the minister. What happens with respect to what he calls the fair market value—in other words, the value of land prices in the immediate neighbourhood where the particular parcel of land under consideration is located? What are some of the considerations that come into play? First, you have what I call the urban pressures, pressures of buying up land for urban purposes. If there is a capital gain involved, an arm's length transaction, a case can be made for dealing with that on a fair and square basis.

However, when that affects the value of other land which is not involved in that transaction, it is an unreal

situation. You are then forcing a farm family that is located near another parcel of land which was bought for a purpose which may not have anything to do with agriculture, to accept that valuation. In many cases, these people are forced to leave farming. They are forced out of agriculture. That has happened in the past. It will happen in the future unless the minister comes up with a different method than he has just given to the committee.

There is another fact that should be kept in mind. That is the fact of a farmer who buys a piece of land to add to his operation. He may purchase an incremental unit. He may want to add to his operation for a sound economic reason. He may be prepared to pay more for that additional land than he would be prepared to pay for his farm as a whole, an average price for his entire farm unit. That is simple economics. It makes sense. The farmer may find it worth while to pay more for a piece of land to add to his farm unit. It may make his over-all operation more economical. It may pay him to do that. That may be a perfectly sound decision on his part. On the basis of what the minister said, the higher land value for that parcel of land will affect the establishment of the fair market value for all farm units in the immediate neighbourhood. It is an unreal approach. It is not in accordance with the situation on the rural scene.

There are some alternatives to which we can turn in establishing valuation. We now have a good deal of technical and sophisticated information available on the basis of land assessment and farm management programs that are carried on in many provinces. Through these programs, and our working together with some of the provincial agencies, it will be possible to come up with a fair market evaluation for farm property on "V" day. Land prices are very often the most volatile components of the entire capital farm structure. During periods when the economy is buoyant, when prices are relatively good, there is an upward pressure on land prices. This pressure is accentuated by technological processes. Farmers are obliged to add to their farm units in order to make their operations economic, since in many cases they are bound to employ large machines for which they have to pay high prices. Then, when there is a turndown in the farm economy, such as we have experienced in recent years, land prices decline. A farmer is often locked in. He has a good deal of capital tied up in machinery upon which he is bound to make sizeable payments.

• (9:30 p.m.)

Then, again, he is possibly making payments on the land he holds and he often finds difficulty in meeting demands for such payments. The difficulties in recent years have been pretty serious. The current index of farm prices in Saskatchewan is about 90 per cent of the 1961 level, according to figures put out by Canada Statistics. During this phase of the economic cycle on the farm scene, land is undervalued, in some cases. This could be of serious consequence to farmers since they can assume valuation day will be either in a few months in the future or in the past, depending on what date is to be announced by the government. The government is ignoring these factors entirely in the approach it is taking. There needs to be a total review of this legislation if it is not to contribute further to the decline in Canada's farm economy.

Mr. Benson: If I might make a comment, I would suggest to the hon. member's farmer friends in Saskatchewan that on valuation day, whenever it may occur, they should jot down the value of their farms as compared with the price at which other farms are selling on that date, and file it away. But make sure that the valuation is a fair one, because if they value it too high, and die, their successors will have to worry about Saskatchewan succession duties.

Mr. Burton: I can assure the Minister of Finance that the farmers of Saskatchewan have a great deal less to worry about with regard to possible succession duties than about any legislation to be brought in by the Minister of Finance.

Mr. Benson: No, Sir, not over the capital gains tax.

Mr. Lambert (Edmonton West): Mr. Chairman, earlier this evening I intimated I wished to make a comparison between the proposals contained in the white paper and the report of the finance committee last October. It is strange that few, if any, members from the government side who sat on the committee have taken part in this debate to draw attention to places in which the bill before us varies from the recommendations in the committee report or, if they accepted the report, to what degree they disagree with the proposals in Bill C-259.

It is obvious to me that a muzzle has been imposed on members opposite with regard to these things, because it is patently strange that a number of government supporters sat through months and months of hearings on the white paper, together with members on this side of the House, and then with regard to certain proposals—and even those which have been watered down—those members, in various localities, and I must say that some of the protestations seemed, in the phrase used by the parliamentary secretary, to be home cooking for local consumption, stated they would voice loud and clear their objections to some of these proposals—

Mr. Mahoney: On a point of order, Mr. Chairman, since the hon. member for Edmonton West was the only opposition member of any party who sat on the meetings of the finance committee long enough to vote on the report, his pride and pomposity in this area are understandable. But the point is that members on this side of the House have participated in this debate throughout.

Mr. Stanfield: Mr. Chairman, if the parliamentary secretary and the minister are going to set such a poor example to this committee, interrupting speakers on phony points of order, I think they have a very heavy responsibility to discharge. I call upon the parliamentary secretary and the minister, while he is here, to comply with the rules of this House.

Some hon. Members: Hear, hear!

Mr. Mahoney: If I might finish my point of order, Mr. Chairman—

The Deputy Chairman: Order. The Chair must point out to the hon. member that his point was not a point of order. Although the proceedings in committee are not as strict as they are in the House, hon. members should not take advantage of points of order as a means of entering into debate.

Mr. Mahoney: I was just coming to the conclusion of my point of order.

The Deputy Chairman: Order. I cannot accept the premise of the parliamentary secretary's observation. If he wishes to raise another point of order I am ready to let him have the floor, but I do not think the point he has just made is anything more than a point of debate.

Mr. Mahoney: On another point of order, then, I can only suggest that it is understandable that members on this side should not feel it necessary to speak in this debate on every subject since more than one of them participated in the decisions of the finance committee.

The Deputy Chairman: I want to be fair to all hon. members but I should say that in my opinion the committee has nothing to gain by discussing the participation or non-participation of hon. members in the work of the committee. I do not think we shall make very much progress in that way. Besides, I do not think such remarks can be relevant to the sections which are before the committee.

Mr. Stanfield: I am not calling for any disciplinary action, Mr. Chairman.

Some hon. Members: Oh!

Mr. Stanfield: However, I would point out to you that the parliamentary secretary, who is presumably responsible at the moment for piloting this bill through the House, has just defied your ruling. When you ruled he did not have a proper point of order he persisted in rising, and when you insisted he could not continue it he tried to create another phony point of order. I simply say, in all sincerity, Mr. Chairman—

An hon. Member: Sit down.

Mr. Stanfield: I will sit down when the Chair asks me to sit down.

Mr. Benson: The Chairman is on his feet.

• (9:40 p.m.)

The Deputy Chairman: Order, please. Again I ask the co-operation of hon. members. I do not think there is much to be gained by pursuing the point that has been the centre of discussion up to now. I suggest the hon. member should return to the sections under consideration by the committee. I am grateful to all hon. members who want to help the Chair at this time, but I think the best solution to the problem is to come back to the sections under study. Therefore, I would invite the hon. member for Edmonton West to complete his remarks.

Mr. MacInnis: A point of order, Mr. Chairman.

The Deputy Chairman: Order. The hon. member for Cape Breton-East Richmond is rising on a point of order.

Mr. MacInnis: Mr. Chairman, my point of order will be very brief. I would ask the Chair for a ruling whether it is proper for a member of this House, particularly the hon.

member for Calgary South, to reflect on the voting record of any other member of the House, as the hon. member did in his point of order. I would ask the Chair to rule him out of order in this respect.

Mr. Mahoney: On the same point of order, Mr. Chairman, I would remind the hon. member that I referred to participation, not voting.

Mr. MacInnis: I think the blues will show that the hon. member referred to the voting record. But whether he did or not does not matter; he cannot reflect on the action of any member of the committee.

The Deputy Chairman: Order. The Chair is aware of the rules and practice of this House according to which hon. members are not supposed to reflect on on other hon. members. I do not think any such reflection has been made. I have already invited the hon. member for Edmonton West to complete his remarks, and I urge the committee to give him the chance to do so.

[*Translation*]

The hon. member for St. Boniface on a question of privilege.

[*English*]

Mr. Guay (St. Boniface): Mr. Chairman, I should like to ask the Leader of the Official Opposition how many times he has attended the meetings of the committee to which he refers.

[*Translation*]

The Deputy Chairman: Order. I must point out to the hon. member that the point he has raised is certainly not a question of privilege. I would ask hon. members to co-operate as much as possible with the Chair to allow the useful work of the committee to progress.

The hon. member for Edmonton West.

[*English*]

Mr. Lambert (Edmonton West): Mr. Chairman, I hope the parliamentary secretary will delve into his little green book and learn what constitutes a point of order. I am not afraid of him in debate, but I should like to make my argument on this particular point and not be interrupted by phony points of order and references to votes by platooning members who had nothing to do with the committee beforehand. I know whereof I speak in that regard.

In any event, I do want to indicate what the committee had to say about capital gains. After all, we spent a good deal of time on this particular point, and this is the only public forum where we can make reference to the deliberations of the committee. In regard to the question of capital gains, the committee made this general recommendation:

> As a general rule we recommend that one-half of capital gains should be taken into income. One-half of capital losses should also be taken into account, and be deductible without limit from the taxable half of capital gains realized in the same year.

This we have done generally.

> If in that year the deductible capital losses exceeded taxable capital gains, an additional $1,000 of deductible losses should be deductible from other income.

This we have done, but how far is it removed from the original white paper that was being sold to the country as an extremely reasonable and safe proposition?

> Where gains on the sale of an asset are fully taxable, as in the exceptions previously alluded to (mineral and timber rights, goodwill, leasehold interests and depreciable assets written off for tax purposes over a very short period of time) losses would be fully deductible.

I could go on to talk about the principal residence, but generally there is to a limited extent compliance with the recommendation of the committee. I say to a limited extent because there are some restrictions regarding ownership of a principal residence and the period of occupancy. If it is occupied only part of the time, then any capital gain is allotted between the period of residence and the period it is a revenue property.

The Deputy Chairman: Order, please. Again I ask the co-operation of hon. members. It is very difficult for the Chair to hear what the hon. member for Edmonton West has to say, and I am sure other members have the same problem. With all due respect, I think he should be given a chance to complete his remarks. Although we are getting close to ten o'clock I think the committee wants to hear what the hon. member has to say.

Mr. Lambert (Edmonton West): Mr. Chairman, I want to finish on this point about principal residence which we will deal with when we come to the sections concerned. The point is not free from difficulty. Particularly in the case of farmland there is the question of the allocation of any so-called capital gain when there has been a forced realization, such as expropriation of the property.

While on the subject of farmlands, I think the minister left the question of valuation in a quite unsatisfactory position. The options that are open to a farmer require a valuation one way or the other, it does not matter which. If he is going to claim an exemption on the disposition of the property for the principal residence and one acre of land, or perhaps a little more, according to the amount required for the proper enjoyment of the property, there still has to be a valuation of the farm and of the residence. If, on the other hand, he wishes to avail himself of the $1,000 a year allowance for the period he the taxpayer has occupied the farm, then a valuation must still be made at the beginning in order to enable him to determine which option to take.

There is one glaring deficiency in this $1,000 a year provision which I pointed out this afternoon. I hope the minister will explain to the committee why this arbitrary amount of $1,000 a year was fixed, because it applies to the 80-acre farm as much as to the 2,500-acre farm. The larger and more valuable farms, for example in western Canada, will be penalized under this formula. Quite frankly, a lot of the answers given the hon. member for Saskatoon-Biggar and the hon. member for Mackenzie are derived from a strictly urban-oriented philosophy with no understanding whatever of rural problems.

• (9:50 p.m.)

The advisers to the minister in this regard have what the hon. member for Crowfoot has said is tunnel vision in respect of this problem. They just cannot see some of the values from an urban point of view as compared with the view of the majority of members of this House who are urban oriented. They just do not have a clue, yet they

impose their version and thinking in respect of this type of proposal.

The proposal of capital gains realization on death in respect of a farm without a true rollover is, frankly, designed to discourage the continuation of the family farm. If there is a capital gains tax this will occasion the sale of the assets unless there has been an insurance policy to cover the cost of capital gains by providing liquid capital. There will have to be an undertaking of some obligation such as a mortgage to raise cash, or there will have to be a sale to provide the equity. In any event, there is a great shortage of capital on the part of farmers.

This is the point we are trying to impress, but this is the point that cannot be seen by hon. members with urban-oriented thinking. This is best illustrated by the attitude of the NDP. The urban wing of that party insists that farmland shall go through the same grist mill for the purpose of capital gains tax. I am surprised that government supporters from western Canada accept the idea that farmlands must go through a capital gains tax mill. It is inconceivable to me that they should support this. That is why I want them to put their courage in their mouths.

I could point the finger at individual members who have been pretty loud in their condemnation of these matters when talking to farm representations and farm organizations in western Canada. They took an entirely different attitude then. I challenge them now to stand up and justify putting farmlands which are to be continued as family farms in the same position. We are not talking about farms that change hands for real estate development; we are talking about the continuation of a farm.

Members opposite representing western constituencies have a lot of farming corporations in their areas. This is not a case of an absentee owner or a corporation using eastern or foreign capital. In some cases a progressive and advanced farmer will incorporate because his operation is better suited for incorporation. There is no provision for the principal residence on such a farm owned by a farming corporation which would allow him to escape the capital gains tax. There is no advantage there. The same privilege is not extended to the owners of a farming corporation although they are the farmers on the land. Often it is better for a father and son to incorporate than to form a partnership, but the capital gains exemption does not apply in such cases. Neither the $1,000 nor the principal residence provision applies in those cases.

I suggest that this is another result of urban-oriented thinking. A great deal has been said about members on this side regarding valuation. The minister has said that we should get a realistic valuation for the purpose of capital gains tax. We must consider the spectre of succession duties, and I pointed this out the other day. In many ways this is an abomination in this country, whether it is a provincial or a federal succession duty. In many instances this has been responsible for foreign ownership. It has caused many Canadians to prematurely dispose of family businesses. Where is the capital that is available to take up these opportunities? I suggest the available capital is foreign. In the province of Quebec this has been fantastic for years and it is fantastic today. This is the reason family businesses have been sold to strangers, whether they are from the United States or elsewhere. All you have to do is talk to the investment counsellor. They have lists the length of your arm of businesses available simply because of the heavy succession duty looming on the horizon.

It is incomprehensible to me that we should gloat with self-satisfaction because the federal government is taking away the estate tax. Why is it taking it off? There is already in existence a succession duty. What you pay to the province you can get credit for from the federal government, or vice versa, keeping in mind succession duty taxes in the provinces and the estate tax in the federal government.

May I call it ten o'clock, Mr. Chairman?

Progress reported.

• (10:00 p.m.)

[*Translation*]

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 is deemed to have been moved.

AIR CANADA—REQUEST FOR DC-9 SERVICE IN ROUYN-NORANDA AREA

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I regret the absence of the hon. Minister of Transport (Mr. Jamieson) since I was just directing a question to him a few days ago, concerning Air Canada service in northwestern Quebec. What I actually asked was whether it would be possible to replace the Viscount planes by DC-9 aircraft for the service to Val-d'Or, Rouyn, Earlton, North Bay and Toronto from Montreal-Ottawa.

Mr. Speaker, for three years I have been calling for improved Air Canada service. For three years also, petitions have been submitted and recommendations presented to Air Canada by our regional municipal authorities without any substantial improvement having been made to the service.

It is true that an evening service has been established between Montreal and Val d'Or—Rouyn, with a return flight the same evening. But the morning flight, from Montreal to Ottawa, Val-d'Or, Rouyn, Earlton, North Bay and Toronto does not generate sufficient interest from Air Canada. In fact, I have personally found out that at the Ottawa airport, local bureaucrats use the morning flight on their way back from Montreal, whereas people from Rouyn, Val-d'Or or Earlton are invited to remain on the ramp in Montreal because, they say, there is not enough room aboard the aircraft to take them to northwestern Quebec.

Mr. Speaker, I find this situation altogether unbearable, and if the present Viscount service cannot accommodate all passengers who want to fly to northwestern Quebec, I wonder why these Viscounts are not being replaced with DC-9 aircraft.

I have been told, by Air Canada as well as by Department of Transport officials, that the runways in Val-d'Or, Rouyn, Earlton, North Bay and Toronto are capable of accommodating DC-9 aircraft.

For several months now, I have been receiving complaints day after day, from citizens in my area who are left behind at the Montreal airport and who cannot board the plane to Ottawa because other passengers travelling on the morning flight from Montreal to Ottawa are taking the place of those who wish to travel to my area.

The situation is the same on the Rouyn-Val d'Or-Ottawa-Montreal route. People from my riding have to transfer from one plane to another in Ottawa in order to get to Montreal, because civil servants get on Flights 391 or 390, from Ottawa to Montreal, a 125-mile jaunt, using up the space required for travellers coming from 300 or 400 miles away.

Mr. Speaker, I have pointed out this situation to the Minister of Transport. I made representations to Air Canada, but it seems they do not understand the situation. When we leave Montreal for the North, going through Ottawa in the morning, civil servants could use another flight leaving 20 or 25 minutes later. But no! We take the plane for Val d'Or and Rouyn, and then Air Canada employees tell us the service is not profitable.

On the flight servicing Montreal-Ottawa, Val d'Or, Rouyn, Earlton, North Bay and Toronto the plane is empty from Ottawa on. Obviously, that service is not profitable.

So, I ask the Minister of Transport to tell the bureaucrats in Ottawa to take another plane for Montreal and to leave us in peace on the flights to northwestern Quebec and northeastern Ontario.

Mr. Speaker, that is why I put a question to the minister the other day. More and more people travel by air. So the Viscount should be replaced by a DC-9, thus allowing twice as many passengers to travel between Montreal and my district.

This is no extraordinary request; it makes sense. It is nonsense to take people from Montreal, bring them to Ottawa so that they will get to Toronto on an empty airplane. Those who travel between Montreal and Ottawa should board a plane other than the one that serves northwestern Quebec.

I am told the landing strips in my area are in accordance with aviation standards and can accommodate DC-9's. There are enough passengers, particularly since discussions have started on the famous James Bay project, to justify the use of a DC-9 instead of a Viscount. I would like the Minister of Transport who, to my regret, is not in the House tonight, to consider this request so that my fellow citizens may benefit by a better air transport service.

[*English*]

Mr. Allen B. Sulatycky (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, in the absence of the Parliamentary Secretary to the Minister of Transport (Mr. Duquet) I am pleased to be able to reply briefly to the hon. member for Témiscamingue (Mr. Caouette). While I can reply to most of his question, it seems to me that in part at least the problems are those of reservations being made and not being made, more than problems of facilities and of aircraft provided by Air Canada or the Department of Transport.

The hon. member's question to the minister on November 9 asked for an improvement in Air Canada's service to Rouyn-Noranda and that DC-9 aircraft be considered. Both of those matters are being studied. The Department of Transport and Air Canada are very much aware of the change in demand in traffic flows to different parts of Quebec and Canada and there is continuous review by experts as to future requirements. Air Canada have just recently completed a study of passenger traffic to points in northwestern Quebec, the results of which indicated that the occupancy rate on most days was about 75 per cent. There was a problem on Fridays when the demand was greatest. However, this problem has been overcome by adding an additional aircraft.

I have a letter which fully explains the efforts which have been made and are being made to ensure good service to the hon. member's constituency. Since it is a little lengthy, I will not read it now but I will see that a copy is given to him; and I will bring to the attention of the Minister of Transport a number of additional points raised by the hon. member this evening.

GRAIN—WHEAT—STATEMENT BY MINISTER OF SUPPLY AND SERVICES ON NECESSITY OF TWO-PRICE SYSTEM—GOVERNMENT POLICY

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, on November 4 I posed a question to the Prime Minister (Mr. Trudeau). I asked him whether the Minister of Supply and Services (Mr. Richardson) was "stating government policy earlier this week in Assiniboia when he said a two-price system for wheat was now necessary, with a minimum price of $3 a bushel for wheat sold domestically in Canada."

At that time the Prime Minister said he did not understand what the minister was quoted as having said but he would look at it in *Hansard*, see what was said and then answer the question as to whether it was government policy. After the result of the by-election in Assiniboia the government may be convinced that this should be government policy. I hope that the Parliamentary Secretary to the Prime Minister (Mr. Danson) will look at the suggestion in a very favourable light when he replies.

The question of a two-price system for wheat has been debated for many years on the Prairies. For as long, and perhaps longer than I can remember, most of the major farm organizations have called for a two-price system. The Liberal Party itself while in government and in opposition at various times promised a two-price system for grain. I have here press clippings which demonstrate that in May, 1969, the Minister of Agriculture (Mr. Olson) said that a two-price system for grain was something that he supported in principle. I have another quoting a statement by the minister in charge of the Wheat Board when fighting in Cabinet for a two-price system for wheat. That press clipping, of January 19, 1971, reads:

• (10:10 p.m.)

The federal cabinet has rejected for the time being a proposal that a two-price system for wheat be introduced to help the western grain farmer with his income problems.

Otto Lang, the minister responsible for the Canadian Wheat Board, made the recommendation himself to cabinet about two months ago when the government was discussing the final details of his new grains stabilization policy, though he declines to acknowledge this.

It is well know that the party on the other side of the House has for many years advocated a two-price system for wheat which would pay for the first quality of grain a price substantially more than the farmer receives from sales on the international market. What I am asking tonight is whether the Minister of Supply and Services was stating government policy when he said in Assiniboia recently that we should have a two-price system for wheat with a minimum of $3 per bushel for the first 1,000 bushels sold. I think we need this, Mr. Speaker, and we need it soon if we are to keep as many farmers as possible on the land.

As things stand today, the farmer is subsidizing the consumer of bread in Canada. Other countries of the world subsidize or support the price of grain and the Canadian farmer competes not only against those wheat farmers but against the treasuries of their countries. The wheat farmer in Canada is at a distinct disadvantage. He is probably getting less today for a bushel of wheat than in 1949. We know that costs have gone up. But what has happened to the farmer? The price of a bushel of grain has gone down, despite the fact that his costs have skyrocketed.

These things that are inequitable will have to be changed if we are to preserve the rural way of life which is such an important part of the fabric of Canada. It can be done. I do not want to underemphasize the importance of this question. All the major farm organizations have called for a two-price system of grain. The $3 per bushel for the first 1,000 bushels would in most cases guarantee a farmer a basic income of $3,000 a year. After that he would receive whatever the international market paid, and today, as we all know, that is substantially less than $3 per bushel. If we do not achieve this we will be faced with the farmers moving off the land faster and faster every year. The task force on agriculture suggests that the government should become less involved and that farms become larger and more efficient. I do not want to see this happen because I think the farmer is efficient.

There is a real social value to the family farm, and the only way to preserve it is to help the average, small farmer by way of income. An equitable way of doing that is the two-price system for grain. If this is not done, the family farm will disappear and the small towns and cities may go with it. The choice may be basically a social one, but it is important that we spend money to help the farmer. This is what the farmer wants instead of the stabilization bill. It is one of the changes he wanted made in that bill. All of us realize that we must do something like this if we are to help the farmer.

I hope the minister will tell us what is government policy. I hope the congenial parliamentary secretary will say that within a short time we will have a two-price system for wheat and that the farmer will receive at least $3 per bushel for the first 1,000 bushels.

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): I thank the hon. member for Yorkton-Melville (Mr. Nystrom) for referring to me as congenial. I refer to him as the congenital socialist from Yorkton-Melville. I think he will agree after the first flush of victory it is regrettable that Jim Hooker was not returned to the government side of the House so that there would be a voice for the western farmer to replace that so tragically lost by the sad death of the beloved Ab Douglas.

The minister's remarks were extemporaneous in Assiniboia and were confined to discussing the merits of the two-price system for wheat from a western viewpoint. He also pointed out at that time that there were other factors which would have to be considered before government policy on this subject could be finally determined.

HARBOURS—PICTOU, NOVA SCOTIA—IMPLEMENTATION OF PLANS FOR IMPROVED FACILITIES

Mr. Elmer M. MacKay (Central Nova): Mr. Speaker, on November 9 I raised a question with the Minister of Transport (Mr. Jamieson) concerning wharf facilities and other installations at the town of Pictou, Nova Scotia. At that time the minister answered that he had been to Pictou, had seen the particular problem referred to and would send me a report. In all fairness, the minister has not had time to do this. However, he was good enough to give me some information on the day the question was asked.

Tonight I want to put on record some of the particular questions I wish dealt with. I also want to acquaint the minister, through the hon. member for Rocky Mountain (Mr. Sulatycky), of some of the submissions made by notable persons and organizations in the town of Pictou and in the county of Pictou. It is readily apparent that the general area of Pictou county is undergoing an expansionary phase. We have several important industries adjacent to the town of Pictou and it is fair to say that Pictou will be a focal point in a rapidly expanding industrial area. At least, that is what we all hope for in that part of the country.

Although responsible officials of the town of Pictou and the county of Pictou are encouraged by the work being done by the Department of Transport in operating ferry facilities at Caribou, which is near Pictou, there is a feeling amount responsible persons and industrialists there that possibly the department should concentrate more on upgrading the wharf facilities and installations in the town itself—that is, in the port of Pictou—instead of spending a great deal of money in the outlying area of Caribou where there are certain physical obstacles which prevent the running of a satisfactory, modern ferry service. In other words, some felt when the announcement was made that it would be better to phase out the Caribou-Wood Island run and replace it with a more modern Pictou to Charlottetown run, using a more modern vessel of the type that is used on the Tormentine-Borden crossing or of the *Bluenose* type that is used at Yarmouth.

It has been said by the Board of Trade, by the mayor and town council of Pictou, by the Pictou county planning commission and by others that there is much to be said for implementing now the kind of plant and what improvements that have been, I suggest with deference, overdue for some time. I am told that the Caribou terminal suffers from difficult night navigating conditions. There is shallow water, a windy channel and somewhat short docks. So difficult are these conditions that on occasions it has been necessary to cancel runs because of wind and water conditions. A minor modification of present docking facilities in the port of Pictou would accommo-

date larger and more modern vessels. Certainly, there are far better parking facilities and better conditions generally to accommodate the type of tourist traffic that results from better facilities than there are at present in the Caribou area.

I should like to read into the record part of a short statement made in the spring of this year by Mayor Clarence MacCarthy:

• (10:20 p.m.)

The town council of the town of Pictou has gone on record as being in full support of the proposals of the Pictou Chamber of Commerce respecting the following:

(1) The extension of the present seawall to pier "C".

(2) The construction of a new pier with a spur line railroad and warehouse facilities—as well as ample open dock facilities.

The town council is in full agreement that the above mentioned facilities should be provided at the earliest possible date.

It has been well over ten years since the serious fire destroyed much of the harbour installations at Pictou. Immediately after the fire a three-phase, long-range plan was prepared. It was a reconstruction program for this port. Despite the implementation of phase 1 and phase 2, the town of Pictou still suffers from lack of wharf space. There have been a great many suggestions during the past few years. At the present time, other than the limited dock space at Ferguson Industries the only modern pier available is the existing concrete seawall and what is known as pier "C".

I urge the department to immediately implement the third phase of the original plan and extend the existing concrete seawall to the present pier "C". Recently, vessels have had to berth three and four abreast. The lack of space has resulted in difficulties to Ferguson Industries. At present, this firm is building a new ferry. This demand on their facilities has resulted in their having to turn down other jobs because there is not enough wharf space. With the present unemployment problem plaguing Pictou, as it is most areas of this country, it seems a shame that these conditions are allowed to exist. When ships are being loaded or unloaded around pier "C", the wharf is blocked to traffic on and off the pier, especially when railway cars are on the spurline.

A few moments ago I had an opportunity to give the hon. member for Rocky Mountain, who is representing the Minister of Transport (Mr. Jamieson) this evening, some material which was given to me. It illustrates some of the recommendations from responsible persons and groups in the Pictou county area. I will not read these into the record but perhaps a couple of excerpts might be appropriate. The Pictou Board of Trade, in a brief submitted to the Department of Transport this year, stated that it is imperative that the Pictou port be upgraded.

As I already mentioned, there is a great need for additional wharf space. There is a rock ledge which apparently hampers certain types of vessels coming into the port of Pictou. I am informed that this is a fairly narrow ledge and could be removed by blasting. It would do a great deal to improve the conditions as far as deep sea fishing is concerned. I urge the Department of Transport, if this has not already been done, to undertake studies to determine the cost and feasibility of removing this particular obstacle.

The Acting Speaker (Mr. Laniel): Order, please. I regret having to interrupt the hon. member, but the time allotted to him has expired.

Mr. Allen B. Sulatycky (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, on behalf of the Minister of Transport (Mr. Jamieson) I would like to reply to the question posed by the hon. member for Central Nova (Mr. MacKay). As one who spent some time in that delightful part of the country this summer I can understand his concern for the area. It is both understandable and commendable.

The matter of port planning, as we are all aware, is very much in the mind of the minister since the announcement of his ports policy some time ago. In the case of port facilities at Pictou, the changing demands by industrial and local users are known to the minister as a result of his recent visit to that area. I can assure the hon. member that every consideration will be given to representations which are received from the municipality and interested local groups.

As is the case with most planning, there is need for consensus at the local level as to exactly what course ought to be followed. I acknowledge receiving from the hon. member of a number of documents reflecting representations made and the position taken by people in Pictou on this subject, and I undertake to pass them on to the minister who I am sure will be very interested in them and will wish to study them before he makes a final decision.

Motion agreed to and the House adjourned at 10.28 p.m.

HOUSE OF COMMONS

Tuesday, November 16, 1971

The House met at 2 p.m.

PRIVILEGE

MR. LEWIS—ALLEGED MISLEADING ANSWERS BY ACTING PRIME MINISTER CONCERNING DECISION ON FOREIGN OWNERSHIP POLICY

Mr. David Lewis (York South): Mr. Speaker, I rise on a question of privilege of which I have given Your Honour notice. The question of privilege is directed to the Acting Prime Minister and the conflict between statements which he made to the House yesterday and revelations in a document purporting to be a cabinet memorandum published in today's Montreal *Gazette*.

The Acting Prime Minister was asked a number of questions yesterday relating not only to the report published in *The Canadian Forum* but also, in one question asked by the Leader of the Opposition, specifically to the question of whether or not there was a cabinet document stating that the main policy approach to the issue of foreign ownership should be the creation of a screening agency. In answering that specific question the Acting Prime Minister said that he was prevented by his oath of office from disclosing what had happened in cabinet. However, all through his answers to questions yesterday he created the impression, and obviously intended deliberately to create it, that no decision had been made by the government and that the government was still in the process of making decisions on the question of foreign ownership and the various aspects of policy that might deal with that subject. Indeed, according to the story in the Montreal *Gazette* he was asked about this matter when he left the House. The report in that newspaper says:

> . . . Sharp was asked if he was denying that any part of the report in the Canadian Forum was in any way government policy.

He is reported as having answered, "Yes. We have taken no decisions yet."

Throughout the question period yesterday and in his comments outside the House the Acting Prime Minister sought to leave the impression that the government had made no decisions. If that is so, Mr. Speaker, then the article in the Montreal *Gazette* of this morning must be a forgery of some sort because the article in the *Gazette* claims to be an actual reproduction—it is all in quotes right through—of a cabinet document. At the end, D. J. Leach, superintendent of cabinet documents, is shown as the signatory of the document published in the Montreal *Gazette*. This is stated to be the actual document, the minute of cabinet. In paragraph (a) of the document the following statement appears:

> The cabinet agreed in principle that the main policy approach to the issue of foreign ownership should be the creation of a screening mechanism that would cover foreign takeovers of Canadian firms doing business in Canada and that the further extent and scope of the functions of a screening mechanism would be examined in full cabinet at an early September meeting.

• (2:10 p.m.)

I am not one who would suggest that every discussion in cabinet in the process of making decisions ought to be made public. I fully appreciate that under our system cabinet discussions, until a decision is reached, might well be kept to the cabinet for obvious reasons. However, that does not give a member of the cabinet, particularly when he is Acting Prime Minister, the right or discretion to make statements that mislead the House and the people of Canada.

Some hon. Members: Hear, hear!

Mr. Lewis: If the Acting Prime Minister had said "I will make no comment on this", "I will not deal with the matter because it is before cabinet" or had made any such statement of that sort, one could appreciate that. Indeed, his answer to the Leader of the Opposition was that he could not say what happened in cabinet because of his oath as a member of the cabinet. Whether one agrees or not with the attempt to keep it secret is a matter to which I will come in a moment. However, when the Acting Prime Minister goes out of his way to suggest to Parliament and the people of Canada that the cabinet has not reached a decision, he is misleading the House and the people of Canada and we, as Members of Parliament, have a legitimate point of privilege against that kind of answer.

Some hon. Members: Hear, hear!

Mr. Lewis: I want to emphasize for Your Honour the distinction I am trying to draw. I wish Your Honour could persuade some of the donkeys to stop braying. I want to emphasize the distinction I am trying to make. I do not say that the Acting Prime Minister, the Minister of National Revenue (Mr. Gray) or anyone else was under any obligation to tell Parliament or the people of Canada what decision has been made and what decision has not been made until such time as the government is ready to announce its decision or decisions. However, when the Acting Prime Minister knows, and he could not have helped but know, that as long ago as July 29 a decision was in fact made by cabinet, he has no right, without violating every sense of privilege of Parliament and, indeed, every sense of democracy—

Some hon. Members: Order.

Mr. Lewis: —to try to convey the impression that no decision has been made by cabinet, which is exactly what he did yesterday. I question the secrecy about some matters that the government refuses to disclose, and one may question what this government is about when, despite its numerous protestations of participation and so on, it refuses to give the Canadian people basic information

that is essential to the discussion of a very important subject, but that we will deal with in another situation.

I say that the Acting Prime Minister misled this House and the people of Canada yesterday by statements in the House and by a statement he made outside the House. In my humble view, that is a clear point of privilege, a violation of the privileges of members of this House. If Your Honour recognizes that there is a prima facie case of privilege, I will be pleased to move the following motion:

That the discrepancies between the statements made to this House by the Acting Prime Minister in answer to questions addressed to him on Monday, November 15, and the contents of a Privy Council document published in The Gazette of Montreal on Tuesday, November 16, be referred to the Standing Committee on Privileges and Elections.

Some hon. Members: Hear, hear!

Some hon. Members: Resign.

Mr. Speaker: Order. The hon. member for York South has given notice of his intention to raise this matter by way of a question of privilege. The matter is one of some importance and perhaps some complexity. Unfortunately, because of special circumstances, the Chair has not had an opportunity to look into the precedents to the extent to which I would have liked, and rather than reach a decision which would not be founded upon the proper authorities, I would ask the hon. member's co-operation in allowing the Chair to hold the matter in abeyance for a few hours so that I might have an opportunity, later in the afternoon, to consider all the facts, to consider the hon. member's statement, in particular, and give a ruling later in the afternoon.

* * *

ROUTINE PROCEEDINGS

GOVERNMENT ADMINISTRATION

ALLEGED BREAKDOWN OF CABINET SECURITY—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I am seeking the unanimous consent of the House to make a motion under Standing Order 43. The special and urgent circumstances involved would appear to be the complete breakdown of government cabinet security involving the publication in *The Canadian Forum* of the Gray Report, the publication in the Montreal *Gazette* today of what purports to be a cabinet document, and the publication in the Toronto *Sun* today of a story dealing with the refusal of the Prime Minister to allow the Minister of Manpower and Immigration to bring into the House of Commons the amendments to the Immigration Act which have been approved by the appropriate cabinet committee.

I would therefore move, if unanimous consent is given:

That a special committee of this House consisting of six members who support the government and six members of opposition parties be established for the purpose of reviewing, considering and reporting on the chaotic situation which exists as a result of the publication of cabinet documents provided by unauthorized persons and that such committee have the power to send for persons, papers and records and to consider and report on the right of the public to be informed and the extent to which the government may restrict that right.

[Mr. Lewis.]

Some hon. Members: Hear, hear!

Mr. Speaker: The hon. member's motion proposed under the terms of Standing Order 43, requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Yes.

Some hon. Members: No.

Mr. Speaker: There is no unanimous consent.

Mr. Baldwin: Shame.

Some hon. Members: Oh, oh!

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

FOREIGN OWNERSHIP—PUBLICATION OF CABINET DOCUMENT BY MONTREAL "GAZETTE"—INVESTIGATION OF SECURITY BREACH

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I have a question for the Acting Prime Minister. Yesterday I asked the hon. gentleman whether a certain cabinet document existed. He told me then he was unable to give an answer relating to confidential cabinet information. In view of the publication in the Montreal *Gazette* today of what purports to be a cabinet document, a sentence from which I quoted yesterday, I should like to ask the hon. gentleman whether, in fact, the purported cabinet document published exists?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the government takes a very serious view—

Some hon. Members: Oh, oh!

Mr. Sharp: —of this incident and it is clear that a member of the press, or members of the press, have gained access to a confidential cabinet document. I am glad to see, from the motion put forward by the hon. member for Peace River, that he also considers it to be a serious business. Perhaps hon. members behind him do not but he does and we do. This matter involves a serious breach of security. I should add that the report that appears in the Montreal *Gazette* is not completely accurate. It contains discrepancies. One to which I draw particular attention is the use of the phrase "the Gray report". This is not a quotation from the cabinet document.

• (2:20 p.m.)

Mr. Stanfield: I have a supplementary question arising from the statement of the Acting Prime Minister that he views this as a very serious breach of cabinet security. I would ask the hon. gentleman whether an investigation has been launched, what is the method of investigation

that the government has chosen, and whether the hon. gentleman can report to the House today any results of that investigation?

Mr. Sharp: Mr. Speaker, because the government takes this matter seriously an investigation was launched immediately the report was heard on the radio this morning—

An hon. Member: Which report?

Mr. Sharp: —and we read the report that appeared in the *Gazette* this morning. The procedure ordinarily followed is being followed here, namely, that of departmental and interdepartmental inquiries. If necessary, the matter will be put into the hands of the police.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

Mr. Stanfield: The Acting Prime Minister has just stated that an investigation was launched this morning. If he takes this matter so seriously I should like to ask him why an investigation was not launched last Saturday when an excerpt from what purported to be a cabinet document, which was reported in the press of this country to be a confidential cabinet document, was published? If the hon. gentleman takes this matter seriously, has he any explanation why an investigation was not launched when it first became apparent that there was in fact a serious breach of cabinet security?

Mr. Sharp: Mr. Speaker, I gathered from the question that was put to me yesterday by the Leader of the Opposition that he had had access to some documents of which I was not aware at that time. I now find that there appeared in one newspaper on Saturday, one that I had not seen and that the Prime Minister had not seen, what purported to be an extract from a cabinet document. If at that time we had realized that the document had been revealed, then the inquiry would have been launched immediately. One was launched as soon as there was some evidence that there had been a breach of cabinet security.

Mr. Stanfield: Mr. Speaker, is the hon. gentleman saying that no member of the cabinet or of the staff of the Prime Minister's office or any of the large number of officials retained to advise the Prime Minister were aware on Saturday that this quotation from what purported to be a confidential cabinet document had been published in the press? Will the hon. gentleman say to me, through you, sir, that neither he nor the Prime Minister of this country was advised that this publication did in fact take place on Saturday last?

Mr. Sharp: Mr. Speaker, the Leader of the Opposition seems to have been better informed about cabinet leaks than I was. The first news I had of this cabinet leak was this morning when I listened to the radio and then read that what purported to be a cabinet document, which, as I have said, has some discrepancies in it, had come into the hands of the press. Perhaps the hon. gentleman has better access to leaks from the cabinet than I have.

Mr. Speaker: Order, please. The Chair will recognize the Leader of the Opposition for the purpose of asking a supplementary question and then the hon. member for Nanaimo-Cowichan-The Islands on a supplementary.

Mr. Stanfield: Mr. Speaker, in view of the kind of answers we are getting this afternoon, pursuant to Standing Order 25 I move the adjournment of the House.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. May we have order, please. The Leader of the Opposition has not indicated whether he has a seconder for the motion.

Mr. Baldwin: I second the motion.

Mr. Speaker: Is it the pleasure of the House to adopt the said motion? All those in favour will please say yea.

Some hon. Members: Yea.

Mr. Speaker: All those opposed will please say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the nays have it.

And more than five members having risen:

Mr. Speaker: Call in the members.

The House divided on the motion (Mr. Stanfield) which was negatived on the following division:

• (2:30 p.m.)

YEAS

Messrs:

Aiken
Alexander
Alkenbrack
Asselin
Baldwin
Barnett
Beaudoin
Bell
Benjamin
Bigg
Blackburn
Broadbent
Burton
Cadieu
Carter
Coates
Code
Crouse
Danforth
Diefenbaker
Dinsdale
Dionne
Douglas
Flemming
Gauthier
Gilbert
Gleave
Godin
Grills
Gundlock
Hales
Harding
Harkness
Hees
Howe
Lambert (Bellechasse)
Lambert (Edmonton West)
Laprise
Lewis
Lundrigan
MacDonald (Egmont)
MacInnis (Cape Breton-East Richmond)
MacInnis (Mrs.)
MacKay
MacLean
Macquarrie
MacRae
McCutcheon
McGrath
McKinley
McQuaid
Mather
Matte
Mazankowski
Monteith
Muir
Murta
Nesbitt
Nielsen
Noble
Nowlan
Nystrom
Orlikow
Paproski
Peddle

Division

Messrs:

Knowles (Winnipeg North Centre)
Knowles (Norfolk-Haldimand)
Korchinski
Rowland
Ryan
Rynard
Saltsman
Scott
Simpson
Stanfield
Stewart (Marquette)
Tétrault
Thomas (Moncton)
Peters
Ricard
Ritchie
Rodrigue
Rose
Thompson (Red Deer)
Thomson (Battleford-Kindersley)
Valade
Winch
Woolliams
Yewchuk—89.

NAYS

Messrs:

Allmand
Andras
Badanai
Barrett
Basford
Béchard
Beer
Blouin
Boulanger
Breau
Buchanan
Caccia
Cafik
Chappell
Chrétien
Clermont
Comtois
Corbin
Côté (Richelieu)
Côté (Longueuil)
Crossman
Cullen
Cyr
Danson
Deachman
De Bané
Dupras
Duquet
Émard
Faulkner
Forest
Forget
Foster
Gendron
Gervais
Gibson
Gillespie
Guay (St. Boniface)
Hellyer
Hogarth
Howard (Okanagan Boundary)
Hymmen
Isabelle
Jamieson
Jerome
Kierans
Lachance
Laflamme
Laing (Vancouver South)
Lajoie
Laniel
La Salle
Leblanc (Laurier)
Lessard (Lac-Saint-Jean)
L'Heureux
Lind
Loiselle
Macdonald (Rosedale)
MacEachen
MacGuigan
Mackasey
McBride
McIlraith
Mahoney
Marceau
Marchand (Langelier)
Marchand (Kamloops-Cariboo)
O'Connell
Osler
Otto
Pelletier
Pepin
Perrault
Portelance
Prud'homme
Reid
Richard
Richardson
Robinson
Rochon
Rock
Roy (Laval)
Sharp
Smith (Northumberland-Miramichi)
Smith (Saint-Jean)
Stewart (Cochrane)
Sulatycky
Sullivan
Thomas (Maisonneuve-Rosemont)
Tolmie
Trudel
Turner (London East)
Turner (Ottawa-Carleton)
Wahn
Walker
LeBlanc (Rimouski)
Legault
Lessard (LaSalle)
Watson
Whicher
Whiting—101.

[Mr. Speaker.]

• (3:00 p.m.)

Mr. MacInnis: Mr. Speaker, I rise on a point of order. In order that we may better interpret the rules of the House, I would ask Your Honour to rule whether the vote of the hon. member for Sudbury (Mr. Jerome) ought to be considered.

Mr. Speaker: I will consider the question. It is my impression that the hon. member is alluding to the fact that the hon. member referred to may have left his seat while the vote was being taken. Of course that does not disenfranchise the hon. member. However, I suggest to hon. members that the rule is clear. Hon. members should not leave their seats while a vote is being taken. This is a matter of order and the standing order is well known to all hon. members. Is the hon. member for Yukon rising on a point of order?

Mr. Nielsen: Mr. Speaker, I rise on a point of order with respect to the rule of this House which requires the Crown to produce a document to which reference has been made in a proceeding of the House. It will be recalled that in answer to the first question of the Leader of the Opposition the Acting Prime Minister described the report in the *Gazette* as being inaccurate in at least one respect in that the words "the Gray report" were used. The Acting Prime Minister asserted, inferentially, that in the cabinet document no such reference was present.

• (3:10 p.m.)

In my submission it is a well known rule of the House that when a minister of the Crown refers to a document in a proceeding of the House the Crown is obliged to produce that document and to table it. The reasons for that rule are very apparent. I would like to cite for Your Honour's consideration the relevant paragraphs in Beauchesne's Parliamentary Rules and Forms, Fourth Edition, 1958. At page 134 the following is set forth in paragraph 3 toward the bottom of the page:

> It has been admitted that a document which has been cited ought to be laid upon the table of the House, if it can be done without injury to the public interest. The same rule, however, cannot be held to apply to private letters or memoranda.

The paragraph goes on—

An hon. Member: Read it properly.

Mr. Nielsen: If the hon. member would read the rules he might be able to follow the argument. I recommend that citation to Your Honour. I also refer Your Honour to Bourinot's Parliamentary Procedure where at page 337 the following is set forth:

> It is a parliamentary rule that when a minister of the Crown quotes a public document in the House, and founds upon it an argument or assertion, that document, if called for, ought to be produced.

The paragraph goes on:

> The rule respecting the production of public papers, quoted by a minister of the Crown, is necessary to give the House the same information he possesses, and enable it to come to a correct conclusion on a question.

The minister has unequivocally made reference to the document in question. In order for the House to come to its own assessment, that document should be produced. In Sir T. Erskine May's Parliamentary Practice, 13th edition, at page 328, the following is set forth toward the bottom of the page:

> Another rule, or principle of debate, may be here added. A minister of the Crown is not at liberty to read or quote from a despatch or other state paper not before the house, unless he be prepared to lay it upon the table.

In my submission to Your Honour I will have a few words to say with regard to the words "read or quote". At the foot of the page it reads:

> This restraint is similar to the rule of evidence in courts of law, which prevents counsel from citing documents which have not been produced in evidence. The principle is so reasonable that it has not been contested.

It might be advanced to Your Honour that before the Crown is required to produce such a document and lay it on the table it must be cited or quoted. I submit that the minister's reference to the document, in effect disclosing a part of its contents or purporting to disclose a part of its contents, is precisely the same as quoting from the document itself.

The only other argument that I can anticipate might be advanced to Your Honour is that the proceeding that is now before the House, namely the oral question period, is not a proceeding. With regard to that anticipated argument I refer Your Honour to Ontario Reports, 1971, volume two. I know it is not a binding precedent on the House. It involves the case of Roman Corporation Limited against Hudson Bay Oil and Gas Company Limited with regard to certain statements made by the Prime Minister and the Minister of Energy, Mines and Resources concerning privilege with respect to statements made by those two ministers of the Crown in the House. The Chief Justice of the High Court came to the conclusion, presumably after careful and considered research, that neither the House of Commons nor any court of law had ever determined exactly what was a proceeding of the House. The honourable justice did conclude that a proceeding did in fact include a question asked or even notice of a question asked in the House.

Anticipating those two arguments which may be advanced to Your Honour, I submit there is a clear obligation from a purely technical point of view on the Crown that it must produce this document now that the minister has referred to its content. Even if there were not that technical requirement, which I submit very strongly does exist, then there certainly exists a moral obligation on the part of the Crown to clear up the confusion in the minds of the public—

An hon. Member: You are getting out of your field.

Mr. Nielsen: —and certainly in the minds of the inane members opposite so that the House can judge for itself who is lying, the Montreal *Gazette* or the Acting Prime Minister.

Mr. MacEachen: Mr. Speaker, if I may make a comment or two on the point of order raised by the hon. member with regard to an obligation on the part of the Acting Prime Minister to table a particular document, I believe there is a justification for that particular obligation—

Some hon. Members: Hear, hear!

Mr. MacEachen: —if a minister of the Crown in the course of debate, as the citations indicate, is using a document, is quoting from it, is basing an argument upon it. In a circumstance of that kind it is unfair for a minister to have access to information or an analysis that is not available to other members of the House. It is unfair because other members are not in a position to assess for themselves the total context from which quotations may be taken.

Mr. Nielsen: Precisely.

Mr. MacEachen: Certainly that is related to a debate in which an argument is taking place and in which a minister has occasion to use a document and quote from it. With that situation there can be no dispute. Indeed, there is a rule of the House which requires a member, if he quotes from a letter from a constituent, to table that letter if asked to do so.

Mr. Baldwin: No.

Mr. MacEachen: That requirement has been followed in the past. In recent years it has fallen into disuse. It is not possible for any member to quote from a document unless he assimilates that document into his own speech.

The situation that has now occurred is not akin to any of those I have mentioned. The Acting Prime Minister has no document, has not quoted from any document and has not used any document in argument. All he has said in reply to a question by the Leader of the Opposition is that he takes a serious view of the security situation because a particular document has been improperly disclosed. He went on to say that the account in the Montreal *Gazette* contains discrepancies. It is true the Acting Prime Minister has referred to a document. It would be impossible for him to reply to the Leader of the Opposition without referring to the document. No one questions that, but it is rather silly to suggest that every document to which a person refers has to be tabled in the House. We refer to cabinet decisions that have been taken. We all know that cabinet decisions are written. Must we then table them in the House? Of course not.

• (3:20 p.m.)

In this case I would contend that because the minister has not quoted, has not used, any document in argumentation but has merely referred to the existence of a document as a result of a question asked, there is no obligation upon the government to table that document at all.

Mr. Baldwin: Very briefly, Mr. Speaker, I think that in his defence of the Acting Prime Minister the President of the Privy Council has in fact condemned him and has indicated that the point made by my hon. friend from the Yukon is well-founded. There is no doubt that in the context of the answer the Acting Prime Minister gave to my leader he indicated he was aware of the document and of its contents as printed in the *Gazette*. He further said, by implication, that these documents were not quite the same because there had been one change. I submit these

observations with regard to the legal aspect of the matter. The point made by the hon. member for the Yukon is quite correct. So much for the law.

As to the question of equity—

An hon. Member: Come on, now.

Mr. Baldwin: I know the hon. member does not understand equity. It does not belong in the Liberal party. The fact remains that the Acting Prime Minister must be aware of this document because it is six weeks, I am told, since it was placed in the hands of the people who have used it. They knew where it was. In the circumstances, equity demands that the document be tabled in the House so that hon. members may know what it contains.

Some hon. Members: Hear, hear!

Mr. Turner (Ottawa-Carleton): Mr. Speaker, the authorities—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I should bring to the attention of hon. members the desirability of trying to resolve this point as quickly as we can. We have spent a good deal of time on it, and I think we should now try to resolve it as expeditiously as possible.

Mr. Turner (Ottawa-Carleton): The citations referred to by the hon. member for Yukon are quite precise.

Some hon. Members: Hear, hear!

Mr. Turner (Ottawa-Carleton): They are citations 159, paragraphs 2 and 3. Citation 159(2) refers to the earlier citation in May to which the hon. member for the Yukon also alluded. The terms of these citations are very narrow in scope. They are equivalent to the rules of evidence applied by a court, to which the hon. member for the Yukon also referred.

> A minister of the Crown is not at liberty to read or quote from a despatch or other state paper not before the House—
>
> It has been admitted that a document which has been cited ought to be laid before the House—

As the government House leader has pointed out, the most the Acting Prime Minister did was to refer, indirectly or directly, to a document. There was no citation. There was no quotation. If the argument advanced by the hon. member for Yukon were to be accepted, the mere fact that a document was referred to would make it produceable, and obviously that is well beyond anything May or Beauchesne had in mind when they placed these paragraphs in their books. I refer also to citation 159(3) which says:

> It has been admitted that a document which has been cited ought to be laid upon the table of the House if it can be done without injury to the public interest.

That is another point I should like to bring to Your Honour's attention, that you should consider whether it is normally in the public interest to require the production of a cabinet document.

Mr. Baldwin: Or the Liberal interest.

Mr. Turner (Ottawa-Carleton): If Your Honour were to hold that despite the narrow construction placed upon this rule by May and Beauchesne, who limit it to citation and quotation, not a reference, if you were to go beyond the protection given to the public interest and require the production of the document, then I submit that production should be limited to the article in the Montreal *Gazette*.

Mr. Speaker: Order, please. I see the hon. member for Yukon seeking the floor. He knows he has already spoken to the question. It would be somewhat irregular to allow all four hon. members who have taken part in the debate to speak a second time. Perhaps the hon. member has an explanation to indicate why he should be allowed to speak a second time on the same point.

Mr. Nielsen: Yes, Mr. Speaker. In all fairness, and having regard to parliamentary justice, there ought to be an opportunity for rebuttal of the new points which have been raised.

Mr. Speaker: The hon. member might indicate the precedents. There may be such precedents of which I am not aware. I do not wish to be unfair to him. I appreciate the importance of the matter which has been raised, and there is no reason why we should not debate it. It is one of interest from a procedural standpoint. The Chair is always happy to hear arguments in relation to procedural points, so I certainly do not intend to limit the discussion in any way. The hon. member says he is entitled to make a rebuttal. Perhaps the argument will come from the government side that they are entitled to offer a rebuttal of the hon. member's rebuttal. The hon. member for Yukon is perhaps confusing court proceedings with proceedings of the House of Commons. It is certainly not the practice of the House to allow a member to speak a second time to the same question. I submit this view to the hon. member with all respect.

Mr. Nielsen: In all modesty, I have been around here long enough not to confuse proceedings in this House with court proceedings, My Lord. But I think that in all fairness, in view of the importance of this question, a rebuttal should be made in response to what the Minister of Justice has stated.

Mr. Speaker: Order, please. I have no objection to allowing the hon. member to state briefly what his point is. If he thinks he has a point of order he would be entitled to raise one in any event. We shall see where we go from there. We may be spending the whole day on rebuttals, and I am wondering whether this will lead to the orderly conduct of our business.

Mr. Nielsen: My point will be very briefly made if the braying donkeys over there will be quiet. The point is that, contrary to what the Minister of Justice has urged you to accept, the Acting Prime Minister has used his knowledge of this document to argue his case in reply to a question by the Leader of the Opposition.

An hon. Member: The same argument.

Mr. Nielsen: It is not the same argument at all. The Acting Prime Minister said a decision on foreign ownership had not been made. He described the document as a study, a working paper. He asserted that the words "Gray

report" do not appear in it. All these assertions refer to the content of the document.

The rule is very clear. It is based upon the rule of evidence in a court of law which prevents people referring to documents unless they are prepared to produce them so that others who are interested can make their own observations. It is unfair to allow the minister to refer to the contents of the document without producing it so that we can make our own assessment. We must read it to know what the truth is.

Some hon. Members: Hear, hear!

Mr. Speaker: If there are no further arguments to be submitted, either in support of the hon. member's contention or in opposition thereto, I am quite prepared to make a ruling.

As hon. members know, this matter of the obligation on the part of either individual members or members of the cabinet to table or produce a document which has been quoted is a rule which is often disputed in the House. It is very seldom that a protracted debate on an important subject takes place in the House without a member rising on a point of order or a question of privilege to suggest that a document which has been referred to by another hon. member in debate ought to be tabled immediately, and the Chair is called upon to consider the precedents and citations and to make a ruling. The hon. member for Yukon will himself recognize that this is a matter of general interest that has been considered by the Chair on numerous occasions.

• (3:30 p.m.)

I suggest to hon. members that the citation to which the hon. members for Yukon and Peace River have alluded has to be interpreted rather strictly. I have to agree with the contention that if the reference made to a public document is not, as the citation says, a quotation from that document, it would be very difficult for the Chair to rule that the document ought to be tabled.

In fairness, looking at the matter as objectively as I can, I do not see how it is possible for the Chair to make a ruling at this point that a document that has simply been referred to but has not been directly quoted should be tabled in debate. I find it difficult to rule otherwise. Hon. members may look at the citations that have been quoted in a very interesting and forceful way by the hon. members for Yukon and Peace River. They are clear to me. If a document has been actually cited or quoted in debate by a minister of the Crown, it has to be tabled. If only reference is made to it, I do not see how there can be an obligation to table it.

I remember that when a similar matter was raised previously the suggestion was made that perhaps the remedy of members of the opposition is to move for the production of the document. I appreciate that this is not a very useful remedy in view of the rules. The way we have been operating is that a motion for the production of documents is sometimes debated, but it is difficult to bring it forward for debate and it very often falls to the bottom of the list and many months pass before the matter can be considered again. Therefore I cannot seriously suggest to hon. members that this is their remedy.

With respect, I have to make the ruling that the citation quoted does not apply in the present circumstances and therefore I cannot rule that the document in question should be tabled.

FOREIGN OWNERSHIP—POSSIBLE CREATION OF SCREENING MECHANISM TO REGULATE TAKEOVERS—ACCURACY OF MONTREAL "GAZETTE" VERSION OF CABINET DOCUMENT

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct a question to the Acting Prime Minister which arises out of his statement that there are discrepancies between the document that appeared in the Montreal *Gazette* and the actual cabinet document to which it refers. May I first quote the paragraph in the alleged cabinet document headed "A":

> The cabinet agreed in principle that the main policy approach to the issue of foreign ownership should be the creation of a screening mechanism that would cover foreign takeovers of Canadian firms doing business in Canada—

May I ask the Acting Prime Minister whether that paragraph is an accurate reproduction of the words contained in the original document to which it refers?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I was referring to discrepancies because I had discovered some. I cannot say for certain whether there are discrepancies in the first paragraph, but I certainly would not want to say that they were serious or that they are misleading.

Mr. Douglas: In view of the fact the Acting Prime Minister has a very selective memory and remembers some discrepancies but not others, may I ask him whether he is now telling the House that the government did not decide last July to accept in principle the concept of setting up a screening mechanism to deal with foreign takeovers?

Mr. Sharp: Mr. Speaker, when this question was put to me by the Leader of the Opposition I made the statement that this was a matter of cabinet secrecy and I am bound by my oath not to disclose what goes on in cabinet. Therefore I am afraid I cannot answer that question directly without breaking my oath. What I do want to say to the hon. member and to the House is that no decisions have yet been made on the policy that this government intends to adopt toward foreign ownership, and that is the simple truth.

Mr. Douglas: Mr. Speaker, may I ask a final supplementary question. Since the publication of now two cabinet documents indicates either that they were stolen or that they were deliberately leaked to the press, I should like to ask the Acting Prime Minister whether this is a manifestation either of the government's gross incompetence or wilful deception?

Mr. Speaker: Order, please.

FOREIGN OWNERSHIP—SUGGESTED POSSESSION OF CABINET DOCUMENT BY OWNERS OF OTTAWA "CITIZEN"

Mr. G. W. Baldwin (Peace River): Mr. Speaker, may I ask the Acting Prime Minister whether the government or

the hon. gentleman can deny that the alleged cabinet memorandum reproduced in the *Gazette* has been in the hands of—

Mr. Speaker: Order, please. The hon. member knows that he cannot ask a question in those terms. The hon. member for Calgary Centre.

Mr. Baldwin: A point of order, Mr. Speaker—

Mr. Speaker: Order, please. The hon. member for Peace River on a point of order.

Mr. Baldwin: If Your Honour takes objection to my question I will rephrase it.

Mr. Speaker: The hon. member for Peace River.

Mr. Baldwin: Has this cabinet document been in the hands of the owners of the *Citizen* for six weeks?

Hon. Mitchell Sharp (Acting Prime Minister): Since the hon. gentleman wishes to enlighten me, may I say that I did not know about this leak until this morning.

Mr. Speaker: Order, please, the Chair recognized the hon. member for Calgary Centre a moment ago.

FOREIGN OWNERSHIP—CIRCULATION OF CABINET DOCUMENT TO MINISTERS

Hon. D. S. Harkness (Calgary Centre): Mr. Speaker, I have a question for the Acting Prime Minister in connection with this document that he has now admitted exists. It does not involve any breaking of the oath of cabinet secrecy; it is really an administrative matter. Was this document circulated to all members of cabinet, or was it circulated only to a certain number and, if so, to whom? Or was it not circulated to members of the cabinet at all?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the hon. member has been a member of cabinets and he knows that records of cabinet proceedings are distributed to all ministers. There is nothing unusual about that.

FOREIGN OWNERSHIP—REQUEST THAT PRIVY COUNCILLORS BE PERMITTED TO SEE RECORD OF JULY 29 CABINET MEETING

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I have a very simple question for the minister since, whether he believes it or not his credibility is now in issue as a result of the statements he has made, which have been so—

Some hon. Members: Order!

Mr. Diefenbaker: —that have clashed one with the other; I will put it that way. In order to clear up the matter, would the minister allow members of Her Majesty's Privy Council to see the record of the cabinet meeting on July 29? This would give the minister an opportunity to prove whether the disjointed stories he has been telling are well based.

Mr. Speaker: Order, please.

[Mr. Baldwin.]

Mr. Diefenbaker: Will the minister permit that?

Some hon. Members: Answer!

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, in the answers I gave yesterday—and I have had an opportunity of reviewing the record very carefully—I did not in any way, I think, mislead the House. I said in answer to the specific question asked by the Leader of the Opposition that I could not discuss what was before cabinet. I said on a number of occasions, both within and without the House, that decisions regarding government policy on foreign ownership had not yet been reached. The matter is still before cabinet. We have not yet made our decisions. The document that has been released suggests there was some tentative decision in principle. This may or may not be true. I cannot either deny it or accept it, but the decisions of the government as to its policy on foreign ownership have still to be made.

• (3:40 p.m.)

Mr. Diefenbaker: Mr. Speaker, does the hon. gentleman not know that when there is a challenge in the mother of parliaments such as has taken place here the government invariably allows members of the Privy Council, bound by their oaths not to reveal what they find—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I am not sure whether that was a preamble or the question, but perhaps the right hon. gentleman might ask his supplementary question now.

Mr. Diefenbaker: I try so hard, Mr. Speaker, but those people across the way are a little frightened.

Some hon. Members: Oh, oh!

Mr. Diefenbaker: The Parliamentary Secretary to the Prime Minister almost convinced me in the past that he is a wit, but I am beginning to think I was only half right.

An hon. Member: That's twice in one week, Barnie.

Some hon. Members: Oh, oh!

FOREIGN OWNERSHIP—REQUEST FOR TABLING OF CABINET DOCUMENT OF JULY 29

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a supplementary question to the Acting Prime Minister? In order to clear up this matter, will he seek from his cabinet colleagues the authority to table the cabinet document of July 29 in the House tomorrow?

Hon. Mitchell Sharp (Acting Prime Minister): As I said yesterday, Mr. Speaker, I think it is very desirable that the government should take a decision on this matter of foreign ownership. The matter is before cabinet at the present time and we are hopeful we can make a decision very shortly. I think this would be the best way of clearing up any confusion that may exist.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, pending the decision on the whole broad question, will the

Acting Prime Minister seek to clear up the present confusion by asking for authority to table the one document that was passed on July 29?

Mr. Sharp: Mr. Speaker, I will consider this suggestion. Certainly I would have thought there was an obligation upon those who have published or got access to it to reveal the whole of the document. As I said earlier, I have looked at the cabinet decisions and this document is not a word for word transcription of them. I think it is up to those who have revealed this document to give evidence that this is the document and not for the government to refute it.

An hon. Member: Send it to a committee.

Mr. Nielsen: Mr. Speaker, I rise on a question of privilege. The Acting Prime Minister asserted just a moment ago and earlier in his replies to questions from this side of the House that this document is now before the cabinet for consideration.

An hon. Member: The subject.

Mr. Nielsen: Mr. Speaker, the record will speak for itself, and when it is examined I am sure that my assertion to you, Your Honour, will be found to be accurate in that the Acting Prime Minister has said that this document is before the cabinet now for its consideration.

On November 15, at page 9555 of *Hansard*, in reply to a question by the right hon. member for Prince Albert which appears in the left-hand column the Minister of National Revenue said certain things. I will read the question first.

Mr. Speaker, I think we can clear up a great deal with the Minister of National Revenue here, because this looks like Gray's elegy and not Gray's eulogy. I should like to ask him simply whether these quotations which have appeared in *The Canadian Forum* came from any official document in the possession of the minister, and has he any idea how they were obtained?

The Minister of National Revenue then replied:

Mr. Speaker, I would draw the right hon. gentleman's attention to the statement issued by the Prime Minister's office on Friday which said that the article in *The Canadian Forum* is based on only one draft of a study prepared for official discussion at one stage in the preparation of documents to be submitted to cabinet. I have no knowledge at this time as to how any information may have reached *The Canadian Forum* in an unauthorized way.

My point of privilege is that the Minister of National Revenue led the House to believe on November 15 that this document had not yet been submitted to cabinet, and the Acting Prime Minister says today that it has.

* * *

TRADE

GOVERNMENT ACTION TO ASSIST UNITED STATES TO OVERCOME BALANCE OF PAYMENTS PROBLEM—SUBJECTS DISCUSSED IN NEGOTIATIONS

Mr. David Lewis (York South): Mr. Speaker, in view of the answers given by the Acting Prime Minister to the questions that have been asked, I want to turn to some other questions. Noting the Acting Prime Minister's distinction between a decision in principle and presumably an unprincipled decision, I must say that is something I cannot quite follow. I should like to ask him a question that is related, but not quite along the same line, arising out of an answer he gave yesterday in which he informed the House that the government of Canada would like to help the United States overcome its balance of payments problems because this affects us. May I ask him whether the government has reached a decision in principle, or otherwise, as to what steps it would take to help the United States overcome its balance of payments problems?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, this has been the subject of discussions going on for quite some time now, and, indeed, there was one yesterday with officials of the United States government who have brought forward a series of matters on which they would like our views and assistance.

Mr. Lewis: Mr. Speaker, in view of the answer the obvious supplementary therefore is, would the Acting Prime Minister inform the House and the people of Canada what subjects the United States officials or representatives have brought before Canadian officials or representatives for discussion in the area of Canada's assistance to the United States to deal with its balance of payments problems? What are the subjects?

Mr. Sharp: Mr. Speaker, most of them have been in the public press from time to time. They want to talk about the automobile agreement; they want to talk about defence production sharing and they would like to talk about various parts of our program. We have raised with them a number of matters we would like to discuss with them at the same time. These are the sort of discussions that one would expect would take place under these circumstances.

Mr. Lewis: I appreciate that, Mr. Speaker, but could we have a little enlightenment as to what subjects the Canadian representatives placed before the United States spokesmen as to the kind of grievances we have against the United States in the fields of trade, exchange or any others that are being discussed now at these meetings?

Mr. Sharp: Mr. Speaker, I mentioned some of them some weeks ago when a similar question was asked in the House and they remain on the list. We are very concerned about the fact that the Americans have banned the importation of uranium. We are very concerned about the effects of the manufacturing clause in their copyright act. Those are irritants or grievances of long standing. These are some we would like to proceed with at the present time.

Mr. Baldwin: I have a question—

Mr. Lewis: Mr. Speaker, I should like to ask—

Mr. Speaker: Order, please. The Chair has recognized the hon. member for Peace River. If he is not asking a supplementary the Chair will recognize the hon. member for York South.

Mr. Baldwin: My question is not supplementary, Mr. Speaker.

Mr. Lewis: Mr. Speaker, I think my question is a relevant supplementary. I should like to ask the Acting Prime Minister whether the question of control of a large part of Canada's economy, particularly control of a large part of the manufacturing section of this country's economy, is a subject of discussion with the representatives from the United States and whether there has been any indication by the representatives of Canada that Canada intends to take some action with regard to the situation?

Mr. Sharp: Mr. Speaker, this does not seem to be very directly relevant to the balance of payments problem.

• (3:50 p.m.)

Mr. Speaker: Order, please. The Chair will recognize the Leader of the Opposition on a supplementary.

[*Translation*]

I will then recognize the hon. member for Portneuf.

[*English*]

DISCUSSION OF SUBJECT OF ENERGY WITH UNITED STATES

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Acting Prime Minister whether among the subjects the United States officials have indicated they want to discuss is included the subject of energy?

An hon. Member: How about the heavy water leaks.

Some hon. Members: Hear, hear!

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the United States and Canada were discussing the subject of energy until the emergence of the emergency measures taken by the United States which gave some priority to other matters. I do understand that the United States would like to return to having some discussion, but I want to repeat what I said yesterday, that this has no relation whatever to the 10 per cent surcharge.

Mr. Stanfield: Mr. Speaker, a supplementary—

Mr. Speaker: Order, please. In fairness the Chair has to recognize the hon. member for Portneuf. We are still on the first round and I will return to the Leader of the Opposition in a moment.

[*Later:*]

Mr. Stanfield: Mr. Speaker, my supplementary is for the Acting Prime Minister. The government of Canada having indicated that its officials were too preoccupied with other matters to resume discussions relating to energy matters, now that United States officials have asked that these discussions continue does the government of Canada propose to meet this request and resume these discussions?

Mr. Sharp: Yes, Mr. Speaker. The kind of discussions the United States is asking us to have we would be very happy to resume.

[Mr. Baldwin.]

[*Translation*]

AGRICULTURE

REQUEST BY UNION CATHOLIQUE DES CULTIVATEURS FOR IMMEDIATE ASSISTANCE TO PREVENT BANKRUPTCY OF CERTAIN PRODUCERS

Mr. Roland Godin (Portneuf): Mr. Speaker, I wanted to put a question to the Minister of Agriculture but since he is away, I will put it to his Parliamentary Secretary.

Has the Department of Agriculture considered the telegram sent to it recently by the president general of the Catholic Farmers Union in which direct and immediate assistance was requested to prevent hog, egg and turkey producers from going bankrupt? In the affirmative, could the Parliamentary Secretary tell us what measures the government intends to take in this connection?

Mr. Marcel Lessard (Parliamentary Secretary to the Minister of Agriculture): Mr. Speaker, the telegram referred to by the hon. member has indeed been received. In fact, I also received a copy of it.

I can assure the hon. member that the Department is considering this document. The Minister will be back tomorrow from a trip to Europe and will be in a position to inform the parties concerned about the position that the government intends to take on this subject.

REPRESENTATIONS OF QUEBEC MINISTER TO OBTAIN FINANCIAL ASSISTANCE FROM FEDERAL GOVERNMENT

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I would like to ask a supplementary to the Parliamentary Secretary to the Minister of Agriculture.

Could he tell us if representations were made by the Quebec Minister of Agriculture on the same; matter in order to request the financial assistance of the federal government in respect of the provincial program?

Mr. Lessard: Mr. Chairman, as for the $16 millions contributed by organizations and the provincial government, I am not aware that the provincial government has asked for some assistance. It is possible that such a request was made these last few days but I am not aware of it. I will have to inquire and, if need be, I shall later provide the hon. member with an answer.

* * *

[*English*]

IMMIGRATION ACT

INQUIRY AS TO INTRODUCTION OF AMENDMENTS

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to ask the Acting Prime Minister whether the government has decided to introduce into the House for first reading amendments to the Immigration Act which have been before cabinet so the House will be aware of what is contained in these proposals and, if so, when will this be done?

Hon. Allan J. MacEachen (President of the Privy Council): Mr. Speaker, I am not sure I understand whether the hon. gentleman wants to know when we will bring for-

ward the bill. It certainly will not be brought forward for discussion this session but it may find its way on to the order paper.

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TRANSPORT

REMOVAL OF «EMPRESS OF CANADA» FROM SERVICE BY CPR—REQUEST FOR POSTPONEMENT FOR PURPOSE OF RECONSIDERATION

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I have a question with regard to which time is of the essence. It has to do with the *Empress of Canada* which will be sailing from Montreal tomorrow for the last time. The CPR has decided it is going to dismantle this ship and take her out of service. All across the country I think there is a general feeling that some action should be taken. I wonder whether the minister would get in touch with the officials of the CPR and ask them to postpone action for a reasonable period of time, so that some fitting solution might be arrived at whereby this connection between Canada and the United Kingdom might be preserved?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, as the hon. member knows, I can merely transmit this representation to the Canadian Pacific and I shall be glad to do that later this afternoon.

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POST OFFICE

ACTION TO RESOLVE STRIKES BY LETTER CARRIERS

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, my question is for the Postmaster General. In view of the continuing deterioration in morale among the postal employees as indicated by the current wave of stikes, can the hon. gentleman indicate what steps he is taking to deal with this problem?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): Once more, Mr. Speaker, I do not accept the premises of the hon. member's question. Like most hon. members, I deeply regret that some letter carriers should have decided to stage a series of illegal strikes now. I fully endorse the national executive of the Letter Carriers' Union in their efforts to have employees resume work, but a certain pattern seems to be taking shape whereby, as some letter carriers return to work in one locality, others stop work elsewhere.

The situation today is practically the same as yesterday, except for a shift in closing and re-opening of offices.

I might add, Mr. Speaker, that it has never been the department's intention not to comply with the arbitration award made following the investigation of the grievances submitted by three employees. We intend to offer them a sum of money.

With regard to the decision concerning part-time employees, there were so many applicants that, after consulting our legal advisers, we decided to ask the Treasury Board to appeal that decision.

So, we are asking the letter carriers—

Mr. Speaker: Order.

[*English*]

Mr. Thomas M. Bell (Saint John-Lancaster): Has the government given consideration to not using non-union men in view of the controversy concerning the adjudication report which states that only union men should be used for overtime work?

[*Translation*]

Mr. Côté (Longueuil): That, Mr. Speaker, is precisely the decision we intend to submit to the Public Service Staff Relations Board and, as soon as a decision is made, we shall be able to act accordingly.

At the present time, the department cannot operate without temporary or casual employees.

[*English*]

Mr. Les Benjamin (Regina-Lake Centre): Mr. Speaker, may I ask the minister if he has received a request from the representatives of the postal workers to meet with them, and if he has received such a request will he be meeting with them?

[*Translation*]

Mr. Côté (Longueuil): Mr. Speaker, I know that the national executive of the Letter Carriers' Union and the council of the Postal Unions met this morning with officials of my department. They asked that a meeting be held which they, my deputy minister and myself would attend. I am waiting to get back to my office to give an answer.

[*English*]

Mr. David Lewis (York South): Mr. Speaker, the minister spoke about appealing the adjudicator's decision. Is the government contemplating going into court on some kind of certiorari motion or some other prerogative writ of that sort to challenge the adjudicator's decision? Is that what the minister is suggesting?

Mr. Côté (Longueuil): I said we were going back to the PSSRB.

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EXTERNAL AFFAIRS

INTENTION OF PEOPLE'S REPUBLIC OF CHINA TO LIBERATE TAIWAN—CANADIAN GOVERNMENT POSITION

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct my question to the Acting Prime Minister. In view of the intention of the People's Republic of China, as indicated at the United Nations where they have stated that "China is determined to liberate Taiwan and no force on earth can stop us", what is the Canadian government's position on what is equivalent to a declaration of war by the Republic of China against the free nationalist Chinese?

Inquiries of the Ministry

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, when Canada agreed to exchange diplomats with the People's Republic of China it was clearly stated that the Canadian government neither accepted nor challenged the statement by the PRC about the position of Formosa. We have taken no position.

• (4:00 p.m.)

Mr. Crouse: In the event of hostilities is it the government's intention to take a stand on this issue and, if so, which side will we be supporting?

Mr. Sharp: I can think of no more hypothetical question, Mr. Speaker.

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TRADE

CANADA—U.S. AUTO PACT—POSSIBLE REMOVAL OF SAFEGUARDS TO AID U.S. BALANCE OF PAYMENTS PROBLEM

Mr. Edward Broadbent (Oshawa-Whitby): I have a question for the Minister of Industry, Trade and Commerce. As one means of aiding the Americans to overcome their balance of payments problem, could the minister inform the House whether officials of his department who were visiting Washington last week agreed or said on behalf of the government of this country that we would be willing to give up the existing safeguards in the automotive agreement?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): The discussions on the subject of the auto pact at this time are exploratory. Any final Canadian decision would obviously have to be agreed to by the cabinet.

CANADA—U.S. AUTO PACT—GOVERNMENT POSITION ON SAFEGUARDS

Mr. Edward Broadbent (Oshawa-Whitby): Could the minister indicate to the House whether, on the one hand, the government has a fixed position in terms of commitment to the existing safeguards or, on the other hand, whether it has proposed some alternative to the safeguards?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): There is no commitment at this time. As I said a moment ago, the work being done now is exploratory.

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OIL

PROPOSED TAPS TANKER ROUTE—CONTINUANCE OF DIPLOMATIC REPRESENTATIONS BY CANADIAN GOVERNMENT

Mr. G. H. Aiken (Parry Sound-Muskoka): I have a question for the Acting Prime Minister in his capacity as Secretary of State for External Affairs. In view of the action taken by a member of this House in the United States with regard to the trans-Alaska pipeline project, has the government in fact reached a dead end in its diplomatic efforts to prevent the tanker route from endangering our west coast?

Mr. Speaker: I doubt whether a question asked in those terms is in order. The hon. member might like to rephrase it so that it is acceptable procedurally.

Mr. Aiken: May I ask the minister, then, whether diplomatic efforts are still continuing in this matter?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Yes, Mr. Speaker, and I am very happy to see the efforts that the Liberal Member of Parliament to whom the hon. member has made reference is making in support of the government's position.

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RESEARCH

GOVERNMENT POLICY WITH REGARD TO CHEMICAL INDUSTRY

Hon. Marcel Lambert (Edmonton West): I have a question for the Minister of Industry, Trade and Commerce which I put to him so that he will not feel neglected this afternoon. I wish to refer to the position of the chemical industry in Canada and particularly to their research facilities. In view of the vast reductions in research personnel and in the effectiveness of research in the Canadian chemical industry which have been drawn to the attention of the minister, what has been the response of the government in this regard, and especially in light of the recommendations of the committee on scientific research in Canada?

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): I am well aware of the difficulties of the chemical industry. A number of things have been done in the recent past, for example, the action taken in one of the recent budgets presented by the Minister of Finance to come to the support of that industry. I am quite aware that the industry is finding it difficult to keep some of their research men at this time, but I really do not know what the hon. member is searching for so far as a statement that I could make at this time is concerned.

Mr. Lambert (Edmonton West): The minister has been, shall we say, solicitous in his attitude toward the chemical industry in response to questions from the opposition. I am wondering just what the government's response is to what is said to be the destruction of the research facilities of a Crown corporation of which the minister's own deputy minister is a director, in other words, Polymer?

Mr. Pepin: The minister responsible for Polymer has said here a number of times that the company was doing its best to maintain its personnel at the highest possible level at this time. I fail to understand what my hon. friend would like to know—

Mr. Speaker: Order, please. We are running short of time. Perhaps the question might be pursued further tomorrow.

Mr. Lambert (Edmonton West): The minister will not be here tomorrow.

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AIR TRANSPORT

HIJACKING—AMENDMENTS TO CRIMINAL CODE

Mr. Eldon M. Woolliams (Calgary North): My question is for the Minister of Justice. In light of the fact that on December 15, 1970, Canada signed The Hague convention with reference to air piracy, and in view of the fact that there is a vacuum in the Criminal Code regarding the laying of proper charges in Canada in this respect and, furthermore, in view of the fact that the other western nations which signed The Hague convention have brought in legislation regarding air piracy, when will the minister be bringing forth a bill?

Hon. John N. Turner (Minister of Justice): In speaking about the introduction of legislation I said yesterday "very soon", or words to that effect. I may say it is my understanding that charges will be laid against the man in Calgary. There are available charges for unlawful interference with an aircraft in flight as well as kidnapping and so on under the Criminal Code. We have not been standing still. We have signed The Hague convention. We have also signed an international treaty in Montreal involving other offences against aircraft, including sabotage. We have negotiated a treaty with Cuba, an extradition treaty involving hijacking, and we are prepared to sign a treaty with the United States involving hijacking.

Mr. Woolliams: May I say with the greatest respect to the minister that it has been a year since we signed The Hague convention. Would he now refer Bill C-231, which I presented almost a year ago, to the officers of the Crown and if they approve it—it is drawn up in line with The Hague convention—would he then bring it forth as a government measure so that we will have some law in this land regarding air piracy?

Mr. Turner (Ottawa-Carleton): We will soon have some law. I want to draw to the attention of members of the House that when you deal with a matter such as hijacking, it is essential that both domestic and international law move forward together, and we have been moving them forward together.

Mr. Speaker: We are running short of time and I ask for the co-operation of hon. members to limit supplementary questions. These important subjects might be revived tomorrow. For the moment, I will recognize the hon. member for Surrey-White Rock.

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INQUIRY OF THE MINISTRY

Mr. Barry Mather (Surrey-White Rock): I have a question for the Acting Prime Minister which arises from a statement he made earlier in the question period relating to the government's concern and its intention to stop leaks of cabinet information to the press. In doing that, I wonder whether the government would consider allowing more cabinet information to leak to the House?

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[*Translation*]

AGRICULTURE

MEASURES TO ALLEVIATE PROSPECTIVE SPRING BUTTER SHORTAGE

Mr. Roch La Salle (Joliette): Mr. Speaker, in the absence of the Minister of Agriculture, I would like to direct my question to his Parliamentary Secretary.

Can he indicate whether the Department of Agriculture and the Canadian Dairy Commission have taken steps to import butter in order to alleviate the shortage anticipited for next spring?

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, according to the answer given by the Minister of Agriculture to the hon. member for Saskatoon-Biggar on November 4, it is anticipated that the stocks of butter might not be adequate this winter and that it might perhaps be necessary to import that commodity in order to meet the consumption for eight or ten days.

And to clarify the minister's answer, I want to add that he meant it would take several weeks before we need to import butter. However, there is presently a world shortage of butter and in order to supply the Canadian market, the Canadian Dairy Commission is taking measures to make some imports—

Mr. Speaker: Order. I think such an answer aims at giving the House general information and I remind the parliamentary secretary that such a statement should normally be made on motions.

Mr. Adrien Lambert (Bellechasse): May I ask a supplementary, Mr. Speaker?

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[*English*]

CANADIAN COASTGUARD

POSSIBLE RELOCATION OF COLLEGE—EFFECT ON EMPLOYMENT IN CAPE BRETON

Mr. Robert Muir (Cape Breton-The Sydneys): My question is for the Minister of Transport. Is the minister in a position today to announce that the Canadian Coastguard College will be retained in its present very suitable location and will also include expanded training facilities?

Hon. Donald C. Jamieson (Minister of Transport): I have great difficulty in giving such an assurance today to the hon. member for Cape Breton-The Sydneys, because I have not yet had an opportunity to give thorough study to the representations of his colleague, the hon. member for St. John's West, who wants me to move it to Argentia.

Some hon. Members: Oh, oh!

Mr. Muir: The fact that we have information the minister is considering removing the college from Sydney is probably the reason my colleague is interested, and I do not blame him. Now, may I pose a supplementary question? Could the minister advise the House whether he, himself, the government or anyone else in the Department of Transport has plans to remove, now or in the future,

the Canadian Coastguard College from its present location?

• (4:10 p.m.)

Mr. Jamieson: Mr. Speaker, I have answered this question in a variety of ways before but, to reassure the hon. member, there are no immediate plans for the removal of the college. What is under way is a thorough re-examination of the role of the college, the kind of classes it will teach, and so on, with the hope that we can integrate this training into the college in view of the fact that at the present time it is costing something like $70,000 to graduate a cadet from the college.

Mr. Muir: One further supplementary—

Mr. Speaker: Order, please. We reached the end of the question period a few minutes ago, but perhaps the Chair might recognize the hon. member for a last supplementary and try to see one or two hon. members who have been gallantly trying to get the floor for the last 40 minutes.

Mr. Muir: Through you, Mr. Speaker, may I ask the minister whether, in view of the fact that there is 25 per cent unemployment at the present time in the island of Cape Breton and we have the Minister of Regional Economic Expansion setting up Devco to try to create employment, the minister realizes—

Mr. Speaker: Order, please. Would the hon. member ask the question?

Mr. Muir: Does the minister realize that removing this college from Cape Breton Island will cause greater unemployment and create more economic difficulty—

Mr. Speaker: Order, please. I think that is argument or a submission for the consideration of the minister. The hon. member for Broadview.

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CANADIAN NATIONAL RAILWAYS

METRO DEVELOPMENT CENTRE, TORONTO—ALLEGED AGREEMENT TO DEMOLISH UNION STATION

Mr. John Gilbert (Broadview): My question is directed to the Minister of Transport. Has Canadian National Railways entered into an agreement with Metro Development Centre to sell Union Station in Toronto and, if so, does the federal government agree with the demolition of Union Station?

Mr. Speaker: Order, please. I have some doubts whether this question is so urgent that it should not be placed on the order paper, but perhaps other questions of about the same degree of urgency have been asked, so the minister might be allowed to reply.

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, the hon. member I believe is aware that it is a consortium that is planning what is commonly referred to as Metro Centre. It has the full support of the government. We have given a good deal of assistance to the main parties concerned in order to get it going. One of the objectives is a new terminal, and I believe this involves the destruction of Union Station, but I would assume that the decision whether it is to be destroyed or not would be up to the municipal—

Mr. Speaker: Order, please. Before we go on to orders of the day there might be time for a few quick supplementaries.

[*Translation*]

A while ago, the hon. member for Bellechasse wanted to ask a supplementary.

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AGRICULTURE

DAIRYING—IMPORTATION OF BUTTER—REQUEST FOR MODIFICATION OF INDUSTRIAL MILK PRODUCERS QUOTAS

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I should like to put a supplementary question to the Parliamentary Secretary to the Minister of Agriculture.

If Canada were to import butter in the coming months, would the Minister of Agriculture or the Canadian Dairy Commission be prepared to recommend changes in the manufacturing milk quotas in order to remove the penalty imposed on producers at this time?

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, this matter of the penalty with respect to quotas is under active consideration and if it becomes necessary to review it, it will be in due time and the minister will then be in a position to inform the House. But I must say to the hon. member that representatives of the agricultural industrial do not always necessarily agree on complete revisions—

[*English*]

Mr. Speaker: Order, please. I suggest to hon. members that we have run out of time. Perhaps, as I said a moment ago, we might pursue these questions when we meet again tomorrow. Orders of the day.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Monday, November 15, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

On Clause 1—Section 38: *Meaning of Capital Gain and allowable capital Loss.*

The Chairman: When the committee rose last evening section 38 was under consideration and together with other sections in that grouping, according to the agreement reached by members of the committee. The hon. member for Edmonton West had the floor. The Chair had earlier taken under advisement the amendment moved by the hon. member for Edmonton West and the Chair is now prepared to make a ruling. I understand that the hon. member for Edmonton West would like to complete his remarks, so I recognize him now.

Mr. Lambert (Edmonton West): Mr. Chairman, I think I have about four or five minutes available to me at this

time. I want to refer to one result of the introduction of the capital gains tax which is in line with the recommendation of the Standing Committee on Finance, Trade and Economic Affairs, as well as the strongest possible exhortations from this side of the House. I refer to the suggestion that either the estate tax be done away with or that it be modified to a very considerable extent. It has now been suggested that this tax should be eliminated.

I was rather amused to note that at the Canadian Tax Foundation meetings in Vancouver there seems to have been considerable academic discussion at a panel on this particular matter. I am afraid I have not seen the original papers that were prepared but having heard some of the hon. gentlemen who spoke when they appeared before the finance committee on the white paper, I must say, and I have to be frank, I think I am hearing a lot of academic nonsense—a sort of ideology that is completely divorced from reality.

Mr. Bird and others who want to insist upon this so-called equity as between taxpayers can do so in theory until they are blue in the face, but it is the Canadian people who are being taxed, not just university academicians. Not one of them can stand up to the view of the Canadian public which has been expressed not only in briefs to the committee but in thousands of letters which indicates the public insists it does not care one whit about equity as between taxpayers; it wants equity between itself and the government with regard to tax matters. That is the point to be considered, and that is the point upon which I wish to make the next few remarks.

It is all very well for the government to say it is doing something very grand by removing the Estate Tax Act because of the introduction of the capital gains tax. We know there is to be a deemed realization upon property that passes at death. This leaves the field wide open to the provinces, the majority of which have succession duty acts. Two of the provinces have not said as yet that they intend to move to establish a succession duty act or their version of an estate tax act. However, I do not think they can put in an estate tax because of constitutional barriers to that type of tax.

Where does this leave the taxpayer? It leaves him worse off than before, absolutely worse off than before. If there were a provincial succession duty and an estate tax with mutually interchangeable credits so that the taxpayer was not paying double duty on death, that would be fine. But now there is a possibility of a capital gains tax which is to be added to the income tax. There is a succession duty to be levied by a province. Yet the capital gains tax cannot be used as an offset against the succession duty, the net result being that the estates in question are in danger of being taxed twice. Our friends to the left will say that they support this until it affects, say, the union worker. I wonder how this aspect will be regarded by the aristocracy of union workers whose wages have now taken them up into the middle income bracket. They accumulate estates. They are not all spendthrifts. Some of them live very well and, when they die, they leave estates. They are men of ability. They are not all spendthrifts, as I said, and they will be subject to this provision. I wonder what they will say when they must face this prospect of double taxation.

• (4:20 p.m.)

I say this, Mr. Chairman. In making these changes, the federal government must arrange with the provinces for a satisfactory system of credits whereby any capital gains tax shall be credited towards any succession duty that may be levied on the decease of a taxpayer. That is the point I want to emphasize. I know that other colleagues of mine will deal with this. I say, that is the only just and equitable position to adopt.

Mr. Mahoney: Mr. Chairman, I think perhaps this might be the appropriate time to suggest that certain amendments to the bill, which were discussed by the House leaders of the parties opposite this morning and by the government House leader, be formally moved and entered into the record. I understand that has been the practice in the past or, at least, in the debate on this particular bill. The practice has been, I think, that amendments be not read but be taken as read. May I ask if consent for that procedure is forthcoming.

Mr. Lambert (Edmonton West): The parliamentary secretary asks for the amendments to be included in the record. The government House leader was not able to make reference to them and, therefore, they will be part of the record but arguments may be advanced to the Chair as to their admissibility.

Mr. Knowles (Winnipeg North Centre): That is true.

Mr. Lambert (Edmonton West): I suggest, as I did suggest, that some of the arguments that applied to amendments presented before the committee may apply, certainly, to one of the amendments that is contained in the list that it is proposed to include in the record. They are not being opposed. It would profit us little to read them into the record and, perhaps a week hence, find that they may be out of order. The government then would have to start all over again.

Mr. Mahoney: I wonder then, to satisfy the situation, if they might be moved now without being read but printed as if they were read; and they might not be accepted by the Chair until tomorrow. That would give hon. members an opportunity to look at them and to raise any procedural objections they might have tomorrow. Some of the amendments are quite lengthy, as the hon. member is well aware.

Mr. Lambert (Edmonton West): Perhaps they could be entered into the record at present merely for purposes of record, so that everyone concerned would have notice of them. They might be moved tomorrow afternoon, and tomorrow a sundry collection of clauses is to be considered. In other words, the amendments could be moved and then we could argue their admissibility or otherwise.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I wonder if the amendments could not just be handled in the same way as previous amendments were handled. I suggest that they be moved now, for the purpose of getting them on the record, but that it be understood by the Chair that their admissibility can still be challenged at the point when any of these amendments is actually called.

Mr. Bell: What? More amendments?

Mr. Mahoney: They come from a very flexible and accommodating government.

The Chairman: Is it agreed that the amendments which have been referred to by the parliamentary secretary be moved and become part of the *Hansard* record, it being understood by the Chair, of course,—and there is no question about this—that any question of their acceptability from the procedural standpoint is always open for hon. members.

Some hon. Members: Agreed.

Mr. Chairman: Moved by Mr. O'Connell that the amendments which have been referred to by hon. members in this discussion, subject always to the reservations I have mentioned be received and printed in *Hansard*.

Mr. O'Connell: I move:

To be added to amendment moved on October 22, 1971 — Page 17

That section 8 as set forth in clause 1 of the said Bill be further amended by striking out lines 1 to 8 on page 17 and substituting the following:

'Expenses of certain railway company employees employed away from ordinary residence or home terminal

(*e*) amounts disbursed by the taxpayer in the year for meals and lodging while employed by a railway company

(i) away from his ordinary place of residence as a relieving telegrapher or station agent or on maintenance and repair work, or

(ii) away from the municipality and the metropolitan area, if there is one, where his home terminal was located, and at a location from which, by reason of distance from the place where he maintained a self-contained domestic establishment in which he resided and actually supported a spouse or a person dependent upon him for support and connected with him by blood relationship, marriage or adoption, he could not reasonably be expected to return daily to that place,

to the extent that he has not been reimbursed and is not entitled to be reimbursed in respect thereof;'

To be added to amendment moved on October 22, 1971 — Page 197

That section 85 as set forth in clause 1 of the said Bill be further amended by striking out lines 29 and 30 on page 197 and substituting the following:

'Transfer of property to corporation from partnership

(2) Where, after 1971,

(*a*) any partnership property that was a capital property or eligible capital property of a partnership'

To be added to amendment moved on October 22, 1971 — Page 210

That section 87 as set forth in clause 1 of the said Bill be further amended by striking out lines 9 and 10 on page 210 and substituting the following:

'(i) to have been claimed under that subparagraph in computing the new corpora-'

Page 431

That section 159 as set forth in clause 1 of the said Bill be amended by adding, immediately after subsection (3) on page 431, the following subsections:

[Mr. Bell.]

'Election where ss. 70(2) or 70(5) applicable

(4) Where subsection 70(2) or 70(5) is applicable in respect of a taxpayer who has died and the taxpayer's legal representative so elects, notwithstanding any provision of this Part or of the *Income Tax Application Rules, 1971* respecting the time within which payment shall be made of the tax payable under this Part by the taxpayer for the taxation year in which he died, all or any portion of such part of that tax as is equal to the amount, if any, by which that tax exceeds the amount that that tax would be, if this Act were read without reference to subsections 70(2) and 70(5), may be paid in such number (not exceeding 6) of equal consecutive annual instalments as is specified by the legal representative in the election, the first instalment of which shall be paid on or before the day on or before which payment of that tax would, but for the election, have been required to be made and each subsequent instalment of which shall be paid on or before the next following anniversary of that day.

Idem

(5) For the purposes of subsection (4), the "tax payable under this Part" by a taxpayer for the taxation year in which he died includes any tax payable under this Part by virtue of an election in respect of the taxpayer's death made by the taxpayer's legal representative under subsection 70(2) or under the provisions of that subsection as they are required to be read by virtue of the *Income Tax Application Rules, 1971*.

Form and manner of election and interest

(6) Every election made by the legal representative of a taxpayer under subsection (4) shall be made by him in prescribed form and in prescribed manner, and on condition of payment, at the time of payment of any amount the payment of which is deferred by the election, of interest on that amount, at the rate per annum prescribed for the purposes of this subsection at the time of the making of the election, from the day on or before which payment of that amount would, but for the election, have been required to be made to the day of payment thereof.'

To be substituted for amendment moved on October 22, 1971 Pages 468, 470, 471 and 472

That section 192 as set forth in clause 1 of the said Bill be amended

(*a*) by striking out lines 6 to 11 on page 468 and substituting the following:

'(*a*) the amount, if any, by which

(i) the amount of its earnings for the control period that was available for payment of dividends at the end of its 1971 taxation year (within the meaning assigned by subsection 28(5) of this Act as it read in its application to the 1971 taxation year),

exceeds

(ii) all amounts on which the corporation has, before the particular time, elected to pay tax under Part IX,'

(*b*) by striking out line 15 on page 468 and substituting the following:

'corporation's refundable dividend tax on hand (with-'

(*c*) by adding, immediately after subsection (10) on page 470, the following subsection:

'Life insurance corporation's control period earnings

(10.1) Notwithstanding anything contained in subsection (9), the amount of a life insurance corporation's earnings for a control period that was available for payment of dividends at a particular time is the aggregate of the amount thereof determined under subsection (9) and 2 times the aggregate of all income or profits taxes paid or payable by the corporation, for taxation years ending after 1971 that are in the control period, to a government of a country other than Canada or to a state, province or other political subdivision of a country other than Canada.'

(d) by striking out lines 31 to 37 on page 471 and substituting the following:

'(i) the lesser of

(A) the amount in respect of the corporation that would be determined at the end of 1971 under subparagraph 28(6)(b)(ii) of this Act as it read in its application to the 1971 taxation year if the provisions of this Act as it so read were applicable to the corporation's 1972 taxation year, and

(B) the amount, if any, by which

1. the amount that the corporation's 1971 undistributed income on hand would be at the commencement of 1972 if subsection 196(4) were read without reference to paragraphs (c) and (f) thereof,

exceeds

2. the amount of the corporation's earnings for the control period that was available for the payment of dividends (within the meaning assigned by subsection 28(5) of this Act as it read in its application to the 1971 taxation year) at the end of 1971, and'

(e) by striking out lines 8 to 21 on page 472 and substituting the following:

'(iii) the amount, if any, by which

(A) the aggregate of all amounts each of which is an amount on which the corporation has, before the particular time, elected to pay tax under Part IX,
exceeds

(B) the amount in respect of the corporation determined under subclause (i)(B)2., and'

To be added to amendment moved on October 22, 1971

Page 476

That section 194 as set forth in clause 1 of the said Bill be further amended by striking out line 26 on page 476 and substituting the following:

'1971 paid a taxable dividend to a shareholder that'

To be substituted for amendment moved on October 29, 1971
Clause 65 (Pages 698 and 699)

That clause 65 of the said Bill be amended

(a) by adding, immediately after subclause (1) on page 698, the following subclause:

'Idem

(1.1) Where, at any particular time after October 13, 1971 and before 1972, a taxpayer to whom Part XI of the amended Act applies has acquired a foreign property that was a share of the capital stock of a corporation that would be an investment corporation if subparagraph 130(3)(a)(i) of the amended Act were read without reference to the words "that was a public corporation", for the purposes of subsection (1) the share so acquired shall be deemed to be a share described in paragraph (1)(a).'

(b) by striking out line 1 on page 699 and substituting the following:

'person to or under the plan as was'

(c) by striking out line 15 on page 699 and substituting the following:

'any premium paid by the annuitant'

(d) by striking out line 24 on page 699 and substituting the following:

'paid by an employer to a trustee'

(e) by adding, immediately after subclause (2) on page 699, the following subclauses:

'Foreign property acquired by registered retirement savings plan

(3) Where, at any particular time after 1971 and before 1974, a trust governed by a registered retirement savings plan has acquired a foreign property described in paragraph (1)(a) or (b) or a foreign property that would be described in paragraph (1)(c) if the references therein to the "1971 taxation year" of the trust were read as references to the "1972 and 1973 taxation years" of the trust, the property shall, to the extent that the cost to the trust thereof does not exceed the amount, if any, by which the trust's foreign reinvestment limit exceeds the aggregate of the cost to it of all such foreign properties so acquired by it after 1971 and before the particular time, be deemed

(a) for the purposes of Part XI of the amended Act, to have been acquired before June 19, 1971 and not to have been acquired after June 18, 1971, and

(b) notwithstanding paragraph 146(1)(g) of the amended Act, to have been a qualified investment for the purposes of section 146 of that Act.

"Foreign reinvestment limit" defined

(4) In subsection (3), "foreign reinvestment limit" of a trust governed by a registered retirement savings plan means such portion of the aggregate of

(a) the trust's income from property for its 1972 and 1973 taxation years, and

(b) all amounts each of which is such portion of any premium paid by the annuitant under the plan as was deductible under subsection 146(5) of the amended Act in computing the annuitant's income for the 1972 or 1973 taxation years,

as was, under the terms and conditions of the plan as fixed on or before June 18, 1971, required to be invested by the trust in foreign property described in paragraph (1)(a) or (b) or foreign property that would be described in paragraph (1)(c) if the references therein to the "1971 taxation year" of the trust were read as references to the "1971 and 1972 taxation years" of the trust.'

New clause 64.2 (Page 697)

That the said Bill be amended by adding, immediately after clause 64.1, the following clause:

'Parts VII and VIII of amended Act

64.2 For the purposes of Parts VII and VIII of the amended Act,

(a) control of a corporation shall be deemed not to have been acquired by another person at any particular time before 1972 unless at that time that other person had acquired control, within the meaning assigned by subsection 28(3) of the former Act, of the corporation; and

(b) where, at the commencement of 1972, one corporation was

(i) controlled, within the meaning assigned by subsection 192(4) of the amended Act, by another corporation, and

(ii) not controlled, within the meaning assigned by subsection 28(3) of the former Act, by that other corporation,

control of the corporation shall be deemed to have been acquired by that other corporation at that time.'

The Chairman: Before I recognize any hon. members, I wish to say something. I indicated earlier that it would facilitate debate if I were to make a ruling on the amendment moved by the hon. member for Edmonton West which I took under advisement yesterday afternoon. After the ruling is made, debate can proceed.

Yesterday the hon. member for Edmonton West proposed an amendment in the following terms:

That paragraph (b) of section 3 as set forth in clause 1 of the said Bill be amended by inserting in lines 15 and 21 on page 2, immediately after the word "property" in each said line, the following:

"other than land used in farming as defined in this Act and"

At that time the Chair suggested that the proposed amendment might have the effect of shifting the incidence of taxation. The hon. member for Edmonton West dealt with this aspect when assisting on the procedural problem. I have had the opportunity to read his remarks in *Hansard*, to consider them in the context of authorities and I am persuaded on this point. It no longer gives me concern.

It might be appropriate at this time to suggest to the Committee that some difficulty arises for the Chair in determining the procedural acceptability of some amendments. As the Committee is aware, the House adopted an order to the effect that the ways and means motion which preceded this bill would be set aside. In effect, therefore, the basic ground rules have been altered and it follows that there is some difficulty in applying accepted practices in every case.

As the hon. member for Edmonton West suggested in his argument yesterday, a peculiar difficulty arises because of the arrangement of the bill. There is but one clause in the bill covering a great number of substantive proposals. In other circumstances it might be possible to isolate a major proposal and bring it to a vote. The Chair is of the opinion that the construction of the bill in many cases closes that avenue.

There is, of course, authority for the statement that, in certain circumstances, a provision which has the effect of alleviating taxation is open to amendment in the Committee to further alleviate the taxation. While I have some doubts as to whether or not I should put the proposed amendment, nevertheless, for the reasons mentioned and because, in such circumstances, I feel the Committee should be given the opportunity to decide the question, I am prepared to put the amendment.

The hon. member for Edmonton West moves:

That paragraph (b) of section 3 as set forth in clause 1 of the said Bill be amended by inserting in lines 15 and 21 on page 2, immediately after the word "property" in each said line, the following:

"other than land used in farming as defined in this Act and"

[Mr. O'Connell.]

Mr. Harkness: Mr. Chairman, I do not propose to debate the desirability or otherwise of imposing a capital gains tax in Canada at the present stage of its development, because I am enough of a realist to perceive that the government is determined to impose such a tax and it has a big enough majority to force that decision through in the course of time. Instead, I want to address my remarks to ways in which the present legislation could be improved considerably to make it, in my opinion, much more equitable than it now is.

The chief argument advanced for the imposition of a capital gains tax is the argument of equity: that the tax will produce a greater degree of justice, fairness and equity in taxation than is evident in our present taxation system under which capital gains are not taxed. The example most frequently quoted to try and justify this position is that of the lucky speculator in the stock market who has made $5,000, $10,000, $20,000 or perhaps more. This is not subject to taxation. Compared with the wage earner who is making $5,000 to $10,000 a year and has to pay taxes, this is an inequitable situation.

• (4:30 p.m.)

The other chief example quoted is that of the person who owns land on the outskirts of a city. As the city grows, this land is converted from farmland to city building lots. There is a very large increase in the value and the price he receives for it. There are a certain number of people who are lucky speculators. There are more who are unlucky and lose money on the stock market over the course of the years. There are a limited number of people who have made considerable amounts of money because the farmland they owned happened to be on the edge of a developing city. The numbers of people in both these classes are very small indeed.

As far as this bill is concerned, it is designed to catch those people. It will catch these people all right and make them subject to tax on their gains. However, at the same time it will catch and bear heavily on a very large proportion of Canadians and, in many cases, in a very inequitable manner. In my opinion, this legislation will produce more inequity than equity in taxation. I do not think anyone will argue against the cases I have mentioned. However, on the basis of equity, certainly as far as this bill is concerned, the basic argument of producing greater equity falls to the ground. I think it can be demonstrated that carrying into effect the provisions of this bill will produce far more inequity as far as the majority of the people of Canada are concerned than the situation that exists at the present time.

The amendment moved by the hon. member for Edmonton West, which I am very glad has been allowed, is a case in point. I support that amendment strongly. The average farmer bought his land on a time payment plan. The average farmer in the future will have to buy his land on a time payment plan, perhaps more often than has been the case in the past. After having mortgaged his land, he spends the greater part of his life making mortgage pay-

ments and buying the necessary machinery to keep his farm in operation. During that period, he receives a much lower income than the average salary or wage earner. At the end of his working career or when he dies, the returns from a lifetime of labour are available, namely, whatever increase has taken place in the value of his land. This is what his wages really are for a lifetime of work. In the meantime, he and his family have enjoyed a far poorer standard of living then the average wage or salary earner. Under this legislation, practically all farmers will have to pay 23 per cent or more of what they have accumulated in a different way from other people after a lifetime of labour.

To see that this is the situation, one need only look at the statistics since the inception of the income tax during the first great war. These statistics show that the great majority of farmers have never had enough income to pay income tax. Their wages, and thus their standard of living, were sufficiently low that they did not get into the income tax paying bracket. The number of them who have been income tax payers, and I have forgotten the figure at the present time, is remarkably small. This alone is sufficient to demonstrate that the income secured by these farmers was very much less than that secured by their fellow Canadians from governments, corporations and the like. It is inequitable that farmers, more so than any other group of people in this country, should now be subjected to a capital gains levy on what, to a large extent, is the result of a lifetime of hardship.

Another point of view, and I wish to place particular emphasis on this, is that to a large extent the increased value of land in this country is the result of inflation. Except in exceptional cases where the land is close to a city or something along that line, it is chiefly due to inflation. Therefore the apparent gain which farmers secure is not a real gain at all. The same situation applies to most other Canadians who will be taxed on their capital gains under this legislation. To a very large extent, their gain is not a real gain because of the effects of inflation; it is just an apparent gain.

I suggest that for a capital gains tax to be equitable, allowance must be made for inflation; that has not been done in this legislation. That alone is sufficient to condemn this system of calculating capital gains as an unfair system. I strongly suggest that the government should again take this matter under advisement and include an inflationary factor which would result in the tax being calculated on the real value of the capital asset, not its apparent value because of inflation. The tax should be applied only on the increase in value in terms of real buying power, rather than the inflated value which results from the loss of buying power of our Canadian dollar.

An hon. Member: That is not a just society.

Mr. Harkness: As the hon. member said, that is not a just society. This should be one of the main considerations. The type of taxation proposed in this bill is anything but just. As I said at the beginning, it will undoubtedly produce far more inequities for many more people than the inequities which it will cure.

This leads me to the consideration of the application of this tax to personal possessions such as pictures, jewellery, stamp and coin collections and anything else along that line. Their increase in value has been largely due to inflation; it is not a real increase in value at all. The purchasing power realized when people sell these possessions would, in many instances, be no greater than it was before they bought them. To the extent that increases in value have not been due to inflation, I suggest that such increases were less than the return would have been had the money used to purchase them been invested in stocks, bonds or other investments of that kind. Once again an extremely unjust situation arises if we tax as a capital gain any increase in the value of articles of this sort. It is true there is an exemption of $1,000 with respect to any single article in this category of personal possession and this does provide a good deal of relief. However, it does not by any means cover the situation as a whole. Once more, I have a suggestion to make in this regard.

• (4:40 p.m.)

I suggest there should be a lump sum exemption for all such articles taken as a group as of valuation day, and this exemption should be at least $50,000. Thus, a person with a picture worth $1,000 which may realize $2,000 when he sells it 10 years later on the break-up of a family home, or something along that line, will not be penalized by the capital gains tax. A provision of this sort would remove a great deal of the resentment and antagonism felt toward this legislation by a great many people in Canada who have a basic objection to these personal possessions, pictures, manuscripts and so on suddenly becoming subject to tax. Actually, I know a few people of quite modest means whose entire savings are invested in pictures and things of that sort. People in this position would be harshly penalized by the provisions of this bill as they exist at the present time.

I should like, now, to consider ways in which a better form of capital gains tax could be devised which would keep capable Canadians working in this country, retain highly trained business and professional men and encourage the establishment of new enterprises. One of the more important arguments against the imposition of any capital gains tax is that such a tax would discourage development in Canada. I think there is considerable validity in this argument. However, it is possible to devise a form of capital gains tax which would not have this effect. It would run roughly along these lines.

The type of capital gains tax I prefer would be designed to tax the traders but not the legitimate investors who make risk-taking possible. If we accept that a capital gain on an investment in a Canadian corporation acquired and sold within one year would be taxable at 25 per cent, I would suggest that the capital gains tax on investments held beyond one year should slide off progressively at the rate of 2½ per cent per year to zero in 10 years. If greater investment incentive is required, the tax could slide off to zero over a five-year period.

This arrangement would apply to all capital gains on shares of all Canadian corporations, on family corporations and even on real estate. This proposal should deter short-term speculation—which does very little for the economy—and would encourage longer term investment by Canadians in their own future. Losses on investment should be deductible only from capital gains with the same percentages applied in respect to length of owner-

ship. Furthermore, in order to discourage Canadians from investing in foreign corporations and to channel their investment funds instead into Canadian enterprises, I would suggest that investments by Canadians in non-Canadian corporations should be subject to the full capital gains tax without any sliding scale reduction.

Great concern has been expressed in recent years over the extent to which the Canadian economy has been dominated by foreign companies. All the questions and to-do we have heard in the last two days over the so-called Gray Report release and so on have been related to this subject. It is one which very much affects Canadians as a whole. But the application of a capital gains tax of the kind I have suggested would go a long way to correcting this situation in the future. I am surprised that this opportunity has been neglected by the government in its tax proposals now before us. They set up a task force to look into ways of keeping Canadian investment inside Canada to a great extent, and to consider means of preventing a further take-over of our natural and manufacturing resources by foreigners, then they completely neglect the possible opportunity to achieve those very ends through the careful application of a capital gains tax.

I might add that this idea as to the form of a capital gains tax is not original with me. Others have put it forward. I happen to know it was put directly to the Minister of Finance, and I am surprised he has not taken action to introduce provisions along these lines in the legislation. It is still not too late for him to do so, and I still hope the government will bring in amendments giving effect to the suggestions I have made so that capital gains tax legislation in this country will be more equitable than it would be as presently proposed and so that it might also serve the purpose of channelling Canadian enterprise and money into new Canadian businesses and thus stimulate an increase in the growth of the economy generally.

Mr. Ritchie: Mr. Chairman, it seems to me that the introduction of a capital gains tax is probably the most significant part of the tax bill before us. I think it can still be said that the economic and investment consequences of adopting a capital gains tax are still debatable. Economists differ in their opinions, and the discussions which took place in committee when considering the white paper were most interesting in this regard. There is no doubt that any tax which reduces returns to investors after taxation must result in a lessening of incentive. It is generally conceded that the burden of the capital gains tax will fall on savings to some extent. On the other hand, there are those who point to the fact that in the United States, where a capital gains tax has been in existence for a long time, investment has not been adversely affected.

But in applying such a tax in Canada, if we hope to avoid unfortunate consequences, two assumptions must be made. The first is that despite higher taxation the economy will remain as buoyant as it was before, and, second, that the Canadian proposals will result in a system comparable to that in operation in the United States. We have to accept that probably the first assumption is highly dubious, particularly at a time when everyone tells us about the enormous number of jobs that need to be created. Speaking of the United States, for nearly 30 years U.S. taxpayers in the higher income brackets have enjoyed a very significant differential as between short and long-term rates. The 25 per cent long-term rate is highly preferential and of considerable benefit to those in the higher income brackets in the United States.

• (4:50 p.m.)

The adverse effect of the tax in the United States has been the exemption from capital gains tax of assets held until death, when revaluation to the benefit of the legatee takes place. This has been called a major loophole and has been used highly successfully. Since wealth and age tend to go together, families have been able to pass on closely held corporations at death without liability for tax. There has been some argument whether this has a locked-in effect, and it is not clear whether it has or not. According to the legislation before us, presumably this loophole would be blocked. In the United Kingdom, after five years or so of a capital gains tax, some psychological effect of being locked in is still evident.

When speaking of capital gains tax, we have to remember that this is the linchpin of our new income tax base. It constitutes a fundamental redefinition of our personal and corporate tax base, and also compromises a significant element in the estimated revenue resulting from the proposed changes. Third, these proposals, in effect, will change the ownership of wealth and, in the long run, will have significant redistributive effects so far as income is concerned.

During the white paper hearings, the government relied heavily on the United States estimate of the amount of taxation brought in by a capital gains tax. It is likely that there will be a considerable difference between what the United States derives from a capital gains tax and what will be derived from the proposed tax in Canada. There is implicit in many people's minds the belief that the implementation of a capital gains tax will have no great effect on taxpayers generally in view of their manner of working and their investment behaviour. Such a belief depends heavily upon economic theorizing and has really been misplaced in the real world. As the hon. member for Edmonton West has said, people do not necessarily react the way they are expected to react.

One of the great problems with a capital gains tax is its impact on inflation. While the term "equity" means one thing to the academic, it may mean something else to the taxpayer who will be highly conscious of any impact the tax has on inflation and on his own affairs. It is for this reason that most governments which tax capital gains adopt either a low preferential rate or they ignore gains realized after a given holding period; for example, in Germany it is after two years, in Italy after six years and in Sweden after ten years. Other countries use the inflation index to adjust capital gains, as in Belgium, France and Brazil. So, it is most important that these matters be looked at.

Ignoring for the moment these economic weaknesses, it might be argued that the inclusion of the capital gains tax would increase equity. In the long run, a capital gains tax is often the reverse of equity and may be impracticable. In consequence, therefore, changes in the treatment of capital gains will inevitably be introduced on an ad hoc basis and will no longer be designed to fit the integrated package contained in the tax bill.

Another aspect of a capital gains tax relates to capital losses, which under the proposed legislation will be deducted from the capital gain. In the case of losses that are greater than the original capital investment, the maximum deduction will be $1,000 a year. This means that the federal government would not be able to afford losing revenue if a large capital loss was sustained, or if the stock market depreciated.

While on the subject of implementing a capital gains tax, may I quote from the United States Congressional study of federal income tax treatment of capital gains and losses of June 1951:

> Congress has tried time and time again to find a method both practicable and equitable of taxing capital gains. Such a method has been conceived to be one which would interfere as little as possible with the realization of gains and at the same time would not stimulate loss realization too much. But finding satisfactory formulae for achieving the divergent equity and incentive objectives that are entwined in the philosophy of capital gains taxation and at the same time protecting the revenue has been a difficult problem. Consequently the history of the legal provisions has been a record of compromise and change without satisfactory solutions.

Even so, the present complications of the U.S. treatment of capital gains stem less from the actual design of the tax than from the attitudes of Congress toward taxation. During the past quarter of a century the United States has sought to moderate the excessive top rates of income tax by providing, in effect, a whole series of loopholes whereby ordinary income could be converted into capital gains. Once this practice had started, initially perhaps with some justification, it became virtually impossible not to extend the range of such preferences and, at the same time, to open up new loopholes for tax avoidance.

In the meetings currently being held in Vancouver by the Canadian Tax Foundation, the question of a capital gains tax has been raised. According to a report in this morning's *Globe and Mail*, it was pointed out that it is very difficult to define what is capital and what is income. Up until now capital gains have been tax free, though there has been a tendency for revenue officials and for judges who hear tax cases steadily to encroach upon this freedom and to include capital gains within income. If the government introduces a capital gains tax I think we can expect a reversion back to the original attitude. In other words, where the line is shadowy there could be a movement away from regarding it as income. On the other hand, what is now considered to be income might well come to be regarded as a capital gain, so the taxpayer would have to pay some tax to the federal treasury and this would be regarded as a satisfactory solution. In this sense, it may well be that the capital gains tax is not going to bring in as much money as we have been led to believe, because what is now considered to be income will in many cases be considered a capital gain.

• (5:00 p.m.)

Problems connected with a capital gains tax are largely considered in three ways. First, how do we attain equity of administration? In many cases there must be arbitrary administration in respect of capital gain. In fact, the tax should be on accrued gains, but the practice is it can only be on realized gains. We also have the problem of so-called bunched gains. In some cases capital gains may be realized in one year, while in other cases the capital gain may have accrued over a period of 20 years, but the individual has to pay the tax as though it was gained in the one year. This individual should receive some recognition of the fact that his assets took 20 years to be obtained. Finally, there is the problem of capital gains in relation to losses, which I mentioned before.

During the hearings on the white paper on taxation Professor Ilersic of Vancouver, who has a great deal of experience in respect of these matters in the United Kingdom, had this to say:

> It is in respect of land, in respect of real property, real estate, and also other assets which are not normally regularly valued, where difficulties arise. And most important of all, it is particularly difficult to value shareholdings in private companies, or closely held corporations. This is the biggest problem, and what has happened is that as far as the estate duty office is concerned now, the volume of work involved has substantially increased.

He was speaking of the United Kingdom and the problems there. The problems in respect of capital gains seem to be far-reaching and will be much more basic to our economy and tax structure than we think, because presently this brings in little actual revenue. The one great mistake the government is making in this bill is its failure to differentiate between long and short-term gains. For those who are willing to invest in long-term ventures and hold their investments for five or more years there may well be no capital gain. Those who invest for a short-term, for a year, perhaps should pay full tax, and so on, using the sliding scale suggested by the hon. member for Calgary Centre. Because there is no differentiation between long and short-term gains, this bill is deficient. The implications are quite clear. The effect of this will be, to some extent, a deterrent to investment.

Another thing that has been overlooked is the effect of the federal government moving out of the estate tax field. I think it must do so in order to bring in a capital gains tax and deemed realization on death. There has been no provision made for the provinces to work out some arrangement. It is almost certain that if the provinces are to get money from estate taxes, including my own province of Manitoba, they will have to levy heavy estate taxes which, combined with deemed realization on death, will mean that most estates will carry a heavy taxation load. It seems the government has been deficient in not clarifying what might happen when it vacates the estates tax field and brings in deemed realization on death by way of a capital gains tax.

One of the effects likely to flow from the combined impact of a capital gains tax and succession duties, if instituted in some provinces, is an incentive to foreign ownership of Canadian ranches and farms. Up to the present time, foreign ownership of Canadian land, as far as ranches and farms are concerned, has been minimal. Foreign ownership has been involved in our natural resources, and so on, but if the deemed realization on death, and estate taxes, continue to be levied by the provinces this will certainly mean that foreign owners will be in a position to avoid capital gains and succession duties within the framework of the law. To this extent Canadian farmers will be in an extremely disadvantaged position in competing with foreigners for Canadian farms. I think the federal government should, before it institutes a capital gains tax, work out some formula with the provinces in order that the two taxes will not cause a loss of revenue to

the provinces, and so there will not be a vast jungle created with the institution of a capital gains tax and the institution of estate tax, especially in respect of farms and investment.

These problems in respect of capital gains tax are important. The government has not differentiated between long and short-term capital gain; it has not worked out with the provinces this problem of dual taxation on estates at death either by capital gains deemed realization or estate tax, and this will create a tax jungle. Furthermore, in respect of farm land, and I now speak to the amendment by the hon. member for Edmonton West, I hope the government will consider this seriously and accept it. With the deemed realization at death and estate taxes in many provinces, farm estates will face an almost impossible situation. In many cases individuals concerned will not be able to carry on. The estates will not be able to turn the property over from one member of the family to the next. I seriously commend to the government this amendment for consideration and I hope some action can be taken.

The Assistant Deputy Chairman: Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Fraser Valley West (Mr. Rose)—Public Service—Request for publication of report of Staff Relations Committee—implementation of recommendations; the hon. member for Sainte-Marie (Mr. Valade)—Labour conditions—Quebec—unemployment forecasts; the hon. member for Selkirk (Mr. Rowland)—Fisheries—Federal government participation with Manitoba in income support and retraining plan for Lake Winnipeg fishermen.

• (5:10 p.m.)

[*Translation*]

Mr. Beaudoin: Mr. Chairman, I have a few remarks to make about the section under study, the purpose of which is to make part of a taxpayer's capital gains taxable.

In this respect, the bill, if it were to go through as it is written at present, would certainly be unfair to small property owners—those who have had to take a 9 3/4, 10, 10¼, or even 10 3/4 per cent mortgage in order to buy, or have built, a multiple-unit house.

The question is: what is a capital gain? Is it the difference between the price paid for the house and the current sale price? If somebody bought a multiple-unit house 10 years ago, and now sells it for 25 per cent more than what he paid for it then, he is not making a profit: it is a capital loss rather than a capital gain. With the progress of inflation these last few years, I think it will be very difficult for the taxpayer to determine what a capital gain really is. Perhaps I would agree with the principle of the bill, that is to tax part of the capital gain, if the rate of inflation and the time the owner has owned the house were taken into consideration in the bill.

I would not want individuals to be considered on the same footing as real estate agents, for example, who make a living out of accumulated profits, one transaction after another, who can make 50 transactions a year. An individual who would realize a capital gain on the first or second transaction, during one year, should not pay income tax.

I would like to see some protection for the small owner with a bit of cash who borrowed money to buy a small apartment house and who, at the time of the transaction has already made a profit because in order that a house be worth buying or building, a reasonable profit margin must be expected, granted the fact that before this tax reform, capital gains were not taxable, the effect of which was to maintain rents at a reasonable level.

Taxing part of capital gains will contribute to increase the cost of lodgings. Low income people will still be footing the bill because owners will obviously have to make profits, otherwise they will not invest. If they fail to invest there will be fewer housing starts, more unemployment and the whole economy will suffer.

As for a capital gains tax on a family farm, I completely agree with the hon. member for Edmonton-West (Mr. Lambert). In fact, if a man who has owned a house or a farm for 10, 12, 15 or 25 years puts it up for sale and if the capital gain is taxable, this will not encourage those who intend to buy that family farm.

It is imperative that this bill make a difference between capital gains on long and short term investments. Furthermore, we should devise a method for figuring out the real profit in terms of capital gains.

[*English*]

Mr. Flemming: Mr. Chairman, my first thought in rising is to refer to the speech delivered by my hon. friend, my seatmate, a few minutes ago. My general hope is that the parliamentary secretary will carry the message to the government that was conveyed so ably to the House by my seatmate. I believe many valuable suggestions were made by him. I almost had the idea of getting up and saying "amen" two or three times to the speech of my hon. friend from Calgary Centre. However, since I am on my feet, perhaps I should make a few observations.

First of all, I wish to speak on the general idea of taxation. I believe taxation, and the means of imposing it, are very dangerous weapons. In general terms, I do not believe it should be considered desirable to impose taxes. Taxes are dressed up and called revenue, but really this amounts to taxation because something is being taken from people. So, while in the course of these remarks I do not intend to indicate any tremendous proposition in respect of capital gains compared to other taxes, I do propose to attempt to convince the House, and especially my hon. friend from Calgary South, the parliamentary secretary on one or two points.

I must say at this point that the parliamentary secretary has been most faithful in his attendance here during this debate. He has indicated a great knowledge of the subject, and I should like to pay him that tribute here and now. It would seem to me that a capital gains tax must discourage people. These remarks are directed especially to younger people. I believe it is a good thing to encourage people to invest their money. It is good to encourage them to save a few dollars when they have a pay cheque and can afford to do so. However, I think it is also good to encourage them to buy something which they consider to be good value from someone who has it to sell, especially when they think that sooner or later the value will increase.

Speculators have been spoken of here as though they were public enemies. I do not subscribe to such a philosophy.

About a month ago the government announced its intention to reduce taxation. It was said that this would stimulate employment. Well, if a stimulation of employment comes about through a reduction in taxation, as was stated in this House by the Minister of Finance, then surely it is consistent for us to point out the weaknesses in the proposal to now impose a new tax, because this is a new tax. It is something which we have never had before in this country. I refer to a tax on capital gains.

In a previous speech I referred to the fact that I believed the existing statute under which we impose income tax might very well have been retained, if not in its entirety at least to an extent, by this government for whom I have only a minimum respect. The present income tax statute has some good, fundamental points. So, it would seem to me to be a good idea to retain the good points. Instead of this, however, the government gives us this three-inch document of 700 or 800 pages which no one understands very well and which I submit will cause a great deal of confusion in the minds of even the chartered accountants who will be involved with it.

• (5:20 p.m.)

I made those few remarks a month or so ago in connection with that point, and I repeat them now because nothing has happened since that time to make me change my mind. In fact, I believe that an examination of the present economic situation in this country leads me to be more convinced than ever that it would have been beneficial to retain the existing income tax statute as a base, adding to it or taking away from it whenever it is considered to be in the general public interest.

In considering the basis for taxing capital gain, surely we might properly go back over a 100 year period to see what the situation has been in that time. Under the existing statutes we have become an industrial nation, we have become an exporting nation and we have become a competitive nation. Living as we do alongside a great nation and a great people we should, and we have, at least until the coming into office of the Trudeau government, found ourselves facing tough competition from those same friends to the south who have the benefit of mass production, and a home market of immense proportions where they can dispose of a large percentage of their total production. In case of need, they can dispose of their surplus in our limited market. I do not favour tariff laws which make it possible for them to do this. So let us examine the record and see what has taken place in the last 100 years under the existing tax laws.

Let us consider in particular the last 25 years so that we may have the benefit of our experience in determining our course for the future. That seems to me to be very sensible. We should use the experience of the past in determining our course for the future. I am sure that no one within sound of my voice will argue that that is not a very desirable position to take. When I mention 25 years in general terms, I go back to the Second World War. In that war Canadians played an important and impressive part, and our fighting men and women came out of it with their heads held high. The honour and the sacrifice of those brave men and women who made up the personnel of those armed forces had not then and has never been excelled. Last week we observed Remembrance Day. All over the land we united, something which we seldom do. What united us? We united in remembrance, recognition and appreciation of what had been done in the past. We appreciated the sacrifice which they had made, those who did not return, and we expressed thankfulness to those who marched that day, for their bravery and devotion to duty in placing their services at the disposal of their country. We came out of the conflict with our reputation established, and we set to work to utilize the skills of our people in transforming and making peacetime operations out of wartime machinery. That is what we did after the Second World War.

The government of that day was very conscious of the need to utilize the skills of those who had produced the goods required for war purposes and to utilize the services of the men and women as they returned from the various theatres of war. The need for productive employment became evident. The key figure who had been in charge of war production was Mr. C. D. Howe, a man of tremendous ability and drive. I do not think that enough attention is paid to the drive and determination of an individual to do something. To me this is more important than ability and more important than education. Mr. Howe carried on under Prime Minister King and he was a key figure in the government of Mr. St. Laurent. I had the honour of knowing him personally, since he spent a portion of his free time in St. Andrew's, New Brunswick. No one could be exposed to his personality without developing an admiration for him.

The reason I mention all these things is that they were accomplished during the last 25 years under the present Income Tax Act, and yet this government suggests that they must destroy it and replace it with this three inch thick document which no one understands. That is what they propose to do. I am very much against the destruction of the statute under which we have operated during a period in which this country made great headway. That is what I object to here and now.

The capital gains tax would discourage the young man who wants to improve his financial position. He is ambitous for himself, for his wife and for his family. He is willing to work long hours beyond the call of duty when his competitors have gone home. He applies good management principles to his operation. He buys a piece of property which he feels is good value and which will enhance his capital position. The government wants to tax him because he was wise enough and thrifty enough to purchase a piece of property when it was offered to him. The government, by taking a large chunk of whatever he happens to make by way of profit, will discourage him from buying property.

I know that if the parliamentary secretary were to offer an excuse, he would say that the government must impose taxes because they need the revenue. I know that I am putting words in the parliamentary secretary's mouth, but I imagine that this is what he would say because he is quite a good debater. I want to call the attention of the committee to the Auditor General's report for the year ending 1970. On page 17 of that report, hon. members will find a review of the revenue of the last three years, all

properly comparable so far as I know. The first item is the amount received from personal income taxes in the years 1967-68, 1968-69, and 1969-70. I want to put on the record the differences in the amounts of revenue derived in these years, because I wish to establish in the mind of the parliamentary secretary and in the minds of government members, the idea that had they managed the affairs of the people of this country as they should have managed them there would be no need for a capital gains tax. That is my point.

Mr. Crouse: Hear, hear!

Mr. Flemming: I will give round figures. The revenue from the personal income tax in the year 1967-68 produced $2,800,000,000. The next year, it was $3,300,000,000, and the next year, in 1970, it was four billion and nearly one hundred million dollars. The point I am making is that there has been a tremendous increase of roughly 20 per cent in both these years. In other words, between the first and the last years for which I quoted figures there has been an increase of 40 per cent. Yet, the government says they must have more money.

Let us consider the corporation income tax. My remarks are in rebuttal of the so-called need for more tax revenue. Corporation tax in the year ending March 31, 1968, was $1,600 million, in the year ending March 31, 1969, in round figures it was $2 billion, and the next year ending March 31, 1970, it was $2,611 million. This is almost the same percentage of increase. All through the figures that I am referring to there is roughly the same percentage increase. That is why I say there is no need for a capital gains tax.

• (5:30 p.m.)

Income tax on dividends, interest, etc. going abroad in the first year that I mentioned was $220 million, the next year it was down to $205 million and in the year ending March 31, 1970, it was $248 million. Social development tax, whatever that is, for the year ending March 31, 1969, was $63 million, but for the year ending March 31, 1970, it went up to $476 million. From $63 million to $476 million. I do not know the explanation for that, but I do know that $476 million is much more than $63 million.

Then we come to sales tax and there is not very much difference there. It seems as though personal income tax and corporate taxes show the largest percentage increase and the largest amounts. We have never had any explanation from the government for these increased revenues. Revenue, as I said at the outset, is really a matter of taxation. The government can dress it up and call it revenue, but it is really taxation. On the same page of the Auditor General's report we find that the total revenue for the year ending March 31, 1968, was $9,001,716,000, and for the year ending March 31, 1969, it was $10,162,843,000, in round figures. That is an increase of 9 per cent to 10 per cent. For the year ending March 31, 1970, the total was $12,323,845,000. We might be very impressed with these figures, Mr. Chairman, were it not for the fact that the government is asking for authority to impose more taxation because they say they need it and must have it. I say we need an explanation from this government and I am sure everyone will agree with that statement.

It is often emphasized that there is a capital gains tax in the United States, but I say that is not any reason why there should be one in Canada. I say that because Canada is largely an undeveloped nation. We need to encourage people to invest money here, so-called risk capital. That is what it is. If I had the time and the House was willing to listen, I could name businesses that have been carried on with foreign capital simply because they could not get a bank loan in Canada. But it is said that because the United States has a capital gains tax, Canada should have one. But the United States is a developed country and we are not, so the same principle does not apply. It is an entirely different situation in Canada and it is no argument that we should have this tax because they have it. We need risk capital and we should not discourage it.

The Deputy Chairman: Order, please. I regret having to interrupt the hon. member, but I must advise him that his time has expired and unless he receives permission of the committee he will be unable to continue his remarks. Does the committee give the hon. member permission to continue?

Some hon. Members: Agreed.

Mr. Flemming: Thank you, Mr. Chairman, and members for this consideration. I shall try not to be too long. I want to say a word or two about small businesses. To my certain knowledge many people, sometimes just a man and wife, carry on a small business. They work long hours and take very little out of the business except their bare expenses. They try to improve their property chiefly from money which under ordinary circumstances would give them an increase in salary. At the end of 25, 30 or sometimes even 40 years they decide to take it a little easier. The only way they can realize funds is by selling the property. Now this government suggests that if these people sell the property for $100,000 they will take 30 per cent or 40 per cent of it. I submit that this does not make for good citizenship and it does not encourage people who are the salt of the earth and who built the country.

As my hon. friend from Dauphin and my hon. friend from Calgary Centre have said—I hope the parliamentary secretary will take this into consideration—I, too, think that the government should recognize the difference between short-term speculators and long-term investors so far as capital gains are concerned. There is a great difference. I do not know that I have any great criticism of a capital gains tax on speculation. If a person is lucky, I think that is all right. But the person who puts money into a valuable property, improves it and maybe 15 or 30 years hence sells it, should not be penalized. That is my feeling on this subject.

I should like to make a few remarks on the whole question of foreign ownership. It seems to me that the ownership of business is really not very important as long as the owners abide by the laws of the country. I fail to see a great deal of difference between foreign ownership and ownership by our own people. I will say, and I know whereof I speak, that if we in the Maritimes did not have the market to the south of us, we would find it very difficult to get along; there is no question about that.

• (5:40 p.m.)

The government's action in discouraging foreign capital can be interpreted as suggesting that people coming to invest in Canada have the smallpox and should be avoided as we would avoid the plague or, alternatively, that we have more capital than we need and we must keep them out. That is the idea that comes to one from some of the things for which this government seems to stand.

I was speaking about short-term versus long-term considerations. In my opinion we need to harness our resources. We will never solve the unemployment problem of this country through government action alone. We must harness the private enterpriser so that he may employ people. We must encourage him to do that. We must harness all the resources we have, including human resources, and stimulate productivity. Incentives should be provided. We must fully utilize all our resources and encourage, not discourage, such utilization.

I do not say how I will vote. I will probably vote for what the government thinks is best. After all, we must carry on; we must keep going. I merely wanted to point out these things. I appreciate the extra time and consideration that has been extended to me and I thank members of the committee.

Mr. Mahoney: Mr. Chairman, I listened with a great deal of interest to the speech of the hon. member for Carleton-Charlotte. We were treated to the courtly, courteous and classic brand of Conservatism that we expect from him. There was, however, one area where I felt that perhaps he may have assumed something that was not entirely justified. He assumed, it seems to me, that somehow or other the capital gains tax would be piled on top of other taxes, that this was to be a source of revenue that would be an increased tax burden for Canadians on an over-all basis and that it would be an added burden to the corporation and income taxes that they have been paying in the past.

I would respectfully direct his attention to chapter 8 of the summary of the tax reform legislation which deals with the revenue consequences of the whole tax reform package. I would most particularly point out that this does not take into account subsequent tax reductions which have been announced by the Minister of Finance. It merely deals with the revenue changes flowing from the tax reform package announced in the June 18 budget and now reflected in the bill before the committee.

I note that although these changes will amount to a net increase in revenue from corporation taxes of $30 million, and that changes with respect to withholding taxes will increase revenues by $5 million, the various changes relating to individuals—that is, the increase in exemptions, the employment expenses allowances and the babysitting deduction, if I can use that expression—will result in a reduction, under this package, in personal income taxes of $290 million. Of course, the elimination of estate and gift taxes will reduce federal revenues by $65 million. In total, the package means a revenue reduction of $320 million in the income, estate and gift tax areas. The capital gains tax, it is estimated, will result in increased revenue of $50 million from corporations and $80 million from individuals. But this was all taken into account in this whole package and the net reduction in revenues is indeed significant.

I should also point out that the progressive reductions in marginal rates of tax from 17 per cent to 6 per cent for individuals and from 50 per cent to 46 per cent for corporations over the period to 1976 are designed to hold the government's revenues at the current year's level as the capital gains system matures. I am sure the hon. member would not want to leave the impression that the capital gains tax is simply being piled on top of other tax sources, that these other taxes have not been modified in order to take into account the government's real revenue position and that the capital gains tax is simply a device to bring increased revenues to the government.

Mr. Flemming: Mr. Chairman, may I ask the parliamentary secretary a question? Has the government any assurance that when it vacates the succession duties and the estate tax field, the provinces will not move in, so that the net result will be the imposition of additional taxes on some taxpayers?

Mr. Mahoney: Mr. Chairman, on the contrary. We have indications that a number of provinces intend to replace the revenues they will be deprived of as a result of our discontinuing estate and gift taxes. It has been indicated to us that the three provinces that presently levy succession duties, Quebec, Ontario and British Columbia, will continue to do so. However, the whole package, federally and provincially, still involves as far as we are aware a very significant reduction in revenues. It is in the order of $320 million.

I suggest that it is inconceivable that the provinces, including those which do not at present levy succession duties but are considering entering the succession duty field, would in their levies come anywhere near this revenue figure. One of the conditions that the federal government has suggested to them as a criterion for its agreeing to collect these provincial taxes, if the provinces should indicate a desire for this to be done, is that the succession duty levies adopted by them ought to be, generally, at the level of succession duties imposed in the three provinces of Ontario, Quebec and British Columbia which presently impose these taxes. There is no way in which the succession duties being contemplated by provinces newly entering the field would come anywhere near making up the difference that I indicated earlier.

Mr. Crouse: Mr. Chairman, could I ask a question? Was there not an understanding among the federal government and the provinces that as a result of withdrawing from the estate tax field the provinces would not lose any revenue? I understand that the provinces are very concerned about the loss of revenue which they will suffer. They, in turn, must take action to enter the estate tax field in order to recoup revenues lost through federal government action. Could the parliamentary secretary explain that situation a little better?

This seems to be one of the matters that is deeply troubling provincial ministers of finance. It has been debated, I understand, at the conference held in Ottawa and attended by the finance ministers, the Prime Minister and members of the cabinet. This matter is of crucial importance to my province. It has been indicated that the provincial government will enter the estate tax field in order to recoup some of the revenue lost through federal

action. The taxes that they must impose will in the end place an even greater burden on the taxpayers of Nova Scotia since, as the hon. member just said, the same people, in the final analysis, pay taxes to both the federal and the provincial government.

Mr. Mahoney: Mr. Chairman, there was no undertaking to the provinces with respect to the revenues that they might lose as a result of the federal government's discontinuing the collection of estate taxes and paying 75 per cent of those to the provinces. There was a revenue guarantee—I think the hon. member will appreciate that the federal government retained all the gift taxes and that these were not shared with the provinces—with respect to the income tax the provincial governments might lose as a result of the very substantial reduction in income tax that is involved in the tax reform package.

• (5:50 p.m.)

The revenue guarantee was initially offered for three years, which was subsequently extended to five years, and provided that no province which chose to conform its system to the system we are proposing and have the federal government continue to collect income tax as we do under the present system, would lose any income tax revenue as a result, provided that the rates of income tax they impose do not exceed a formula based on their existing rates of taxation. Subject to modifications, that formula is a factor of 30.5 as the numerator and 28 as the denominator applied to the existing provincial tax rates.

In the case of a province such as Ontario which levies a tax of 28 per cent of the federal tax, that figure would now become 30.5 per cent. In the case of a province such as Manitoba which has a current income tax rate of 39 per cent, the figure would be higher; I believe it would be 42.5 or 43 per cent. It is an arithmetical calculation which the hon. member can make. I reiterate, there was no undertaking with regard to lost revenues in so far as estate tax is concerned.

Mr. Flemming: Mr. Chairman, I wish to direct one more question to the parliamentary secretary. If, for example, the province of New Brunswick goes into the succession duty or gift tax fields vacated by the federal government, would it not be proper to say that the taxation in that province will be increased by the amount of the capital gains tax?

Mr. Mahoney: Not necessarily. Indeed, it probably would not because the federal taxation in that province would be significantly reduced because of the reduction in personal income tax that would also be involved in the province.

Mr. Stewart (Marquette): Mr. Chairman, I believe that all aspects of capital gains tax as it applies to agriculture should be withdrawn from this legislation. When the Minister of Finance originally introduced the white paper there were many protests with regard to the proposed increases in estate taxes. I was pleased when the minister withdrew these proposals and announced that the federal government was withdrawing from the estate tax field. However, with these proposals on capital gains, plus the fact that in Manitoba the NDP government wants to introduce a provincial estate tax, the farmer will definitely face double taxation. It could well mean the end of the family farm.

[Mr. Crouse.]

An hon. Member: This would only affect the people of south Winnipeg.

Mr. Stewart (Marquette): An hon. member to my left said it will only affect the people in south Winnipeg. However, judging by the statements that have been made by the Manitoba government I am sure it will get to the family farm as we know it. The Premier of Manitoba announced that the provincial government's loss will be $5 million which will have to be recovered by their share of estate taxes. Last year the Department of National Revenue in Manitoba collected $2,900,000 in estate taxes. Manitoba received three quarters of this, in the neighbourhood of $2 million. The government of Manitoba will need a very healthy estate tax plan if they intend to collect this $5 million.

At this time the family farm needs every possible encouragement if it is to survive. It is vital to our rural areas. It balances the whole economy, particularly in western Canada. In my view the biggest blow to the farmer will be capital gains on recaptured depreciation. I was in the farm implement business for 15 years and I have some very strong opinions on this subject. I wish to give some examples of how recaptured depreciation will affect our farmers in respect of all types of equipment. For example, I will use a popular make of tractor such as the model 4020 John Deere. This tractor has been on the market for seven years. As a rule a farmer will have it fully depreciated. However, because of the high price of new farm machinery, when he decides to sell this tractor it will still sell for between $6,000 and $7,000. The farmer must show this amount as recaptured depreciation. Under the present proposals, 50 per cent of this amount must be shown as taxable income on his next year's tax return. This is really just a book figure. We all know of the shortage of cash at this time in most rural areas of Canada. Members can check the value of all makes of tractors. I have used the John Deere 4020 as an example.

Another example is the Super 92 Massey-Ferguson combine. These machines have been out of production for ten years. Because of the high price of new farm machinery this combine will still bring $6,000 to a farmer as a trade-in allowance. Here again, he must declare $3,000 of this as taxable income.

May I call it six o'clock, Mr. Chairman?

The Deputy Chairman: Order, please. It being six o'clock, I do now leave the chair. The committee will meet again at eight o'clock.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Order. May I suggest that the committee rise, report progress and request leave to sit again later this day? It is the understanding of the Chair that Mr. Speaker wishes to rule on a question of privilege raised

earlier this day by the hon. member for York South. Is this agreed?

Some hon. Members: Agreed.

Progress reported.

* * *

PRIVILEGE

MR. LEWIS—ALLEGED MISLEADING ANSWERS BY ACTING PRIME MINISTER CONCERNING DECISION ON FOREIGN OWNERSHIP POLICY—RULING BY MR. SPEAKER

Mr. Speaker: As hon. members know, a question of privilege was raised earlier today. The Chair undertook at that time to look into the matter and make a ruling later.

The hon. member for York South (Mr. Lewis) raised a question of privilege and proposed for the consideration of a Standing Committee of the House what he termed the discrepancies between statements made to the House by the Acting Prime Minister and the contents of a document published in a newspaper. The hon. member referred to answers made in the House yesterday by the Acting Prime Minister to the effect that no decision had been reached by cabinet in reference to certain matters. He then argued that the existence of the document published by the newspaper conflicts with the Acting Prime Minister's statements.

Does this constitute a question of privilege? I said earlier today that there had been no opportunity to review the precedents. This has been done in the intervening hours. A close review of the records of the House has been carried out in an attempt to find a precedent or precedents which might support the hon. member's contention that in the stated circumstances there might be a prima facie question of privilege.

On the contrary, the pertinent precedents tend to establish in the main that statements made outside the House, or documents published elsewhere, ought not to be used for the purpose of questioning statements made in this chamber by hon. members from either side of the House. I refer, for example, to certain decisions of the Chair which may be found recorded in *Hansard* of February 14, 1938, at page 382; in *Hansard* of July 3, 1952, at page 4162 and in *Hansard* of December 21, 1951, at page 2346. There are many other precedents more or less on the point, which might be quoted by the Chair.

Hon. members will allow the Chair once again to refer to citation 113 of Beauchesne's Fourth Edition as follows:

> A dispute arising between two members as to allegations of facts does not fulfil the condition of parliamentary privilege.

With respect, I suggest to the hon. member for York South that the point he has raised is much more a matter of debate than it is one of privilege. I must therefore rule that there is no prima facie question of privilege which would enable the Chair to put the motion proposed by the hon. member for York South.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequent upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: When the committee rose, section 3 was under consideration, with an amendment to paragraph (b) proposed by the hon. member for Edmonton West. Shall the amendment carry?

On clause 1—section 38: *Meaning of taxable capital gain and allowable capital loss.*

Mr. Stewart (Marquette): Mr. Chairman, before six o'clock I was drawing attention to the detrimental effect which the proposals before us dealing with the application of capital gains tax to farm machinery would necessarily have on the whole farm economy. I was showing just how hard this would hit the farmer, using different lines of machinery by way of illustration. I used as an example the 4020 John Deere tractor, a popular model used by many farmers across Canada.

Since most farmers need combines, I used as a further example the Massey-Ferguson Super 92 combine. This combine has not been produced for the last nine years. If a farmer trades in a machine of this type today it will be fully depreciated. Yet because of the high cost of new farm machinery the trade-in value would still be around $6,000. This means the farmer would have to show the $6,000 as a capital gain or as recaptured depreciation, and 50 per cent of it, or $3,000, has to be declared as taxable income. These are book figures.

• (8:10 p.m.)

Another example I should like to point out as an indication of how hard a capital gains tax on farm machinery will hit the farmers is that only two years ago a Farmall M tractor, which has not been built for 20 years and which sold new for $1,600, was resold for $1,800. In these days of inflation the same tractor would sell for $7,000, but here again this shows up as recapture depreciation and is strictly a book figure.

I am surprised that the government has not brought in the Barber report on farm machinery for discussion by the Standing Committee on Agriculture. There have been complaints by all segments of the agricultural industry about the high cost of farm machinery. All farm organizations maintain that these inflationary trends will put farmers out of business. The price of farm machinery has tripled during the last 20 years. We are told by the implement companies that the reason for this increase is that improvements have been made, though I do not agree with that claim. As an example, a wide level discer has not changed materially during the last 20 years with the exception of hydraulic operation, though it has changed considerably in price. This is why the government should not delay putting the Barber report on farm machinery prices before the Standing Committee on Agriculture.

I have maintained all along that many of the government's proposed tax changes are unnecessary. Earlier this

year I pointed out that the sixth annual report of the Economic Council of Canada had stated that even if there were no change in taxation during the seven-year period between 1968 and 1975, the government's revenue would still double during that period. The government seems to spend its time finding ways to spend tax dollars rather than ways to cut back and be more efficient.

The main point I want to make this evening is that the load of the farmer is already heavy enough today, particularly in view of the government's agricultural policies. I ask the government to leave the farmer alone and to withdraw its proposals regarding a capital gains tax and recapture depreciation. Actually, this form of capital gains tax is simply a tax on inflation.

Mr. Otto: Mr. Chairman, I have been listening to the discussion on capital gains and I am inclined to agree with a good number of the statements that have been made. Before I talk about section 38 and capital gains, may I remind the parliamentary secretary that the whole concept of capital gains has been derived from the Carter proposals made ten years ago when a buck was a buck. In those days it did not matter much whether a buck was made by way of salary or by way of a windfall. Capital gains were not taxed on the basis that it was either a windfall or something that was not earned and was not income, but Mr. Carter's idea was that a buck was a buck, a dollar was a dollar and should be taxed. This was before the "Nixonomics", and at that time this proposal seemed logical enough. Since a capital gain was to be regarded as an earning, it seemed very logical to all of us that it should be taxed, although some concession was made. However, this was all before August 15 of this year.

I suggest to the parliamentary secretary and to the minister that to go on debating this bill and each section of it as if nothing had happened does not make sense. It does not make sense to say that we are not going to distinguish capital gains because nothing has happened. I have put it to the minister and his parliamentary secretary that when we speak of capital gains and how they should be defined, we should consider that there are at least two different kinds of capital gain, the passive gain and the active gain.

If I am a land speculator and buy land that I know is going to rise in price because of the pressures of the community around me, and I contribute absolutely nothing to that land, and having bought it at $5,000 an acre I sell it at $10,000 an acre, this is a passive gain. It is a gain which no one contributed to making; no risk at all was taken. In such a case I think the capital gains tax should apply very strictly. In cases like this there should be no allowance made for capital loss since it would be very difficult to argue that this type of endeavour is in any way beneficial to the nation or to the nation's economy.

The same situation prevails when an insider in a corporation knows there is going to be a demand for shares and buys shares merely to turn them over again in two days, a week or a month at a profit. This also is a passive gain. It has added nothing to the economy, is speculative in nature and has to be treated very differently from a capital gain that comes to a taxpayer from investment in an active enterprise.

[Mr. Stewart (Marquette).]

On the other hand, if an investor buys shares in a corporation or in an up-and-coming enterprise, holds on to the shares and risks his money, or if the entrepreneur himself takes a gamble at great sacrifice to himself and then they make a dollar on the sale of shares or on the sale of an enterprise, money that they will probably immediately reinvest, then no one can tell me that this situation is the same as that of the land speculator. I think such investors should be treated differently from speculators.

The merging of capital gains into one grouping regardless of their effect on the economy or how desirable or undesirable they are is one of the mistakes the government has made. Whether it be agricultural policy or redevelopment policy, the government tends to make one clean sweep and merge them all. The fact is that there is a great difference between the two types of enterprise I have described and gains received from long-term investments.

In the United States, which has a record of capital gains, a distinction has been made between capital gains that are short-term and those that are long-term. A heavier tax is imposed on short-term capital gains than on long-term capital gains since these stimulate long-standing investment in companies, the growth of industry, and so on. But apparently we have not seen fit to make this distinction.

• (8:20 p.m.)

Having read the unacknowledged Gray report—I say "report" although it would not be acknowledged as a report—we find it deals with foreign investment and contains a plain recommendation that incentives will have to be given to Canadian enterprises and investors. We are now faced with the United States isolationist economic program. We may not have to worry about this foreign investment problem because I think all the foreign investors will probably go away anyway, back to the United States or elsewhere. We will still have to worry about how we will get Canadians to undertake new enterprise and invest.

This report and other acknowledged reports indicate we must give incentives. I wonder what kind of incentives the minister intends to give. Does he intend to give the Canada Medal? What are we going to give our entrepreneurs? Are we going to say to Canadians that they should leave their safe jobs as engineers, accountants or lawyers, take a risk and put their savings into enterprise? If we do, they will ask why they should. The logical answer is that they must take this kind of risk in order to make a gain.

Mr. Gleave: Mr. Chairman, I rise on a point of order. Would the hon. member permit a question?

The Chairman: If the hon. member wishes to rise to ask the speaker whether he will permit a question, that is not a point of order, as hon. members know. If the hon. member who has the floor will entertain a question, the hon. member may ask it.

Mr. Otto: Yes, Mr. Chairman.

Mr. Gleave: Mr. Chairman, in view of the fact that the hon. member is Parliamentary Secretary to the Minister of Supply and Services I should like to ask whether he is stating government policy.

An hon. Member: Oh, grow up.

Mr. Otto: Mr. Chairman, the hon. gentleman has a very far reaching idea of what is the responsibility of a parliamentary secretary, especially this one.

An hon. Member: Tell him what it is.

Some hon. Members: Explain.

Mr. Otto: If I could tell you, Mr. Chairman, I would. It seems that there is a graduated scale of power, at the top of which I suspect is the deputy minister and at the bottom the parliamentary secretary. Below that, or possibly above that, is probably his secretary.

To get back to the subject, if I may, without expounding government policy, let me relate to the committee some of the concepts I have had over a period of years. I might say to the Parliamentary Secretary to the Minister of Finance that I have been a great champion of this reform measure. I still am. I sat on the committee when the present Minister of Finance was Minister of National Revenue. That was years ago. We went through all these things and at that time a capital gains tax in its true form seemed like a good idea. That was before the Nixon economics—and there is a difference.

We must have some sort of incentive. The one that is most acknowledged is an incentive for active participation in enterprise. That must be in the form of a return for risk. But that is not equity, and we know we must be very equitable and fair. In fact, the Carter report was based more on equity than on growth. We cannot afford this type of equity at the present time. The fact is that we have nothing to share except future poverty.

I wonder whether the minister and his parliamentary secretary would consider redefining "capital gain" so that we have a very accurate understanding of that phrase. In this concept there are two different things and we would not be doing a service to the country or to our economic position if we married them. If we give the same benefit to one who speculates and makes money in the form of capital gain, without putting in any effort whatsoever and without adding anything to the economy, as we give to the entrepreneur who has risked capital and has been active in an enterprise, producing and selling goods as well as employing men and women, then we are being equitable.

I suggest we do not have to be equitable in this sense, but that we should make a distinction between the two. We should make a distinction between passive and active capital gain. We should make a distinction between the people who invest in Canadian corporations that produce goods and employ men, thereby helping this nation, and those who invest in speculative corporations which do nothing except jack up the cost of goods and play havoc with the nation's economy. It is about time the government came to the conclusion that not everything should be treated in exactly the same way. There is a vast difference between various types of capital gains and they should be taxed at different levels.

Mr. Burton: Mr. Chairman, it is significant that a great deal of discussion on the capital gain portion of this bill has centred on farmlands and the manner in which capital gains will affect them. We have an amendment before us dealing with the taxation of capital gains on farmlands. This is significant because it reflects what is happening in our society and in governments.

Bill C-259 represents an effort by the government to put into law provisions concerning taxation on income. They are very elaborate and very thoroughly thought out. Provisions concerning corporations and corporate activity are thoroughly considered, but that is not the case when it comes to problems involving individuals and small businessmen. I think this is indicated by the capital gains tax. There has been too little understanding of the effect this will have on the individual and the small businessman in this country. These ordinary people are trying to carry on as best they can in the livelihood or occupation in which they are engaged, but they are finding it increasingly difficult because of lack of understanding and response by governments to their situation.

It must be recognized that special problems face farmers and the agricultural industry of Canada. Many farmers are in a very precarious economic situation. A number of factors have an adverse effect on the agricultural economy and the well-being of persons engaged in farming. One of the factors is the high level of investment required in carrying on a farming operation, not the least of which is the increasing cost of land. Farmers also must contend with low rates of return on investment and labour input. This is an acknowledged fact in the agricultural industry.

We must also consider the peculiar characteristics of the agricultural industry. This must be taken into account when we are considering proposals for a capital gains tax. The farmer makes a contribution to the capital growth of his farm through the unpaid labour he contributes to capital improvements on the farm. The farmer does not receive any return for that unpaid labour until he sells his farm. At that time he receives the hoped for return for the labour he contributed in terms of capital improvement.

• (8:30 p.m.)

We also must take into account the fact that land values are a very volatile component of the over-all picture of the farm capital structure, and that land values fluctuate upward and downward in respect of changing economic conditions. This also produces problems. In addition, we must take into account the fact that many of a farmer's assets also constitute a retirement fund. I think this factor also deserves consideration. The fact is that a farmer contributes his unpaid labour in the form of capital improvements on his farm. In many instances he also plows back much of the income he receives from farming into capital improvement and capital development.

Many representations were made when this matter was before the committee on Finance, Trade and Economic Affairs. The New Democratic Party members on that committee, the hon. member for Waterloo and myself, made public a minority report concerning the white paper proposals on taxation. We presented a number of proposals with regard to capital gains of farmers. Our report read as follows:

In addition, we also propose that the following provisions be made for the situation of farmers;

—That there be special rules governing the realization of capital gains on family farms when ownership is transferred in the family succession to ensure that the future viability of the farm unit and the welfare of the farm family is not jeopardized by the imposition of taxes.

—That farmers be enabled on realization of capital gains to invest such funds in a retirement savings plan to be taxed as received in income.

—That there be 'roll-over' provisions to enable a farmer to invest the proceeds of a farm sale in another farm as long as he is an active operator and it is his principal source of income.

We feel these proposals would deal with the great bulk of the problems which may arise from the imposition of a tax on capital gains so far as it would affect Canadian farmers and the farming industry. Last evening an amendment was moved by the hon. member for Edmonton West on behalf of the Progressive Conservative party. It proposed that in calculating capital gains there be the following exclusion:

other than land used in farming as defined in this act—

The amendment provides that any land used in farming, so long as it meets the criteria defined in this act, would be exempt from capital gains tax. When I spoke on this matter previously I made clear that I did not question the motives of those who moved this amendment. I felt they were trying to meet any problem that exists. I hope hon. members to my right in the Conservative party will forgive me if I note that there seemed to be indecent haste when they jumped to their feet to suggest that members of the New Democratic Party were not showing concern for the question of capital gains as it would affect farming.

As a matter of fact, the hon. member for Mackenzie said that if we do not like the amendment they have moved, why do we not move an amendment of our own. This, again, demonstrates the haste shown by some members of that party. At that point the hon. member for Edmonton West had moved his amendment but Your Honour had not ruled on it. I do not think it was possible at that stage for members of this party to move an amendment to the amendment which had not been ruled upon by Your Honour. I can understand why some members such as the hon. member for Mackenzie are experiencing problems and why they are facing difficulty.

With regard to the hon. member for Mackenzie, I suppose it might be said there is a Bracken breathing down his neck, because the NDP candidate for Mackenzie in the next federal election is to be a gentleman named Lars Bracken. This should interest some members of the Progressive Conservative party since this young man is a grandson of the brother of the late John Bracken, a former leader of the Conservative party. So I can understand why they are quite concerned about what is happening to them, after the by-election in Assiniboia.

Let us look at the amendment moved by the Progressive Conservative Party. What effect would it have? I suggest that it would have two important implications which have been completely ignored, and that it would nullify the benefits they hope to gain through the amendment. The first point is that an amendment to exclude all land used in farming from any form of capital gains tax would subject all farmlands to a degree of speculation and activity by speculators such as we have never known. I suggest that would be the effect, because we are to have a capital gains tax introduced in this country through this bill and we would have this area of productive economic activity excluded. I believe this would result in a rush of speculation in this area.

The second objection which I believe can be raised to the amendment proposed by the Progressive Conservative party is that it applies to all land used in farming regardless of circumstances and who is involved. I suggest this would be an open door invitation to every large corporation to become involved in the land and farming business.

The Chairman: Order, please. The hon. member for Athabasca is rising on a point of order.

Mr. Yewchuk: Mr. Chairman, would the hon. member permit a question?

Mr. Burton: Mr. Chairman, I would be glad to entertain questions at the conclusion of my remarks. I believe the amendment proposed by the Progressive Conservative party would result in a rash of activity by corporations which could not be defined as farmers in any way, shape or form. We have the National Grain Company and other corporations moving into farming enterprises simply as another branch of their industrial empires. They are not interested in the welfare of the farmer or of agriculture but, rather, in the future welfare of their corporations. I suggest this amendment would have the effect of encouraging and abetting corporations which may be interested in getting into some form of agricultural activity. Thus, I feel the amendment as it is before us is very unsatisfactory.

• (8:40 p.m.)

However, there is a very real problem that must be dealt with and I feel it can be dealt with within the framework which has been proposed. Thus, I propose to move an amendment to the amendment as follows:

That the amendment be amended by adding the following after the word "act":

"under the following circumstances:

1. when farm property is transferred by sale, gift or legacy to a spouse or a son or daughter or a spouse thereof when the minister is of the opinion that it is the intention of the recipient of the property to continue farming.

2. when a farmer sells farm land and uses the proceeds to purchase other farm land provided that the said farmer satisfies the minister that he intends to continue farming and that his usual principal source of income is from farming.

3. any instance when a bona fide farmer on the sale of farm land is not allowed to invest the capital gain therefrom in a registered retirement savings plan which will result in the farmer concerned being taxed only on benefits received from the said plan as they are received;

and"

Mr. Baldwin: Explain.

Mr. Burton: The effect of this amendment would be to make the amended section read as follows:

other than land used in farming as defined in this act and under the following circumstances:

Following which we would have paragraphs 1, 2 and 3 as proposed in my amendment. The first point which I

have made in the subamendment deals with the question of transfers of land within the family where in fact the legislation deals with sales, gifts or legacies to a spouse or to a son, a daughter or a spouse thereof—that is, transfers within the family unit.

The second point that I make deals with the proposal that there be a roll-over provision whereby a farmer could sell one farm or a piece of land and invest the proceeds in another piece of land without incurring a tax on the capital gain involved. The third point is to enable farmers to invest any proceeds which they do receive from a capital gain. There can be circumstances where they can invest those proceeds in a registered retirement savings plan, draw from that savings plan and be taxed only on the benefits as they are received. If they are not allowed to put their money into registered retirement savings plans, there would be no capital gains tax, in accordance with the wording of the third paragraph.

We feel that these three points deal with the fundamental concerns of the farming community in so far as taxation of capital gains is concerned. We feel that this would deal with the real concerns, some of which were raised last night in support of the amendment moved by the hon. member for Edmonton West. However, this subamendment also has the merit that it avoids some of the problems that would be raised by allowing the amendment to pass as it is because, as I pointed out, it would simply encourage speculation and corporation farming. We do not want that and I am sure the Conservative party do not want it either. It is for that reason that we move this subamendment and commend it to the committee.

Mr. Yewchuk: I am curious to know whether the hon. member is serious about the suggestion that not putting the capital gains tax on the sale of farmland would cause a rush of speculation. Since at present there is no capital gains tax on land, why is there no rash of speculation right now?

Mr. Burton: We already have some problems on the outskirts and the peripheries of many of our larger urban centres and this would be intensified if we allowed the proposals to stand as they are.

Mr. Nowlan: We are referring to farms, not to urban centres.

The Chairman: The committee has before it the subamendment of the hon. member for Regina East. The Chair's initial thought is that it would be in order in that it defines more precisely certain circumstances under which the capital gains tax would not apply. However, the Chair would ask the hon. member who moved the subamendment whether he in fact intended to leave in the word "and", because if that is so he would be expanding on the amendment moved by the hon. member for Edmonton West and the Chair would have some doubt about the subamendment.

It seems to the Chair that the subamendment would be in order if it were to read "other than land used in farming as defined in this act under the following circumstances".

Mr. Burton: I am quite prepared to accept the suggestion made by Your Honour. It was certainly not my intention to expand in any way on the amendment moved by the hon. member for Edmonton West. It was my intention to qualify the amendment.

The Chairman: I think the Chair and the hon. member for Regina East are in agreement, because it did seem to me that the hon. member did not intend to expand on the amendment now before the committee.

Mr. Noble: Mr. Chairman, I rise to speak in support of the amendment proposed by my colleague, the hon. member for Edmonton West. At the outset I will make some observations with respect to the bill. It seems to me that one of the problems in attempting to assess the significance of the changes proposed in Bill C-259 is that amendments continue to follow amendments and a definitive analysis can hardly be made until the regulations come down. They will not be available until some time after the draft proposals become law, and the draft proposals will not become law until the amendments stop flowing and the last one has been debated. It is a vicious circle—almost a case of the snake or the red tape-worm swallowing its own tail.

• (8:50 p.m.)

Mr. Chairman, as the draft bill now stands, my first and dominant impression is that it does not represent true tax reform but, rather, several hundred pages of additions and amendments to the Income Tax Act and related acts. Informed businessmen and their advisers seem to agree that the present Income Tax Act is badly written, difficult to interpret and full of problems. The hundreds of pages of additions and amendments incorporated in the draft bill, when added to the present Income Tax Act will still leave us with many of our old problems and a great many new ones.

The repeated introduction of amendments since June 18, and the further changes arising from the finance minister's about-face on policy because of the country's unhappily deteriorating financial and employment situation leads to one inescapable conclusion, that if the bill was not ill-conceived it was at the very least so poorly designed as to lack the resilience and elasticity needed to absorb the internal and external pressures so recently, and still, plaguing us—rising costs of raw materials and labour, rising living costs, increasing unemployment and the Nixon surcharge, to name but a few.

In view of these circumstances the bill should be scrapped. Any and all amendments leading to tax reduction, increased purchasing power and stabilization of our economic and employment situation should be processed at the earliest possible moment and, finally, another attempt at tax reform in its truest sense should be made at a time when the blood, bone and spirit of our country are somewhat healthier than they are now.

The issues raised by the government's decision to tax capital gains, since the presentation of the white paper on taxation, have been clouded by complications and the government's own uncertainty about what it really wants to accomplish. Taking the Carter commission's premise that a buck is a buck, the government decided back in 1969 that it must pursue equity at any cost. That was the year the government was frozen into a trade-off mentality. It will be recalled that in 1969 the government decided

to trade off unemployment in order to control inflation. It was in the same vein that they suggested it was appropriate to trade off economic growth in favour of equity.

So stern were they in pursuit of that elusive principle that they ignored the whole spectrum of social and economic realities involved until they were confronted with a major political protest. Even then the Minister of Finance was willing to dismiss that protest as the outpouring of special interest groups who were unrelated to the average taxpayer.

The opposition is pleased that the Gallup poll assisted the minister with his arithmetic to the extent of pointing out that the total of the special interest groups was the majority of the population, and that the government has now backed off from some of its proposals. The decision not to apply a capital gains tax to a homeowner's principal residence acknowledges at last that the homeowner is not a real estate speculator and should be treated differently. We are pleased the government has abandoned its intention to tax unrealized gains, a proposal that would have been seriously harmful to investment in this country.

The argument previously used in favour of the capital gains tax was that of equity. Yet the government has ignored the requests of the opposition to utilize the more equitable system of tax credits instead of increasing exemptions. We have pointed out on many occasions that increased exemptions only update the existing tax system rather than reform it. Similarly, the government has not made any attempt to integrate federal taxes with seriously regressive provincial and municipal taxes. Obviously, the question of equity is not uppermost in this government's mind. One can only conclude that their major preoccupation in instituting a capital gains tax under these circumstances is for the purpose of raising revenue. In this objective they have shown themselves to be far more single-minded than when they were pursuing equity.

Genuine tax reform must take into account more than the single consideration of government revenue. It must be sensitive to social considerations and what consequences a reformed tax structure is likely to bring about, and it must have goals that are compatible with these considerations. The unwillingness of this government to exempt the family farm from the capital gains tax demonstrates a complete insensitivity to all these requirements.

In addition to being an economic unit, the family farm is a traditional way of life for thousands of Canadians, and in both respects the capital gains tax will be disruptive of its very existence. Yet the government has offered no evidence that it understands the problem or that it is even aware of it. Under the proposed legislation, the family farm is not looked upon as an on-going business undertaken by a whole family but as the personal property of the head of the household. When he dies, his property will be deemed realized and his heirs will have to pay a capital gains tax on an inheritance.

This attitude does not take into account the possibility that the farm may not be disposable at any given time. The fact that it may have a book value of $100,000 does not mean the heir could sell it at that time for $100,000. More likely, the heir will not wish to sell the farm because he has devoted much of his labour to it, but since the farm has now been deemed realized he will have to pay a tax on its appreciation in value and will either be forced to sell some of the farm assets or go into debt. Since farming requires continually increasing capital investment which will have to be foregone in order to pay the tax, the economic functioning of the farm will be seriously undermined.

It hardly needs to be pointed out that agriculture is having serious trouble as it is. For the government to add to that trouble by undermining the stability of the family farm is inexplicable by any standard of good government. But it is not inexplicable when examined in the context of the goals of this government.

Mr. Chairman, it is not a secret that the bureaucrats in Ottawa have blamed the family farm for the problems in agriculture today. They would like to encourage the development of huge corporate farms, and perhaps the capital gains tax is the right tool to accomplish that end. But it cannot be proven that the corporate farm would be any more economical than the family farm except in one respect—it would employ fewer people. That is hardly a desirable goal at this time. In bringing this about the government should pause to calculate the social costs involved.

The costs of dislocation and adjustment that will follow the breaking up of the family farm, a process encouraged by the capital gains tax, may far outweigh any hypothetical advantages. A way of life that has enriched this country socially and economically will be seriously strained by this tax reform legislation. Is that worth the so-called economy of the corporate farm? Is it worth the additional revenue that will be brought to the government?

As long as a farm remains in a family it should be exempt from the capital gains tax. As an on-going business that requires heavy capital investment it is foolish and unjust to disrupt its existence by removing a significant proportion of its capital because the head of the household has died. The opposition does not believe the government has made an effective case for refusing to exempt the family farm, and if it has private reasons for its refusal it should bring them out into the open where they can be debated. Mr. Chairman, it may be the case that the government is worried that the tax could be deferred indefinitely under these circumstances. If that is so, then its obsession with revenue has led it into mindless disregard for the higher priority of quality of life.

The proposal to tax capital gains from investment reflects a similar obsession with revenue without regard for consequences. In presenting his white paper on tax reform, the Minister of Finance acknowledged the possibility that investors might be unwilling to realize their capital gains if they are subject to taxation. This locking-in effect would seriously interfere with the mobility of capital in the Canadian market. The Toronto Stock Exchange raised the example of an investor who sells for $100 a share which was acquired at $50. At a personal income tax rate of 50 per cent, the capital gains tax would be $12.50, leaving $87.50 for reinvestment in a new asset. It would be necessary for this new asset to appreciate by 14.3 per cent to restore capital to the $100 value which prevailed before realization. Unless the investor is fairly certain of this appreciation he would not likely make the adjustment.

The Minister of Finance recognized two years ago that a capital gains tax would introduce an artificial element into the market. It was to prevent the locking-in effect that he proposed in his white paper to have a five-year deemed realization when everybody would pay capital gains tax whether their gains were realized or not. The ill-considered proposal was cast into such disrepute that the minister abandoned it in his proposed legislation. He is to be congratulated for doing so. However, he has not suggested any alternative means for dealing with the problem of locked-in investment, the consequences of which might be seriously detrimental to the Canadian capital market.

• (9:00 p.m.)

The opposition has long ceased to expect wisdom from the Minister of Finance but we occasionally hope for some humility. Two years ago the minister was so concerned about locked-in investment that he elaborated a scheme to counteract it that ultimately brought him some embarrassment. Is he now trying to save face by not admitting that it is a problem? Or if he admits it is a problem, is he more concerned with collecting revenue at the expense of any solution? There is a solution, one suggested by the Toronto Stock Exchange in its response to the white paper. In its brief of May, 1970, the Toronto Stock Exchange argued that a distinction should be made between capital realized for the purpose of reinvestment and capital realized for personal consumption. The mechanism proposed was a roll-over exemption to allow capital transfers within a defined period of time. Reinvested gains would be deferred as long as they remained in the capital market.

The government will probably dismiss this suggestion with the response that it would mean an investor could defer taxation of his gains forever. I will anticipate such an argument by pointing out, first, that there would be deemed realization at death and, second, that the money is doing just as much good in the capital market as it would be doing in government revenues. Furthermore, I submit that under a Liberal government the money is doing more good in the capital market. There is a consistency in the present government's approach to the federal role which is reflected in aggrandizing revenues on the one hand, and ill-considered expenditure on the other. The taxation of capital gains as it is proposed in this bill is simply one thread in that consistency.

The opposition accepts the fact that there are competing public and private claims on capital. It is obvious that private investment will go where it can obtain its best return and there is a necessary and positive role for public capital in many areas. In a mixed economy we must determine our priorities in this context. The real question facing us at this moment is whether we believe our capital market is so mature that we can take money out of it for purposes of government expenditure. And what kind of government expenditure justifies the depletion of the capital market?

Obviously, an investor is not going to put his money into an Opportunities for Youth program. But does that program have a priority over economic investment that may provide genuine jobs? Some day, when we have a very mature capital market, it may indeed have a higher priority. But surely not today. And where there is an acute need for public capital at the provincial and municipal levels, the federal government has been stingy and unco-operative. We have no assurance that it will, and much evidence that it will not, allocate this increased revenue wisely.

The opposition deplores the inability of the government to face up to the fact all our institutions are involved in these questions. A capital gains tax is not simply a matter of equity. If investment capital is performing a public role by stimulating the economy and creating jobs, then it should be analysed in that role. The question of equity only arises when capital gains are used as personal income. Nor should the government isolate the capital gains tax as purely a matter of revenue. The conversion of private capital into public capital should take place when there is a clear and defined necessity for that conversion. Nowhere, either by its legislative program, its financial relationship with other governments or by its arguments, has the government defined that necessity.

When the Minister of Finance refused Quebec's request for a one-year delay in the implementation of the tax reform legislation, he justified his refusal by pointing out that the process of tax reform has been before us for eight years. One may only wonder, in this length of time, Why the fundamental problems have not been addressed. The government has obviously not concerned itself very much with the consequences of its tax reform legislation, nor has it analysed the relationship of taxes to the health of other institutions.

It has been easy, Mr. Chairman, for the government to sink into a posture of self-righteousness on the issue of taxing capital gains. Equity is a principle to which everyone subscribes and to oppose the taxation of capital gains is to run the risk of appearing to defend special interests and unfair advantages. Yet to ignore the consequences or a capital gains tax is to ignore the economic health of our agricultural community and the direction of the potential growth of our country and, by implication, the well-being of our society.

That is why I feel it is imperative that the government re-examine the context of the capital gains tax. When capital gains are used as income it is obviously only fair that they be taxed. But when, as in the case of the family farm, they are required to sustain the activity of the farm they should be exempt. Similarly, in the case of private investment, when capital gains are reinvested and are performing a needed social function they should be rechannelled into public capital in the form of a capital gains tax.

Mr. Nowlan: Mr. Chairman, speaking as one who has sat in this chamber during Committee of the Whole proceedings on clause 1 of the tax reform bill now before the committee, it is clear that many parts of the income tax bill will create confusion and justifiable consternation. No part of the debate on this bill has involved more hypocrisy and mythology than the part dealing with capital gains.

Mr. Woolliams: That applies particularly to the NDP.

Mr. Nowlan: If the sections we are presently discussing go through unamended, the confusion as to how capital gains will hit not only special interest groups but all Canadians at almost all levels of life will be surpassed

only by the confusion of the administrators of the act and bureaucrats in Ottawa. They will be confused about how to administer this part of the act, and thereby other Canadians will suffer. For, Mr. Chairman, I think we are looking at this question from the reverse side. We talk about equity and say that equity means fair treatment. As one of my friends to my left said, a buck is a buck; how do you distinguish between a dollar made through a capital gain and a dollar made from an income-producing job?

We can philosophize at length about concepts of equity, yet I suggest, Mr. Chairman, that in talking about the capital gains tax we are really talking about a social tax. Although I do not have the figures in front of me, I understand that the capital gains tax will produce in the first year $50 million from individuals and approximately $80 million from the corporate area.

Mr. Mahoney: It is just the reverse.

Mr. Nowlan: My hon. friend says it is the reverse. I accept his correction: he has listened to more of this debate than I have. Regardless of the figures, if you talk to people on the streets about capital gains, the impression you get is that they think the coffers of the nation will be opened up, that King Midas will walk up and down the street and that we will have money for doing all sorts of things, including money for assistance plans that are designed to help those who cannot help themselves. Actually, we are talking about a social tax. We talk about a capital gains tax when we should be talking about a social tax. The philosophy behind it is that of a social tax, the result being that in the minds of Canadians this tax is cumbersome, vague and completely confusing.

This new tax has been introduced because it will produce revenue which governments obviously need. I am informed that in the United States, a country which has long imposed such a tax and which is beginning to wonder about it, capital gains taxes produce in the neighbourhood of 3 per cent of tax derived from income. While you can argue about the percentage, there is no doubt that as far as the internal revenue service code and the regulations are concerned, the regulations and the code which have implemented capital gains in the United States have, I am informed, trebled. I refer to the code and the regulations necessary to implement the law. There is a blanket of bureaucracy—to produce what? It will produce relatively few dollars as far as the over-all picture is concerned.

• (9:10 p.m.)

I do not think any speaker will disagree that as far as social justice is concerned—the reason we are talking about capital gains—this is where the hypocrisy comes into it. We talk about land and stock speculators and the way to make a million overnight. All hon. members know that in a great number of cases those transactions are not covered by our tax law because they are deemed to be income if you set up the return pattern. There is more hypocrisy and smokescreen about where the capital gains tax is going to hit than I have heard in a long time. That is one of the reasons I am prodded to contribute a few remarks to this portion of the debate.

I am in agreement with anyone who wishes to talk about the social injustice of the land speculator. The Parliamentary Secretary to the Minister of Supply and Services mentioned the difference between a passive gain and an active gain. That might open up a whole new chapter of tax law. There is a difference in a land speculator sitting, licking his chops, letting the land value go up and up, hoping to cash in, using some land for farming, some for orchards and part of it for a subdivision. He makes a large capital appreciation. I suggest in large measure those situations are now covered. The Parliamentary Secretary knows that. Notwithstanding that, the number of taxpayers involved in this type of speculation are miniscule.

I listened with great interest to my friend from Grey-Simcoe. He talked about the necessity, from a political point of view of being reasonable to all points of view and how it may be politically incorrect to say "No capital gains whatsoever." You are then accused of favouring special groups. I want to turn the thing around. Instead of talking about social justice necessitating capital gains, against the small number of speculators who are now covered by the income tax law—and the national revenue boys know that—I want to know where the social justice and capital gain is for the widow, retired school teacher, labourer, small businessman and farmer. I will illustrate how it hits them. What about the young couple trying to save a little nest-egg so that they can move out of the syndrome of high interest and/or rent payments in an apartment complex and build a home of their home? They will not be able to do it.

I practised law in Vancouver for seven years. I met with couples, both of whom worked. They paid high rent for their apartment. They were caught in a syndrome whereby under the ordinary tax law it was difficult when they had children to break away from this vicious circle and move to the country. Somehow, some of them were able to save and invest a little, not like the great speculator playing the market day in and day out as a principal source of income but in the small hope that by investing in a little of this country they could get a small return and get out of the apartment and build a small home.

In this chamber we hear speaker after speaker and minister after minister say that we have a new housing program and a new plan for youth. Reversing the procedure of capital gains is not social injustice for the speculator in the stock or land market; it is social injustice perpetrated in respect of capital gains for the widow. How does this affect the widow? Most widows have a principal residence. If a poll were conducted I am sure that most widows would say their principal residence is protected. They think that when they die, the gain that has accrued in their lifetime will not be subject to capital gains and, therefore, the situation is not too bad. However, in reality there are two things that bother people about a principal residence. I have already referred to the situation of a widow. One is that you get one acre of land, and the other is that you must use your residence as a principal residence.

I suggest that for many widows in this country the only real asset after a constructive life of raising a family, having the children grow up and move away and the husband die, is a pension of some sort and a home. What does the widow want to do? She has four or five children scattered around the countryside whom she wants to visit.

She wants to visit two months with John, one month with Sam and, if one is in the south, she may want to go there for the winter and enjoy some of the sunlight she reads about in Air Canada ads. She is told to fly south and enjoy the birds now, because she will not enjoy them later; she will be plucked. What happens when she returns to her home? The income tax assessor tells her, "Madam, you were away for two months, five months or a year and you rented your home. You did not want to sell the family home." She wanted to keep the home because she knew one of the boys would come back or one of the families was getting too big for an apartment and wanted to use her home. For this reason she kept the home. She thought she could at least give them the home. What happens? The income tax assessor says that is not her principal residence.

Look how complicated it becomes when a gain has accrued. There is a market valuation day on the home. Because this woman has been away for a certain period she has to pay the gain on that. She may have rented the home. She may have lived away. That is how the widow gets hit. In my area the widow gets hit much more viciously. I come from a part of Canada where we do not have all the basic natural resources and the fundamental riches that the Canadian shield has produced for people living in other parts of this country. We do not have the oil and gas fields of the west, or the Rocky Mountains near where my friend from Vancouver South comes and yearns to return.

Mr. Laing: What about all the oil?

Mr. Nowlan: We do not have many homes on the water. We have floating derricks, but you will not even let us have the oil. The minister knows they do many things in British Columbia tremendously well. I was there for a while. In Nova Scotia we also do many things, but we do not yet have houses on the water. When you talk about oil, that is not only a red herring but it is pollution of the water which the Minister of the Environment would not care to handle.

Separate and apart from the principal residence owner who still has to pay taxes, is the lady left only with the home. In my area there are countless situations where there is only a little home and two or three acres of land. Do you know what "big brother" is going to do? He is going to say that under the tax act you are allowed this home and one acre surrounding it. She will ask the tax collector, "What am I going to do? I have my cow on the second acre. I have a little woodlot for firewood on the third acre. It is all scrubland. I like to walk out there and pick blueberries or enjoy the spring." The tax collector says, "I shall be reasonable. You are allowed one acre and a house, but you have to go down to the county assessment office and decide on the value of those two acres because at some time you will have to pay a little tax on them". This principal residence provision is a snare and a delusion.

• (9:20 p.m.)

An hon. Member: Is the cow a basic herd or not?

Mr. Nowlan: I was coming to the basic herd. I was trying to lay the groundwork for the acres on which the old lady might be able to develop the herd. But on this little piece of ground she could not develop a basic herd.

Some hon. Members: Hear, hear!

Mr. Nowlan: There are many other reasons she could not develop a basic herd. Let us talk about the labourer.

An hon. Member: Let us talk about the bill.

Mr. Nowlan: I am talking about capital gains. I am talking about labourers, friends of my friends to the left. We always have to look there. It is a little slant vision but it is completely appropriate because they talk with forked tongues and you have to look a little slantwise. We are all familiar with the term "mobility of labour". An employee is called upon to move when his company transfers him to a job at another plant or when his old job comes to an end and he has to move in order to find a new one. He gets a job and he has to move from A to B. It is a brand new job. He goes away 40, 50, 100 or 200 miles away and rents a home. Perhaps a year or two later he comes back.

The same thing happens to him as happens in the case of the widow. He finds he will be stuck for a capital gain during the period of his absence. He does not appreciate this today, and if he listens only to the preachings from my friends to the left he will not understand it now; but he will understand it when he gets to his bank. Here are two situations, the widow and the labourer. I can think, too, of the retired schoolteacher with a little nest-egg, or of a young couple trying to buy a home. It is hard enough to save money today under the burden of taxation. I think of young persons living in apartments in cities, working to get money to move out and buy a home.

As I said earlier, all sorts of governments, regardless of political affiliation, keep talking about housing plans, a cherished dream for all and so on. A man's home is his castle. Under this capital gains tax proposal that man's castle will be as far away as most of the castles in England are removed from Canadians of ordinary means. I think of the small businessman. I believe this message is sinking in. It is the average Canadian, the small Canadian running a corner grocery store or a barbershop in a little town who is going to be socked over the head with the problem of capital gains.

Then, of course, there is the question of the family farm. The family farm, or the farm which is the subject of this amendment, has two basic characteristics which do not apply to any other vocation or endeavour. Basically, there is a very high family farm component to the bona fide farms of Canada today even though this is changing under present pressures. The other component is a very high ration of investment as compared with returns, and the fact that it takes many years to develop a farm into a viable proposition.

I suggest there is something wrong with the priorities of a government which in this tax bill will let you buy a lottery ticket and get the full benefit of that, as I understand to be the case, and yet is so preoccupied with getting every penny. You can gamble with a piece of paper and win and keep it all, yet people are penalized when they try to build up a home, a little farm, a little business, move from one town to another to keep a job or move out of an apartment to build a home. I say it is not social justice to

institute a capital gains tax in this form. It is a social injustice in its impact upon the average Canadian and we should look at this proposal much closer than we have.

There are several things we could do to lessen the impact of this heavy, cumbersome and complicated new system whose effects none of us can fully appreciate. Some people have mentioned them. I shall only touch lightly on them because my time is just about up.

Some hon. Members: No, no.

Mr. Nowlan: I could go on. I am very concerned about this, Mr. Chairman, because the average Canadian does not appreciate what is happening. But here is one example. As I understand it, the federal government will vacate the estate tax field because there is to be a capital gains tax. Yet we know that the provinces have already moved into the estate tax field. How, in all conscience, can we think of imposing a capital gains tax on top of estate tax in the absence of any abatement procedures for avoiding double taxation? If the parliamentary secretary and his minister think this is the type of just society Canadians want, I believe they will get a sad awakening at the right time and I hope it is not too far off.

Mr. Peters: Mr. Chairman, I have been very interested in the comments which have been made in the last two days. They mostly reflect on the fact that the government does not appear to be cognizant that one very large segment of the economy does not fit into the thinking of most of the rest of the economy. I was interested in listening to the last speaker who raised a very interesting point. It is one I do not understand and I should like to understand it in its relationship to the workers and those in the organized labour force in this country, particularly those who are no longer at the end of the economic scale but have reached a fairly high level of income.

Despite taxation and despite the fact that they have enjoyed no exemptions of any description, no deductions with respect to the cars they must use in order to go to work, nothing written off for the lunch-pail or the tools of their trade, they have been able, as a result of their own efforts, to buy a house. And because of inflation, the house for which they paid $15,000 or $20,000 turns out to be priced on valuation day at $35,000 or $45,000. They have done nothing except live in the house and pay the mortgage, which is not unrealistic in relation to the total price at which the property is valued. But they will find themselves in some difficulty as a result of the capital gains proposals in this bill, just the same as other segments of our economy.

A long time ago I was in favour of a capital gains tax. I came from a mining area and could see no legitimate reason why a person who played the stock market should not pay tax on his winnings of $10,000 while I worked in the mine and earned $5,000, of which a considerable portion was taxed. I have always been in favour of the speculator, the man who manipulates money, paying tax on the return he receives since as far as he is concerned it is income, the same as my $5,000. Yet he did not pay tax and I paid a considerable amount. He could afford to pay a considerable amount of tax but did not pay any, whereas I was in the position where I could not afford to pay tax and was paying a sizeable portion of my income in tax.

• (9:30 p.m.)

The workers of this country over the years have put their savings away. We are known as a nation of savers. One of the United States president's advisers has said that Canada influences 25 per cent of the control over the United States money supply, and he is really talking about one trait Canadians have developed which we thought was admirable, namely, that of saving money. We invest only in blue chip stock, mainly in insurance companies and other forms of retirement investment. We have paid very dearly for this because of the manipulations of government over a period of time. I think it is safe to say that an insurance policy bought in 1939 or 1940 with a value on maturity of $1,000 would only have the purchasing power today equal to a few months' old age pension. The purchasing power of our money today is very limited, yet no recognition of this is given to those who have saved. People who spend everything they earn are in a much better position since the state will provide for them in terms of today's dollars, not in terms of dollars saved.

I do not think it has ever been suggested to me by those who are familiar with the purposes of a capital gains tax that such tax is similar to succession duties or estate tax levied on every Canadian who dies. It was to be a substitute for income tax or was a tax on income which previously had been tax free. The previous speaker talked about buying a lottery ticket for $2.75 and winning $100,000 on the Irish sweepstake, which amount is tax free.

Mr. Woolliams: There are only about four a year, though.

Mr. Peters: I grant that this does not apply to many people, and since it is such a limited activity perhaps we should include it in the allowances as a sop to the poor people of the nation. Then we have the poor cleaning woman in England who buys a football pool ticket for two pennies, hoping to win sufficient money to retire from her job that does not pay sufficient to enable her to buy clothes and keep warm in her apartment. In my opinion this is the type of situation where we should apply a capital gains tax.

Mr. Woolliams: How sick can you be!

Mr. Peters: I am always surprised when I find people from a certain area putting more faith in the buying of a lottery ticket than in anything else. These play people play it big. They are rich today, broke tomorrow, but smile just the same because that is their way of life. It takes all kinds to make a world. A transformation in the thinking of this government has taken place within a very short time. The government introduced an estate tax with a great deal of fanfare and announced that when a man died his widow would inherit his estate free of tax, at least up to a certain level. That money would be hers for the rest of her life, and it was not until the estate was passed on to other members of the family that tax would be paid, though a certain amount was tax free.

Then within a period of two years, before the Department of National Revenue had had time to assess the effect of that tax, whether it had been abused or lent itself to abuse, the government brought in a half-baked proposition that removed the very protection it had made so

much fuss about two years previously. A great deal of objection was raised by some hon. members to the estate tax proposal, but now we see that although there was objection at the time to any estate tax at all, the government is accepting this kind of proposition and in many cases any transfers of this sort made to widows or to others will be taxed.

This is a great change to make and I am wondering whether the government can justify it. I realize the government needs large amounts of revenue. Nevertheless, the government has indicated that the revenue it will get from this tax will only be about $130 million. That is the estimated revenue from this capital gains tax in the red book. We are eliminating a tax that the government thought was so wonderful when it introduced it, and imposing a capital gains tax in its place. Such a tax will apply to farmers. The Conservative party has moved an amendment that would eliminate such a tax on land used for agricultural purposes. It would be very nice if we could abolish all taxes. We would have a Utopia. As far as I am concerned, however, if a person saves money from the operation of a farm, by running a family business or in some other way, he should at least be allowed some amount for the maintenance of the business as well as for the maintenance of his spouse and family.

The amendment that has been moved relates directly to farmers. I think it has a weakness and it is a weakness which I am not smart enough in economics to correct. It obviously is a weakness in so far as it affects other segments of our economy, particularly the labour force. As the previous speaker said, members of the labour force have developed a number of traits in the last few years which put them in a totally different position. They no longer live in tenement homes, they own their own homes. They have purchased cars and through their own endeavours have provided for retirement so the nation will not have to look after them. This bill does not give any consideration to that category of people. I am sure the urban-oriented Liberal government members should be able to come up with some solution to this situation.

• (9:40 p.m.)

There may be a limit in this regard and perhaps we should modify this tax in some areas because of hardships suffered by certain people. We could eliminate the tax in that sector of our economy. We should not allow what most Canadians do not want, that is, a hierarchy in which money generates more money generation by generation. I know that government members are not too damned interested in this phase because there are more millionaires on the government side than ever before. Most of them have inherited their money. I am sure some of them are not even competent to hang on to what they have inherited. As long as they leave it in safe securities, perhaps they will be able to keep it. But they are not interested in eliminating inherited wealth.

I am sure most Canadians would agree that tax should apply in respect of large inherited sums of money. It is not to our advantage as Canadians to provide a landed gentry class. It is not to our advantage to provide a continuation of the inherited wealthy in this country. Obviously, if a father worked hard enough some benefit should flow to his wife and to his family. This is easily understood in respect of the agricultural industry where a wife and husband have made an effort to build up an estate which in some cases is considerable.

We will probably choose December 1 or the week of December 6, or a neutral date in the future, as valuation day—but I suggest it will be relatively close to December 6, depending on the progress made with this bill. People will then have to value their properties without taking into consideration all those things which have been considered by organized business over a period of time.

I know of no farmer who charges wages on his own behalf. Whether a farmer operates a partnership with his son or farms on his own, very seldom does he charge a salary for himself or his son. Obviously, farming is not that good, otherwise speculators would get into this field and buy land. They are buying land around cities, but that land is no longer agricultural land; it is subdivided and falls within a different category. The point is that the things written off in normal business are not written off in agriculture and we arrive at a fairly high value for farm property.

It seems to me that calculating the best day for valuation should be a very simple proposition, but the basis for calculating the value of agricultural land will not be simple. Over a period of many years farmers have paid interest on mortgages. This has been paid out of family income, probably because wages were not charged and the farmers lived at a substandard level. Similar to what was suggested by the parliamentary secretary, we in Ontario put a value on land on the basis of a voluntary sale to a voluntary buyer.

Mr. Alexander: Fair market value.

Mr. Peters: It is not necessarily the market value.

Mr. Woolliams: It is the fair market value.

Mr. Peters: It is not necessarily the fair market value. In northern Ontario we find that the Liberal government which believes in socializing the land is deeply involved in this field and has provided an unfair value for land. Normally, two factors enter into valuation of land in northern Ontario. The first is the transfer of land from father to son. The father usually tries to sell the farm for only enough to provide for his wife and himself. Farmers are intelligent and they know they cannot take their money with them, and they sell to the son on that basis.

Mr. Woolliams: What utter nonsense.

Mr. Peters: The hon. member for Calgary North may have, like one of his colleagues in British Columbia, a pipeline to the Lord and can take his money with him. Perhaps he can transfer it there by bank draft; I don't know. But most people can't take theirs with them. A farmer will say to his son that he can only afford to pay so much for the farm, and that is all he needs for his retirement. So that is the price to be paid. This places an improper value on the farm which cannot be taken into account so far as the provisions of this bill are concerned. We have the same situation in respect of the Liberal government's land socializing program. An unfair value is arrived at, based on different considerations.

Under the ARDA program an old man and an old woman who have no children are approached and offered a price for land which is often based on fair value. I am not opposed to the price that is paid under this plan but in some areas it is based on social considerations. If these people are not paid a fair price they will not be able to meet their costs of living and will go on welfare. One of the largest land owners in my area is the federal government. It owns much of the land in the area as a result of this kind of deal.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member, but I must advise him that his time has expired.

Mr. Knowles (Winnipeg North Centre): Carry on.

The Deputy Chairman: Does the hon. member have the unanimous consent of the committee to continue his remarks?

Some hon. Members: Agreed.

Some hon. Members: No.

The Deputy Chairman: I am afraid the hon. member does not have unanimous consent; therefore, he may not continue.

Mr. Downey: Mr. Chairman, I am rather disappointed that members on the government side would not allow the hon. member for Timiskaming to conclude his remarks.

An hon. Member: We're not.

Mr. Peters: That's all right; I'll make the speech again tomorrow.

• (9:50 p.m.)

Mr. Downey: In respect of the amendment before us, when one looks at the special nature of the farming community it would seem essential that something be done for these people to ensure continuance of the farm unit. I do not know whether it should be exactly in the form of this amendment or through some other concepts. When one takes into consideration the importance of the agricultural industry to civilization through the centuries, I believe it is important that it be given special consideration.

This amendment, and I suggest some of the wording in the subamendment, would certainly assist in recognizing agriculture and placing it in a special position. Admittedly, there are some difficulties in making all farms completely free of capital gains tax. It is possible that some locked-in effect might accrue over the years in the accumulation of capital gains, but I would urge the minister to consider these amendments and the special nature of agriculture so that the people engaged in this field might be able to carry on in the same manner even though they are in difficult circumstances.

Certainly, if no recognition is given to the manner in which intergeneration transfers are made, farmers will be in difficult circumstances because there will never be funds available to even look after a deemed realization. I do not think the actual realization is a difficult situation when a farmer sells out, because he has the benefit of the income averaging concept. He can average his income over 15 years and I believe this will be very valuable to the farmer who sells a farm.

However, I would ask the parliamentary secretary, if the government is to go along with a suggestion in the brief presented by the stock breeders, to see if there is some way to bring in the income averaging concept on the deemed realization of intergeneration transfers. Perhaps a concept could be introduced to take the load of the deemed realization off the family farm and make it possible for these people to carry on without having their income adversely affected over a very short span of one or two years.

I believe it is unfortunate the minister has not seen fit to extend to the incorporated family farm the provisions granted individual farmers. These have become very important in the last few years. The fact that there is nothing to indicate that the provision in respect of the $1,000 annual capital gains exemption is available to the incorporated family farm is, I believe, an oversight. When 80 per cent or 90 per cent of the income of a family farm incorporation comes from the sale of agricultural products, and when 80 per cent of the shares are held by the family, I believe the family farm corporation should be treated in the same manner as the individual farmer. I hope the minister will consider an amendment to rectify the situation in the days ahead.

If we are to have capital gains, it is vital that an inflation factor be built into this concept. Inflation will hit no one harder than those in the farming community. In many cases land values today are artificial. Certainly they are not realistic when one takes into consideration the productivity of the land. The prices of agricultural products are much the same today as they were 20 or 30 years ago. While production methods have increased, productivity costs have spiralled. I suggest that a great deal of the capital gain which would seem to be evident on farmland over the past 20 years has been largely due to an inflation factor and a lessening of the value of money. I believe it is disastrous to consider a capital gains tax without taking into consideration the factor of inflation.

May I call it ten o'clock?

Mr. Mahoney: Mr. Chairman, perhaps I might be permitted, on a point of order, to suggest what the menu might be for the next few days. Tomorrow we will resume the debate we were involved in last Wednesday on division I of part I. That is, returns, assessments, payment and appeals. Then we would proceed with division J, appeals to the Tax Review Board and the Federal Court. Following that we would deal with part XV, administration and enforcement, and part XVI, tax evasion. When we finish those tomorrow afternoon it would be the intention to return to this block of sections dealing with capital gains, and on Thursday and Friday we would proceed to sections 135, 136 and 137 dealing with co-operatives and credit unions. Without indicating the section numbers, it would then be the intention to proceed with international income next Monday and with the resource industries on Tuesday.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

PUBLIC SERVICE—REQUEST FOR PUBLICATION OF REPORT OF STAFF RELATIONS COMMITTEE—IMPLEMENTATION OF RECOMMENDATIONS

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, since the question I raised about a month ago regarding the—

The Acting Speaker (Mr. Boulanger): Order. The hon. member for Chambly (Mr. L'Heureux).

[*Translation*]

THE LATE BERNARD PILON

Mr. Yvon L'Heureux (Chambly): Mr. Speaker, I rise on a question of privilege.

I should like for a moment to recall the memory of my predecessor, the friend of all hon. members, the late Bernard Pilon.

Bernard Pilon left us prematurely a year ago, following upon a heart attack which felled him as he was on his way back to Ottawa one Sunday evening.

The heart-wrenching news saddened all his friends, all his fellow citizens. All certainly wondered why that happened to one who was kindness and devotion itself, irradiating human warmth.

One day, while I was in Mr. Pilon's home, I noticed a plaque bearing a maxim expressing the philosophy of those who live according to their heart, and I quote:

• (10:00 p.m.)

[*English*]

When the One Great Scorer comes to write against your name, he writes: not that you won or lost but how you played the game.

[*Translation*]

Without knowing it, Bernard Pilon had posted on the wall the summary of his own life, he to whom had been given a thankless task he assumed with the sense of dedication and courtesy which was a characteristic of his life.

[*English*]

The Acting Speaker (Mr. Boulanger): Order, please. This is not a question of privilege but I think the House would agree that we could forget the rules for a minute. The House will now continue with the adjournment debate.

PROCEEDINGS ON ADJOURNMENT MOTION

Resuming consideration of a motion to adjourn the House under Standing Order 40 which was deemed to have been moved.

PUBLIC SERVICE—REQUEST FOR PUBLICATION OF REPORT OF STAFF RELATIONS COMMITTEE—IMPLEMENTATION OF RECOMMENDATIONS

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, I am certain that all members of the House were pleased to extend the necessary time in the adjournment debate in order that the hon. member for Chambly (Mr. L'Heureux) could pay his respects to the late hon. member.

To return to the point that I was attempting to raise a little earlier, about a month ago I raised some questions regarding the report on the Public Service Staff Relations Act. It might be helpful to hon. members who are unfamiliar with this matter and who are attending tonight if I quoted the exchange which took place on October 25 between the Minister of Manpower and Immigration (Mr. Lang) and myself. I quote from page 8993 of *Hansard* as follows:

MR. MARK ROSE (FRASER VALLEY WEST): Mr. Speaker, I should like to address a question to the Minister of Manpower and Immigration. Since problems of morale in the public service are of long standing, many of them associated with the Public Service Staff Relations Act, and since the minister had had on his desk the report of the public service staff relations committee of three since June 15, when does the minister intend to make this report public?

HON. OTTO E. LANG (MINISTER OF MANPOWER AND IMMIGRATION): Mr. Speaker, the report referred to by the hon. member is part of work done in connection with cabinet planning of possible proposals in regard to this whole area. Any decisions about the changes that will follow in consequence thereof will be announced when the decisions are known.

MR. ROSE: Since the report is reported to contain recommendations that include the extension of the bargaining process along lines somewhat equivalent to that in the private sector, and also the right to strike under certain circumstances, when does the minister feel that these recommendations, if accepted by the government, are going to be translated into legislation?

MR. LANG: Mr. Speaker, I do not intend to comment on what may or may not be in recommendations, nor try to predict the date upon which a decision will be made.

This is why I raise the question in the adjournment debate. My first comment this evening is concerned with the observation over the past three years that when this government wants to score political Brownie points it makes every effort to publicize them through white papers, press releases, various forms of flattery and draft legislation in a naked attempt to draw the people of Canada into a dialogue regarding the new policy proposal. This is not necessarily always bad. We had the white paper on taxation, the social welfare white paper and even the musings of the Minister of the Environment (Mr. Davis) on ecological matters that are not necessarily backed up by legislation. This creates a dialogue.

On the other hand, when the issue is touchy, sensitive, liable to cost money, cause the government to give up some of its power or provide some source of embarrassment, the Liberals seek to keep all their deliberations beneath the glare of publicity and subsequent studies, paid for by the people of Canada and of vital interest to many Canadians, become internal documents meant only for the uncorruptable eyes of cabinet ministers.

This is the case with the Bryden committee study of the Public Service Staff Relations Act and related matters. Incidentally, the undercover charge made just now also applies to the Gray report of foreign ownership , the proclamation leading up to the War Measures Act and

literally hundreds of other studies and reports that have been refused Members of Parliament who have requested certain public documents through the order paper procedures.

This is a very secretive government, Mr. Speaker. No wonder people are becoming increasingly disenchanted with the institution of Parliament when the government on one hand professes participation and shared decision-making, and on the other refuses to be open and frank with people and their elected representatives in developing certain intimate government plans and proposals.

It has been said frequently that this government is contemptuous of Parliament, Mr. Speaker. I for one do not believe that this government holds Parliament in contempt. Quite the opposite. I think frequently the government is terrorized by Parliament and that is precisely why in reaction to the searching initiated by the opposition the government has sought refuge in secrecy.

The plain fact of the matter is that various groups in the public service do not have even the primitive bargaining rights enjoyed in the private sector. Another fact is that there is a tremendous morale erosion in the public service because of the lethargy with which improvements have come about and the one-year stalling which the Bryden committee occupied in its deliberations. A third one is that civil servants have been jockeyed around long enough in classifications, salaries and lack of adequate appeal procedures in the current act. I am glad the President of the Treasury Board (Mr. Drury) is here. Particularly offensive is clause 7 in the act.

Finally, I believe public servants are going to demand action on the Bryden report, and they want it quickly. For not much longer will they behave as responsible supporters of the system that exploits them. Sooner or later I think they will abandon the responsible stance which they take in many of the groups of threadbare professionalism and will begin to act like a militant union, and then maybe they will get some action. In conclusion, Mr. Speaker, the Bryden report has been on the minister's desk since June 15. I think it contains many progressive recommendations, and it is time it was released for all of us to see.

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): I am sure my hon. friend will be very satisfied with my answer. His question did not terrorize us at all and we are very happy to give the following answer.

Mr. Speaker, I can appreciate the hon. member's keen interest in staff relations in the public service. The government, too, is keenly aware that this is a most important matter and this is why the Minister of Manpower and Immigration (Mr. Lang), who reports to Parliament for the Public Service Staff Relations Board, undertook a review of the Public Service Staff Relations Act. The minister, as the hon. member will recall, established a three-member working group to assist him in the review. The intention was to provide a vehicle whereby the views of interested parties could be co-ordinated and assessed in order that problem areas could be identified and it could be determined if revision of the act was in fact required. Submissions from all the interested parties in this area were invited and many were received and referred to the working group.

[Mr. Rose.]

As the minister indicated in the House, the report mentioned by the hon. member is a major aspect of the overall examination of staff relations in the public service. It is an integral part of the process which will enable the government to have the opportunity to give close consideration to this very important matter. It is not possible at the present time to indicate the nature or scope of proposals or to determine possible changes that will follow as a result of this review; and, Mr. Speaker, at this time I am not in a position to predict the date upon which decisions will be made or announced.

I am sure the president of the President of the Treasury Board (Mr. Drury) is a good indication of our interest and the fact that we are not at all terrorized by the question of our hon. friend.

• (10:10 p.m.)

Mr. Knowles (Winnipeg North Centre): How long, o Lord, how long?

[*Translation*]

LABOUR CONDITIONS—QUEBEC—GOVERNMENT FORECAST AS TO UNEMPLOYMENT

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I do not pretend that my intervention tonight will change even an iota of the procedure and practice the government has adopted for a few years of systematically refusing to answer the members of this House who are elected to try to inform the population through newspapers and their interventions during the debates.

I have tried for a few days now to obtain information from the government, particularly from the minister responsible for manpower, but unfortunately it has been impossible for me to obtain an answer likely to eliminate the uncertainty which prevails in that respect.

I have here a summary of the recommendations made recently by the Economic Council of Canada. May I quote a remark dealing with the very point I am trying to raise. I would like to quote a newspaper article in that connection. Here it is:

> In its annual review on the design for decision-making and their application to human resources policies, the Economic Council of Canada states that people have the right to know what is going on and what is in the making and that governments must free information from bureaucratic and political restraints which are too often imposed on it.

Mr. Speaker, a few days after this statement by the Economic Council, a press release dated November 9, 1971 and issued by the office of the Minister of Justice (Mr. Turner) bore the title "Statutory Instruments Act" and the sub-title "Government regulations become more accessible to the public".

What amazes me is that a few days before this well-meaning statement, I was trying to obtain from the Minister of Manpower and Immigration (Mr. Lang) economic data likely to indicate to the House what the rate of unemployment would be this coming winter, as recorded at page 9034 of *Hansard* for October 26, 1971. But, since the minister was not in the House at that time, I put the question to the Prime Minister (Mr. Trudeau), who bluntly refused to reply. I renewed my attempt the next day, October 27, as recorded at page 9089 of *Hansard*, and

asked the Minister of Manpower and Immigration if he could give the House some indication of the extent of unemployment this winter.

My question was related to a statement made a few days before by the Minister of Regional Economic Expansion (Mr. Marchand) during a speech in Montreal in which he had said that the government expected unemployment to reach 10 or 12 per cent during that season, especially in the province of Quebec.

I was trying to get from the minister responsible for manpower or from the Prime Minister scientific data which could enlighten the House on the present situation, or else suggestions to alleviate the disaster which threatens us.

I was surprised to realize that every time I was asked that question, I was flatly refused an answer. I would like to quote the answer of the Minister of Manpower and Immigration:

HON. OTTO E. LANG (MINISTER OF MANPOWER AND IMMIGRATION): Mr. Speaker, I am not sure, because I was not in the House yesterday, to what figures the hon. member is referring.

We all know that there are in the House a number of parliamentary secretaries whose function is precisely to inform the minister of the proceedings of the House, particularly those concerning his own department.

I cannot accept, Mr. Speaker, that under the rules of this House the ministers or parliamentary secretaries should not be allowed to answer questions of hon. members the next day.

Recently I was listening to a radio broadcast on which the right hon. Prime Minister met students near Quebec City. He did not hesitate to answer all questions, both serious and bold, which the students put to him on government policy; yet the same privilege is denied members elected for the very purpose of getting information on current problems.

The Minister of Finance (Mr. Benson) recently made a statement the text of which appeared in the Ottawa *Journal* on November 16. The minister predicted a growing economy, an increase in the gross national product and the creation of 234,000 new jobs. But he never said what he used as a basis for these predictions, and he refuses to give us the criteria which could help us assess the extent of unemployment we will have to face this winter. So, Mr. Speaker—

The Acting Speaker (Mr. Boulanger): Order. I regret to interrupt the hon. member but his time has expired. I now recognize the Parliamentary Secretary to the Minister of Manpower and Immigration (Mr. Prud'homme).

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, the Department of Manpower and Immigration, jointly with Statistics Canada, conducts a monthly statistical survey on the distribution of the labour force. This survey enables us to express in percentage the employment and unemployment rates in every part of the country, not only in terms of persons who have a job or are unemployed, but including also the normal seasonal variations.

Although the department makes a continual assessment of the labour force, this monthly statistical survey is not make in order to extrapolate future employment or unemployment rates in the country.

The hon. member for Sainte-Marie knows very well that some things are unforeseeable. He also referred to a report from the Economic Council of Canada: he might also quote this part of the Council's report that suggests that we should find new manpower training formulas.

My hon. colleague might also acknowledge that, in accordance with the new policy announced for this winter, a new $20 million on-the-job manpower training program is going to be established, following the well advised recommendations of the Economic Council of Canada.

I know that the hon. member does not like us to attempt to predict things which only the Riders of the Apocalypse could predict, as he and his party could have come up with wise proposals had the rate of unemployment been high.

My hon. colleague knows very well that the government is doing its best to lower the rate of unemployment by bringing in all sorts of new programs like the one announced by the Minister of Finance and the Minister of Manpower and Immigration. I am referring to the $498 million works program which is going to benefit a number of organizations. I am thinking of the local initiative program, either for municipalities or for organizations to carry out public works for which $80 million will be granted for the immediate creation of jobs—as the hon. member for Sainte-Marie should know—in order to meet a difficulty which would arise for any government in the present economic situation in view of the world situation and especially in the United States.

I am convinced that the government does its utmost to cope with that situation and, if my hon. friend has better suggestions, the government will hear him very carefully in order to reduce the unemployment rate to a minimum.

Mr. Deputy Speaker (Mr. Boulanger): Order. I regret to have to interrupt the hon. Parliamentary Secretary, but his time has expired.

Mr. Valade: Mr. Speaker, I rise on a point of order.

Mr. Deputy Speaker (Mr. Boulanger): Order. The hon. member knows the rules of the House. At this point of the proceedings he cannot rise on a point of order.

• (10:20 p.m.)

FISHERIES—FEDERAL GOVERNMENT PARTICIPATION WITH MANITOBA IN INCOME SUPPORT AND RETRAINING PLAN FOR LAKE WINNIPEG FISHERMEN

Mr. Doug Rowland (Selkirk): Mr. Speaker, in 1970 Lake Winnipeg was closed for fishing because certain species of fish had been found to contain levels of mercury in their flesh which made them unacceptable for human consumption. One might argue about what level of contamination is acceptable and, indeed, many people are doing so. But the fact remains that Lake Winnipeg fish were declared by the federal government to fall within the unacceptable category.

Fishermen were forced out of work. Legal proceedings were initiated by the government of Manitoba to seek damages from the companies which were believed to have

contributed to the pollution of the lake, thereby bringing about its closure. A little earlier the federal government had been buying fish from the fishermen and burning them in order to prevent the possibility of contaminated fish reaching the market. Once the lake had been closed, a crash program of compensation for the fishermen affected was instituted by the federal Department of Fisheries and the government of Manitoba, the federal department supplying $1 million of the total bill of $2 million. Later, when it became obvious that the problem would not be solved immediately and that something would have to be done before the winter, the government of Manitoba established a further program costing $490,000, approached the federal Minister of Fisheries (Mr. Davis) for half the cost of this program and received the money.

Throughout this period the province had been working toward the establishment of income maintenance and job retraining programs which would provide a long-range solution to the problems of the fishermen affected. It was determined that this program—incidentally, it was described by federal spokesmen as imaginative—would cost somewhat in excess of $2 million for the first year. Again, the government of Manitoba went to the Minister of Fisheries with the suggestion that the federal government should pay half. But on this occasion, for some reason, the minister was unable to make such a commitment on behalf of his department. He spoke of the need to consult the departments of Manpower, Indian Affairs and Northern Development, and so forth. As a result, the implementation of the plan was delayed and became snarled in red tape.

It is even now uncertain whether contributions from the various federal departments have amounted to half the costs incurred. To this day the government of Manitoba has not received a commitment from the federal government to be responsible for half the costs incurred in attempting to help these unfortunate fishermen adjust to circumstances which were not of their making. Surely, asking the federal government to bear half the cost of this program is an extremely modest request to make, given the fact that fisheries fall under federal jurisdiction. Yet no formal recognition of its responsibility has yet been forthcoming from the federal government.

What is to happen this winter, or next year? Are the problems of the fishermen to be dealt with again on an ad hoc basis? To which federal minister must the government of Manitoba go in order to obtain a decision in principle? Logic would suggest that the appropriate person would be the Minister of Fisheries since it is he who has been involved from the beginning. Even if the money does not ultimately come from the budget of his department, surely it is he who is best equipped to go to bat for the fishermen of Manitoba before his cabinet colleagues. Surely it is he who is best able to co-ordinate federal efforts. Surely the government of Manitoba should not be expected to go from door to door. But in his answer to my question of October 19, the minister said not so. This was his reply:

> The short answer is my department is concerned with the development of an economic fishery and is not engaged in constructing an income support program for this segment of the Canadian population.

Who, then, is able to state definitely whether the federal government will accept some of the on-going financial responsibility for the problems encountered by the fishermen? The Prime Minister (Mr. Trudeau)? Last June I asked him that question directly in the House and he intimated he would have to consult the Minister of Fisheries who, as it happened, was not in the chamber at that time.

This evening I am asking for answers to three questions. First, is the federal government prepared to accept in principle and in fact responsibility for a share of the cost incurred in meeting the problems of the fishermen involved in this special case of pollution dislocation? Second, which department and which minister are responsible for co-ordinating federal efforts in this regard? Third, when will the federal government's decision with respect to assistance be made, when will it be conveyed to the province of Manitoba, and by whom?

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, we have a very difficult problem in Manitoba in respect of the fishery on Lake Winnipeg. Fishery matters, particularly conservation, and management of the fishery in that province have long been delegated to the province and are the direct responsibility of the provincial government.

Difficulties have been encountered recently in respect of income maintenance. The provincial government has developed several plans. It announces them and then asks the federal government to put up half the cost. The federal government, through its Department of the Environment, has been engaged in formulating development plans for the re-establishment of the fishery there. The fish resource was badly depleted in the 1950s and 1960s. It fell from a high of some seven million pounds, an all-time record, to half a million pounds in 1969—obviously a very poorly managed fishery.

Then the mercury problem came along. Winnipeg goldeye were fished out. Whitefish were in difficulty from a supply point of view before mercury struck. The federal Department of Fisheries, together with other provincial governments on the Prairies, had established a selling agency and was marketing all the fish from the Prairies. For a period while we were exploring the extent of the mercury problem, fish were bought and a percentage of the catch was destroyed.

Once the mercury problem indicated a closure, the federal Department of Fisheries endeavoured to develop new sources of livelihood for the fishermen. It has had a very active campaign, costing a total of $450,000 during the last 12 months as a result of which 150 fishermen have been employed. Coarse fish, fish formerly rejected and not thought to be economic, now show considerable promise.

The provincial government continues to put forward programs for income maintenance for fishermen, many of whom have had their livelihoods seriously undermined by bad management in previous years. We are hopeful that most of Lake Winnipeg can be reopened for whitefish next year. However, it will be a very low level because of the very serious depletion of the lake. Also, we are hopeful that the coarse fish operation will develop to the point where it becomes commercial and provides considerable income for a number of fishermen. Other departments have been involved in the over-all program of rehabilitation, such as the Department of Indian Affairs and Northern Development, and Manpower and Immigration. They have also assisted the provincial government.

The Acting Speaker (Mr. Boulanger): Order. I regret that the time allotted to the minister has expired.

Motion agreed to and the House adjourned at 10.31 p.m.

HOUSE OF COMMONS

Wednesday, November 17, 1971

The House met at 2 p.m.

HOUSE OF COMMONS

PRESENCE IN SPEAKER'S GALLERY OF DR. GERHARD HERZBERG, WINNER OF NOBEL PRIZE FOR CHEMISTRY

Mr. Speaker: As hon. members know, it is only on rare occasions that the Chair can extend recognition to visitors to the Speaker's gallery who are not here in a parliamentary capacity. I am sure, however, hon. members will agree with me that on this occasion an exception should be made.

I draw to the attention of the House the presence today of Dr. Gerhard Herzberg who was recently recognized for his outstanding contribution to science by the award of the Nobel prize for chemistry.

Some hon. Members: Hear, hear!

Mr. Speaker: All Canadians were pleased and felt a great sense of pride when this outstanding scientist was recognized in this way.

On behalf of all hon. members, may I extend our congratulations to Dr. Herzberg for this great honour he has brought to himself, to the National Research Council and to Canada.

Some hon. Members: Hear, hear!

ROUTINE PROCEEDINGS

EXTERNAL AFFAIRS

ANNOUNCEMENT OF ADDITIONAL CONTRIBUTION FOR RELIEF OF PAKISTANI REFUGEES IN INDIA

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, Canada has shown its deep concern for the plight of the Pakistani refugees in India by the contributions made by the government, provincial governments and voluntary agencies for their relief in the last few months. We have been concerned not only for the refugees themselves but for the government of India, upon whom the burden of responsibility for relief falls. It is difficult for anyone to come to grips with the dimensions and complexity of the problems caused by the greatest mass movement of mankind in modern history. These problems have both human and political aspects: it is to the human aspect that I am now addressing myself.

The response of the Indian government and people has been magnificent and their efforts to ensure that relief supplies and materials are provided and effectively distributed are beyond praise. India has had to bear a disproportionate share of the burden. The United Nations High Commissioner for Refugees, through whom all United Nations assistance is being co-ordinated, has appealed for further contributions from the international community to meet this great humanitarian need.

To date, the nations of the world have provided approximately $240 million through multilateral and bilateral channels for refugee relief in India. Some $125 million of this amount has been pledged through the United Nations system. This amount has proved inadequate to support the massive relief program that is required and to mitigate its adverse effects on the development program of India. Without additional assistance many of the significant developmental achievements which have been made over the past two and a half decades will be jeopardized, and unless renewed efforts to share the burden are undertaken by the international community the presence of large numbers of refugees will continue to aggravate political tensions in the subcontinent.

• (2:10 p.m.)

In response to the High Commissioner for Refugees' new appeal and following the recent visit to the subcontinent of a team led by Mr. Gérin-Lajoie, the president of the Canadian International Development Agency, the government has decided that substantial additional contributions must be made available.

To date, the Canadian contribution from governmental and non-governmental sources for refugees in India amounts to $6.6 million. Of this sum, $4.3 million has been provided by the federal government, $370,000 by the provinces, and $1.9 million by voluntary agencies and the combined appeal for Pakistani relief. It is the government's intention to supplement these contributions by an amount of $18 million, seeking the authority and funds from Parliament. This will bring the Canadian government's total contribution for the relief of refugees in India to $22 million, coincidentally representing approximately one dollar for every Canadian. Members of the House will be interested to know that Mr. Gérin-Lajoie will be making a statement to this effect on behalf of Canada at the United Nations tomorrow.

In addition to the funds provided for refugees in India, Canada has contributed $7 million in food aid through the world food program for the relief of suffering in East Pakistan and provided to the United Nations $500,000 to help defray the cost of United Nations relief operations there.

The new funds to be provided will be applied in accordance with the needs and priorities as seen by the government of India, the United Nations and the CIDA fact-finding team. A part of the funds will be devoted to direct humanitarian relief through the United Nations High Commissioner for Refugees. Part will be directed through Canadian voluntary agencies' contributions to relief oper-

ations in India. Part will be provided to the government of India in the form of goods and services.

Different forms of assistance are required. In our view, and that of the government of India, one appropriate kind of assistance would be debt relief to ease the burden on the Indian economy. The Aid to India Consortium, meeting on October 26, discussed this particular form of aid. To be effective, such relief requires the concerted efforts and co-operation of other major donors, and Canada is ready to meet other donors to discuss this question.

Continued, increased and effective aid is a question of the greatest urgency. It will help to alleviate the suffering of those caught up in this human tragedy. Dealing with this aspect of the problem can also help to reduce tension. But it does not offer any solution to the underlying problem. A political solution must be found which will allow the refugees to return to a secure and democratic society in East Pakistan. I regret, Mr. Speaker, that at the moment I see little hope of an early resolution of the problem. Canada once again joins with other nations in urging upon the governments of India and Pakistan restraint and forbearance in the face of the grave difficulties that must be overcome before a lasting settlement can be achieved.

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, there have been times in the past when I have taken exception to the actions and pronouncements of the minister and, no doubt, there will be times in the future when I shall do so. But this is not one of them. I applaud what the hon. gentleman has said. It would be easy for a member speaking for the opposition to say that Canada's contribution should be greater. But it would be iniquitous to say it should be less.

I come from one of the disadvantaged areas of Canada, a part which has too little of the economic assets of this country, and the situation is not improving in that respect. I know that among the narrow-minded and the small of heart there is a tendency to say that charity begins at home. My own observations lead me to believe that people who say this are never very charitable at home, either. So I can say to the minister that I have no intention, no matter what may lie ahead, to try to take political advantage of the fact that a goodly sum will be voted in this case.

I have reservations about some of our external aid programs and I believe the time has come to examine them. But this is not in that category. The need is so great, so compelling and so urgent that, while we want to know more precisely the form the aid will take, I applaud wholeheartedly the announcement by the government and support it with every fibre of my being. I hope there will be no wastage and administrative duplication. I hope every effort will be made and every avenue canvassed to give assistance.

I enthusiastically concur in what the minister said about the efforts of the government of India and the people of India. They have been dealing with a massive burden for which they did not ask and which they should not and cannot bear alone. Therefore we, as part of the international community, must respond as the minister has indicated we are responding. We must assist; we must do our part. Even if the minister had announced double the aid we are going to give we would still be doing far, far less than what is being done by India, a land with such immense economic and political problems of its own. The international community must continue to help; it must do more.

I welcome this new move announced by the government. I hope the governments of the provinces will help as well, and I note that some of them have made special efforts in this regard. But most important of all, I believe, is the response not of Canada's governments but of Canada's citizens. I think this, above all, is the way that we should show the extent of our compassion for what is perhaps the greatest human tragedy in modern times. Most of our people are in and of the Christian tradition. In these days when there has been a flowering of the ecumenical spirit and a breaking down of the walls of bigotry and intolerance I think this is a magnificent opportunity for people of the Christian fold to show compassion and concern for their fellow humans of a different theological belief.

I note too the minister's reference to the political situation and I feel that I must share his general outlook, which is somewhat pessimistic. I do hope that our government is using all its resources, bilaterally, within the Commonwealth and in the United Nations, to do what can be done on the political front to bring about a solution. I say here what I said in India and in Pakistan a few months ago, that war between these two Commonwealth states is an intolerable concept, something that would merely compound to the nth degree the terrible problems that already exist. Therefore something between the painful tragic status quo and war must be achieved. We cannot see repeated in the Far East the terrible, painful continuum of refugees which for so long has prevailed in the Middle East. I urge the government to press for a solution in every possible way. I also urge the government of Pakistan—and I have not joined the "hate Pakistan league"—to do everything within their country to assuage the difficulties and mitigate this terrible human problem.

Mr. David Lewis (York South): Mr. Speaker, I shall be relatively short. I join the hon. member for Hillsborough (Mr. Macquarrie) in congratulating the Secretary of State for External Affairs (Mr. Sharp) for the step that he has announced. It is always very difficult to say just how much aid should be given because one could argue over the precise amount. But I think we can proudly say that the announcement of the minister represents a generous contribution to assist the refugees. In making this gesture to assist and aid the suffering in that unhappy part of the world I am certain the minister spoke for all Canadians.

I think that countries like Canada should make a greater effort than they have made until now—I do not say that in criticism of any government or minister—in order to seek a political solution. It is very frustrating to a good many people in the world, as it should be to members of this House, that it is possible for a military clique in a country to upset the decision of the people of that country and to oust those who were democratically elected by the people to represent them in the Parliament of that country and substitute for the democratic process a military dictatorship, which is in fact what we have in Pakistan now, and get away with it, despite the fact that millions of

people are literally ejected from that country as a result of the circumstances created by the military dictatorship. I suggest the time must not be far off when the international community, through the United Nations, is able to take steps to solve a political problem of that sort.

I also suggest on behalf of my colleagues and myself that we ought not always to remain neutral in these obvious situations of evil doing by military colonels and the like. I suggest that Canada ought now to terminate all military deliveries to Pakistan as well as the economic aid that now goes to that country. When we continue to give military and economic aid what we are enabling the present government of Pakistan to do is to use the foreign currency it might need to purchase things in the world to add to its military strength in order to continue to oppress not only the people of East Pakistan but of West Pakistan as well.

• (2:20 p.m.)

In short, Mr. Speaker, I congratulate the minister for the generous contribution he has offered to assist the refugees. I plead with him and the government to take the other steps I have suggested which might help to bring about a political solution.

[*Translation*]

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I will try to be brief even if we are dealing with drama suffered by a part of mankind. In fact, it can be seen that the consequences of the original sin weigh heavily on mankind.

The hon. minister has just announced that supplementary and much more generous assistance will be granted by the government to the refugees in India. We could hardly object to that decision since its purpose is to help suffering mankind.

India is presently facing serious problems due to the millions of refugees who had to flee their country. But India must also face another problem. Although it helps refugees, it would seem that they are much better treated than Indians themselves.

The problem facing that area today did not just spring up but has been around for a long time, and I admit that we should hasten the solution of that crisis through political means, for it is above all a political question.

The piper has to be paid. But India itself is not foreign to the situation prevailing in Pakistan; it is so to speak one of the outside agents of the present conflict, which goes back to 1948.

Mr. Speaker, I feel that the assistance Canada intends to give it should be used by India, not to make investments and enslave part of Pakistan, but to help the Pakistani refugees who fled before the hatred born of political differences.

* * *

[*English*]

AIR TRANSPORT

HIJACKING—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, pursuant to Standing Order 43 I ask the unanimous consent of the House to propose a motion on a matter of urgent and pressing necessity. In light of the fact that Canada signed the convention at The Hague last December 16, 1970, in light of the fact that the Canadian Airline Pilots, Association has been pressing the government for legislation to cover the crime of air piracy, and in light of the fact that a terrible tragedy almost occurred on flight 812 out of the city of Calgary, I therefore move, seconded by the hon. member for Peace River (Mr. Baldwin):

That Bill C-231, an act to amend the Criminal Code of Canada, entitled air piracy, be brought forward for second reading and treated as a government measure to be sent to the Standing Committee on Justice and Legal Affairs for study and final implementation.

Mr. Speaker: The House has heard the motion proposed by the hon. member for Calgary North. This motion is moved under the provisions of Standing Order 43 and requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent. The motion cannot be put.

Mr. Woolliams: Mr. Speaker, on a point of order, I believe the Minister of Justice really wanted to second it and I am sure the hon. member for Peace River would withdraw as seconder.

Mr. Baldwin: I would, Mr. Speaker.

Mr. Speaker: I am not sure that would change the result of the inquiry that has just come from the Chair. Perhaps the hon. member might consider putting the motion again tomorrow in those terms.

* * *

THE CANADIAN ECONOMY

SCREENING OF FOREIGN INVESTMENT—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I ask leave to present a motion under Standing Order 43. May I remind the House that when one seeks unanimous consent at this point he is not asking that the motion necessarily be supported by all members. One is simply asking for consent for the motion to be put so that the House can make the decision.

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

An hon. Member: We understand that.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, my hon. friend across the way says he understands that but the response from the other side does not always lead one to that conclusion. The urgent and pressing necessity for this motion is the desirability of clearing up the uncertainty of the government's position with regard to a certain matter that has been before the House during the last two or three days. I therefore ask leave, seconded by the hon.

member for Nanaimo-Cowichan-The Islands (Mr. Douglas), to move the following motion:

That any minute or other document recording a decision of cabinet respecting the screening of foreign investment in Canada, dated July 29, 1971, or at any time subsequent thereto, be tabled forthwith.

Mr. Speaker: Again this motion is proposed under the terms of Standing Order 43 and thus requires unanimous consent. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is obviously not unanimity on this point and the motion cannot be put.

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EXTERNAL AFFAIRS

TABLING OF STATEMENT ON CHEMICAL AND BIOLOGICAL WARFARE WITHDRAWING CANADIAN OPTION TO MAKE USE OF TEAR GAS

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I wish to table the text in both languages of the statement of Canada's position regarding chemical and biological warfare.

Some hon. Members: Oh, oh!

Mr. Knowles (Winnipeg North Centre): That is not the one I asked for.

Mr. Baldwin: How about parliamentary warfare?

Mr. Sharp: This statement was made yesterday at the first committee of the United Nations General Assembly in the course of an intervention on disarmament by the Canadian delegate, Mr. George Ignatieff, and it has the effect of withdrawing Canada's previously maintained option to make first use of tear gas in warfare.

Mr. Baldwin: We give unanimous consent.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

CANADA STUDENT LOAN PLAN

Question No. 1,903—**Mr. MacDonald (Egmont):**

1. Is the Department of Finance presently considering a contingent repayment system to replace the present Canada Student Loan Plan?

2. Is the Department of Finance giving consideration to developing assistance programs with the provinces for part-time students?

Hon. E. J. Benson (Minister of Finance): 1. No.

2. The department is continuously reviewing the operations and effectiveness of the Canada Student Loans program including the question of eligibility for loans.

[Mr. Knowles (Winnipeg North Centre).]

GOVERNMENT GUARANTEE OF LOAN TO MING SUNG INDUSTRIAL CO. LTD.

Question No. 1,912—**Mr. MacLean:**

1. With regard to the government's guarantee of a loan of $10,200,000 made by Canadian banks to the Ming Sung Industrial Company Limited, what payments, if any, has the government made to Canadian banks in addition to the $2,962,977.30 paid up until December 10, 1952?

2. Has the government recovered any of the payments made to Canadian banks under the terms of the government's guarantee of this loan?

3. Were the assets of the Ming Sung Industrial Company taken over by the Government of mainland China?

4. Has may attempt been made by the government to recover from the Government of mainland China the amount owing, either before or since the Government of mainland China was recognized by Canada?

Hon. E. J. Benson (Minister of Finance): 1. The loan to the Ming Sung Industrial Company was for an amount of $12,750,000 not $10,200,000. Payments made to the chartered banks after December 10, 1952 totalled $11,506,205.76, including interest.

2. No.

3. The evidence suggests that most of the assets passed into the control of the local authorities of the People's Republic of China.

4. During the negotiation between Canada and the People's Republic of China which preceded the establishment of diplomatic relationship, the Canadian side referred to the existence of the Ming Sung claims. In response the Chinese indicated a willingness to discuss the matter after relations were established. The Canadian Government intends to raise this and other claims with the Government of the People's Republic of China through local diplomatic channels and hopes to negotiate an equitable settlement.

COST OF LEDAIN COMMISSION

Question No. 1,922—**Mr. MacDonald (Egmont):**

As of October 15, 1971, what amount was spent on the operation of the LeDain Commission on the non-medical use of drugs and what is the overall final budget expected to be?

Hon. John C. Munro (Minister of National Health and Welfare): (1) Expenditures to October 15, 1971, $2,263,354.13.

(2) Estimated total cost, $2,700,000.

PARLIAMENT HILL—INCREASED SPACE FOR MEMBERS OF PARLIAMENT

Question No. 1,924—**Mr. MacDonald (Egmont):**

What is the present status of the government's plans to renovate the buildings adjoining Parliament Hill with the aim of increasing operating and secretarial space of Members of Parliament?

Hon. Arthur Laing (Minister of Public Works): The Department of Public Works has under study the condition and use of the buildings adjoining Parliament Hill.

PARLIAMENT BUILDINGS

Question No. 1,955—**Mr. Godin:**

1. What were the construction costs for the first Parliament Building (Centre Block)?

2. What was the value in dollars of this same building when it was restored after the fire?

3. What is the building's present value in dollars?

4. In what year were the following buildings constructed (a) East Block (b) West Block?

5. How much did they cost initially and what is their present value in dollars?

[*Translation*]

Hon. Arthur Laing (Minister of Public Works): 1. $1,836,857,27.

2. Cost of restoration—$11,919,082.04.

3. The value of the building in relation to its intrinsic historical posture is impossible to state. The depreciated replacement value would require a very detailed analysis.

4. (a) and (b) A contract was let for both buildings in 1860 and construction continued over a period of years.

5. Initial cost: East Block—$688,444.16; West Block—$1,131,735.33; again, an assigned present value would be very difficult because of the subjective aspect of historical value.

[*English*]

CLOSURE OF MILITARY BASES SINCE 1950

Question No. 1,958—**Mr. Latulippe:**

Since 1950, which military bases did the government (a) close (b) open in Canada?

[*Translation*]

Mr. Jack Cullen (Parliamentary Secretary to Minister of National Defence): The records on closures and openings of defence establishments were destroyed by a fire in a building at Victoria Island, Ottawa on 31 December 1969. The following reply does not necessarily reflect a complete and accurate report: (a) Defence Establishments Closed in Canada since 1950: Point Edward Naval Base and Supply Depot—Sydney, N.S.; Camp Utopia, N.B.; Camp Sussex, N.B.; McGiveney Ammunition Depot, N.B.; Coverdale Radio Station, N.B.; RCAF Station Lachine, PQ; Ville La Salle Supply Depot, PQ; RCAF Station Centralia, Ont.; CFB Clinton, Ont.; Picton Military Camp, Ont.; RCAF Station Pendleton, Ont.; RCAF Station Aylmer, Ont.; Lakeview Military Camp, Ont.; Niagara-on-the-lake Military Camp, Ont.; London Logistics Complex, Ont.; Headquarters Oakville, Ont.; Cobourg Supply Depot, Ont.; Hagersville Vehicle Depot, Ont.; CFB Gimli, Man.; CFB Rivers, Man.; Fort Churchill and Churchill Radio Station, Man.; RCAF Station Macdonald, Man.; RCAF Station Saskatoon, Sask.; Regina Ordnance Depot, Sask.; RCAF Station Claresholm, Alta.; RCAF Station Grande Prairie, Alta.; RCAF Station Lincoln Park, Calgary, Alta.; RCAF Station Abbotsford, B.C.; Dawson Creek Army Camp, B.C.; RCAF Station Sea Island, B.C.; RCAF Station Vancouver, B.C.; RCAF Station Beaton River, B.C.; RCAF Station Fort St. John, B.C.; RCAF Station Fort Nelson, B.C.; Ladner Wireless Station, B.C.; Lynn Creek Supply Depot North Vancouver, B.C.; Tofino Wireless Station, B.C.; Kamloops Ammunition Depot, B.C.; Northwest Highway System B.C. and Y.T. (including HQNWHS and Camp Takhini at Whitehorse and Muskwa Garrison at Ft. Nelson, B.C.); RCAF Station Whitehorse and Radio Station, Y.T. ; RCAF Station Coal River, Y.T.; RCAF Station Watson Lake, Y.T.; RCAF Station Teslin, Y.T.; RCAF Station Aishihik, Y.T.; RCAF Station Snag, Y.T.; Aklavik Radio Station, N.W.T.; Hay River Radio Station, N.W.T.; Norman Wells Radio Station, N.W.T.; Resolute Station, N.W.T.; Six sites along the Pinetree Radar Line 7 Mid-Canada Line Stations.

(b) Defence Establishments Opened in Canada since 1950: Mill Cove Wireless Station, N.S.; CFB Gagetown, Oromocto, N.B.; CFS Val d'Or, P.Q.; Ville La Salle Supply Depot, P.Q.; Cobourg Supply Depot, Ont.; CFB Cold Lake, Alta.; Inuvik Radio Station, N.W.T.; HQ Northern Region Yellowknife, N.W.T.; Alert Wireless Station, N.W.T. ; Thirty-four Pinetree Radar Sites; The Mid Canada Line.

ASSISTANCE TO PROVINCES TO COVER EXPENSES INCURRED IN THE OPERATION OF UNILINGUAL SCHOOLS

Question No. 1,960—**Mr. Godin:**

1. Did the government make any grants to the provinces to help them pay the expenses incurred by Canadians wishing to educate their children in the official language of their choice and, if so (a) what amounts were granted to each province during the fiscal year 1970-71 (b) how were these amounts spent?

2. Has the Nipissing School Board used such grants for its regular unilingual teaching program?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. Yes. (a) In the fiscal year 1970-71 the following grants relating specifically to minority language education at the primary, secondary and the post-secondary (non-university) levels were made to the provinces for minority language education (i.e. English in Quebec and French in the other provinces). Newfoundland, $5,200; Prince Edward Island, $29,800; Nova Scotia, $280,000; New Brunswick, $2,185,-500; Quebec, $16,728,100; Ontario, $6,542,200; Manitoba, $181,200; Saskatchewan, $22,800; Alberta, $100,300; British Columbia,— 1. (b) The programme seeks to aid the provinces to meet the supplementary costs incurred in offering educational opportunities to Canadians in the official language of their choice. In view of provincial jurisdiction over education, federal grants are paid directly to the provinces which in turn assume responsibility for distributing the funds according to the needs of their school system.

2. Answered in 1(b).

[*English*]

FEDERAL ASSISTANCE TO FORMOSA

Question No. 2,017—**Mr. Rodrigue:**

1. Did the government grant any assistance, loans or otherwise, to Formosa through the Canadian International Development Agency during the years 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, and 1971?

2. If the government has granted such loans (a) how many loans were granted (b) what were the amounts involved (c) what were the terms of these loans?

3. Does Canada have the assurance that loans made to Formosa will be repaid?

Indian Education

Hon. Mitchell Sharp (Secretary of State for External Affairs): 1. No.

2. Nil

3. Not applicable

• (2:30 p.m.)

MOTION TO ADJOURN UNDER S.O. 26

INDIAN AFFAIRS

INDIAN EDUCATION IN NORTHEASTERN ALBERTA

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, under Standing Order 26 I ask leave to move a motion for the adjournment of the House for the purpose of discussing a specific and important matter, namely, the crisis in Indian education in northeastern Alberta. Therefore I move, seconded by the hon. member for Vegreville (Mr. Mazankowski):

That the House do adjourn to discuss this important matter.

Mr. Chrétien: I wish to rise on a question of privilege, Mr. Speaker. I would like to inform the uninformed member that the two reserves have voted to return to the school system and the pupils should be back in school soon if they are not back now.

Some hon. Members: Hear, hear!

Mr. Speaker: I did not understand clearly the purport of the minister's question of privilege. In any event, the Chair will refer to the motion proposed at this time by the hon. member for Athabasca.

The Chair has received the required notice under the provision of Standing Order 26 from the hon. member for Athabasca, dealing with the matter to which he has alluded in his proposed motion for the adjournment of the House.

I have given very earnest consideration to the problem posed by the hon. member, and I wish to state immediately that it is my view that this is a matter of great concern not only to him but I am sure to all hon. members.

I have had an opportunity to give careful consideration to the explanatory material submitted by the hon. member in conjunction with his proposed motion, and in passing I wish to say to him that I am most grateful to him for the assistance he has rendered to the Chair in its perusal of the problem. It is most helpful indeed for the Chair to have as full an understanding on a situation which might affect the granting of a debate under Standing Order 26 as possible.

Having said that, I am faced with the question whether or not the problem alluded to by the hon. member meets the procedural requirements of Standing Order 26.

I have thought about this question carefully and have come to the conclusion that, for the time being at least, I cannot agree that the scheduled business of the House should be set aside for the purpose of an emergency debate on this matter. I say this with some regret, but that regret is tempered by my understanding—that understanding was conveyed to the Chair by the hon. member in the written material which he submitted for my consideration along with his notice of motion—that there may be a desire on the part of hon. members to set some time aside by agreement for an opportunity to discuss this problem. If that is the case, consultations might lead to an arrangement under which a discussion could be held in the House at an early moment.

However, having considered all the circumstances and taking into account the possibility of a debate in other circumstances, I would not feel disposed to agree to the hon. member's request for the setting aside of our normal business under the provisions of Standing Order 26.

MOTIONS FOR PAPERS

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, notice of motion No. 260 is acceptable to the government, and I would like to table the documents forthwith.

CORRESPONDENCE CONCERNING ENVIRONMENTAL DAMAGE FROM PROPOSED TANKER ROUTE

Motion No. 260—**Mr. Anderson:**

That an humble Address be presented to His Excellency praying that he will cause to be laid before this House a copy of the government's communication to the Government of the United States presented in the latter half of August of 1971 concerning environmental damage from the proposed tanker route between Valdez, Alaska and Cherry Point, Washington.

Motion agreed to.

Mr. Jerome: Mr. Speaker, would you be so kind as to call notices of motions Nos. 254 and 258.

COPY OF CORRESPONDENCE RELATIVE TO ALLEGATIONS MADE BY ROBIN AUSTIN AND JOHN FEATHERSTONHAUGH, Q.C.

Motion No. 254—**Mr. MacDonald (Egmont):**

That an Order of the House do issue for copies of all correspondence between the Minister of Consumer and Corporate Affairs and the Combines Investigation Branch relative to allegations made by Robin Austin, Esq. and John Featherstonhaugh, Q.C.

Mr. D. R. Tolmie (Parliamentary Secretary to Minister of Consumer and Corporate Affairs: Mr. Speaker, it is contrary to public policy to produce internal correspondence of the type mentioned which are privileged and confidential communications. In the circumstances I wonder whether the hon. member would withdraw his motion.

Mr. Baldwin: I think the hon. member may want to make that decision when he returns.

Mr. MacEachen: Transfer for debate.

Mr. Speaker: Transferred for debate.

CORRESPONDENCE RELATING TO ESTABLISHMENT OF HEAVY WATER PLANT IN MONTMAGNY

Motion No. 258—**Mr. Lambert (Bellechasse):**

That an humble Address be presented to His Excellency praying that he will cause to be laid before this House a copy of all correspondence, telegrams and any other documents between any department or Minister of the Government of Quebec, as well as Hydro-Quebec and the Department of Energy, Mines and Resources concerning the establishment of a heavy water plant in Montmagny during the period 1965 to 1971.

[*Translation*]

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, a search of the Department of Energy, Mines and Resources files has failed to produce any documents between that department and any department or minister of the government of Quebec as well as Hydro-Quebec concerning the establishment of a heavy water plant in Montmagny during the period 1965 to 1971. I would therefore ask the hon. member for Bellechasse to withdraw his motion.

Mr. Lambert (Bellechasse): Agreed.

Mr. Speaker: The motion is withdrawn.

The order is cancelled and the motion is withdrawn.

Mr. Speaker: Shall the other notices of motion be allowed to stand?

Some hon. Members: Agreed.

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, may I ask the Parliamentary Secretary when I can expect an answer to Notice of Motion No. 251 which has been on the Order Paper since September 27, 1971?

[*English*]

Mr. Jerome: I have made note of that, Mr. Speaker.

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

FOREIGN INVESTMENT—DISCREPANCIES BETWEEN CABINET DOCUMENT AND VERSION PUBLISHED IN MONTREAL «GAZETTE»—CREATION OF SCREENING MECHANISM

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to ask the Acting Prime Minister a question. In view of the answer that he gave me yesterday referring to one discrepancy between the cabinet document and the text as published in the Montreal *Gazette* yesterday, has the Acting Prime Minister had an opportunity to check further what was published against his own copy of the document, or has he found that his own copy is missing?

Some hon. Members: Oh, oh!

Mr. Stanfield: Has he had an opportunity to check it and can he tell me whether he has found any other discrepancies between his copy of the document and what was published in the *Gazette*?

Hon. Mitchell Sharp (Acting Prime Minister): As I said yesterday, there are some discrepancies between what appeared and the record as disclosed in the cabinet document. That is the statement I have made and I have nothing more to add to it.

Mr. Knowles (Winnipeg North Centre): Why not table it?

Mr. Stanfield: In order to clear up the confusion, which I am sure even the hon. gentleman must recognize exists, can he assure the House that, as reported in the *Gazette*, the cabinet has taken the position in principle that the main policy approach to the question of foreign takeovers would be the creation of a screening process?

Mr. Sharp: The hon. gentleman has been the head of a government and he knows that in the process of reaching a final decision—

Mr. Stanfield: Yes or no.

Mr. Sharp: —many decisions are taken along the way but that no decision is taken on a question until the day that a cabinet minister or the Prime Minister is authorized to make a statement. Up to that time everything is in flux.

Mr. Baldwin: The cabinet in flux.

Some hon. Members: Oh, oh!

Mr. Stanfield: Hon. members over there seem to be all worked up about something. I take it that the decision in principle has been made. Arising out of this leak of a cabinet document I should like to ask the Acting Prime Minister whether there has been any communication, either formally or informally, on behalf of the government with the United States government or any officials of that government, either on the initiative of Canada or in response to questions with regard to the subject matter of the leak and, if so, what has been said to the U.S. government or its officials?

• (2:40 p.m.)

Mr. Sharp: So far as I am aware, Mr. Speaker, there has been no communication in either direction. Certainly we have taken no initiative, and I personally have not been in receipt of any communications from the United States government on this question.

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I would like to ask a supplementary question of the Acting Prime Minister. Since giving his answers yesterday has he had an opportunity to compare the original document, which he spoke about, with the document that was printed in the Montreal *Gazette*?

Mr. Sharp: Mr. Speaker, as soon as I read that document in the *Gazette* it led me to find out whether there was a leak. I confirmed that it was obviously a leak but that it was not a word for word statement of what had appeared in the government document.

Mr. Woolliams: Mr. Speaker, in view of the fact that the Acting Prime Minister has set out one discrepancy and therefore he has made some disclosure—that is obvious—will he now set out very clearly the differences between

the original document and the copy that he compared so that this matter can be cleared up?

Mr. Sharp: Mr. Speaker, this seems to me to be a very unreasonable request because otherwise it would be quite possible for anyone to put a document in the papers and say, "This is a government document," and then ask for the production of the one it purported to represent.

FOREIGN INVESTMENT—RESCINDING OR MODIFICATION OF DECISION RESPECTING CREATION OF SCREENING MECHANISM

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. In view of the fact the minister said on Monday that no decision had been taken on the basis of the published version of the Gray Report, and that yesterday a document indicated agreement had been reached in principle in the cabinet, and that the minister was quoted as saying outside the House that this was a question of a cabinet decision being conveyed illegally to the press, can the minister clear up this question of when a decision is not a decision, and may I ask the Acting Prime Minister—

Mr. Speaker: Order, please. Perhaps the hon. member might like to rephrase the question. It seems to me that the hon. member is asking the Acting Prime Minister to indicate when a decision is not a decision, and at this point I think we get involved in semantics. The question might be rephrased.

Mr. Douglas: Mr. Speaker, I was leading up to ask the Acting Prime Minister if any action has been taken by the cabinet to rescind or modify the decision which was taken on July 29 to agree in principle to the setting up of a screening mechanism to deal with foreign takeovers?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, all I can say without breaking my oath of secrecy is that the whole subject of foreign ownership has been under discussion many times since July 29. I am hopeful that we will not have to have many more meetings before we reach final decisions.

Mr. Douglas: Mr. Speaker, may I ask the Acting Prime Minister whether he is making the categorical assertion that the statement which appeared in the Montreal *Gazette* yesterday, to the effect that the government had agreed in principle to the setting up of a screening mechanism, is inaccurate and no such decision was reached by the cabinet?

Mr. Sharp: Mr. Speaker, there have been many of these kinds of "decisions" reached by the cabinet on many subjects over a long period of time. I say to the hon. member, as a former first minister of a government, that he knows the only time a decision is made is when some authority is given to make a statement expressing government policy.

FOREIGN OWNERSHIP—DETERMINATION OF SOURCE OF LEAK OF CABINET DOCUMENT—POSSIBILITY OF PROSECUTION

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, with so many being in fear of the revelation that they might have participated in this leak and in order to clarify the situation, would the Acting Prime Minister say whether the RCMP have made any reports on their investigation or whether Goyer's refined Gestapo—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I would think the right hon. gentleman would know that ministers and members ought to be referred to either by their responsibilities as members of the government or by reference to their constituencies.

Mr. Diefenbaker: Mr. Speaker, there was no identification of any member. There was simply a description of a new secret organization that has been built up.

Some hon. Members: Oh, oh!

Mr. Diefenbaker: Mr. Speaker, will the Acting Prime Minister say, in order to relieve the fears of some members of the Press Gallery and even of some of the ministers opposite, whether or not there has been any determination made as to the source of the leak and, in particular, what the government has in mind as to prosecution against those who revealed what was already known?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I am sure the right hon. gentleman would agree that before we make policy we should have the facts. We do not have the facts; we have not yet completed our inquiries, and may I add that the police have not yet been called in.

Mr. Diefenbaker: Mr. Speaker, in view of the deep sense of concern the minister expressed yesterday and the fact that for two or three days nothing has been found out by the minister himself, does he not think it is about time to start to investigate this serious matter which he spoke of in such dulcet tones?

Mr. Sharp: Mr. Speaker, I agree entirely with the right hon. gentleman except for the remark about dulcet tones.

Mr. Speaker: Order please. There are three or four hon. members who wish to ask supplementaries, the hon. member for Yukon, the hon. member for Cumberland-Colchester North and others. I think we should complete our first round of questioning and then I will return to them. The hon. member for York South.

Mr. Nielsen: Mr. Speaker, I rise on a question of privilege involving the answers given by the Acting Prime Minister both today and yesterday. If Your Honour will refer to page 9594 of yesterday's *Hansard*, in reply to the second question of the Leader of the Opposition the Acting Prime Minister, referring to the investigation, informed the House that "an investigation was launched immediately the report was heard on the radio this morning." That was Tuesday morning. But after the oral question period yesterday the Acting Prime Minister appeared in the Commonwealth Room at a press conference and informed the media that the Prime Minister's office had already started some investigations on the Saturday as soon as the matter was revealed in the press. One or the other of these two statements is accurate and one or the other is false. Either the investigations were started on

Saturday, as the Acting Prime Minister informed a press conference yesterday, or they were started, as he informed the House, on Tuesday. I wonder which is true.

Mr. Sharp: Mr. Speaker, the truth is—

Some hon. Members: Oh, oh!

Mr. Diefenbaker: We are making progress at last.

Mr. Sharp: —that when the Leader of the Opposition asked me the question I gave my own reaction to it at that time, which was that I had not had or heard that report until the morning of that day. Indeed, I was startled by the question that was put to me on the previous day by the Leader of the Opposition. Unfortunately the Leader of the Opposition then moved the adjournment of the House, preventing continuation of the discussion, and in the interval I discovered that the Prime Minister's office had already begun these inquiries.

Mr. Speaker: The hon. member for York South.

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FINANCE

DISCUSSION OF CANADIAN DOLLAR EXCHANGE RATE IN MEETINGS WITH AMERICANS

Mr. David Lewis (York South): Mr. Speaker, if the Acting Prime Minister is no longer in flux and still continues to be in a mood to tell the truth I would like to ask him a question arising out of a statement by Secretary of the Treasury Connally of the United States. That other subject and the non-answers are enough for one day. As I say, I would like to ask him a question arising out of a statement by Secretary of the Treasury Connally to the effect that the No. 1 item which the Americans have placed before the Canadians in various meetings is the question of the Canadian exchange rate in relation to the American dollar, and that there has been some discussion and some agreement with regard to it. I would ask the Acting Prime Minister whether exchange rates have been a subject of discussion in the meetings he referred to yesterday in answer to a question which I asked him and whether any—

• (2:50 p.m.)

Mr. Speaker: Order, please. I would hope the hon. member would ask his question. If the hon. member looks at *Hansard* tomorrow I am sure he will see that the question, which normally ought to be put briefly and directly, has, it seems to me, been taking a rather inordinate amount of time to be asked. In any event, I invite him to try to ask the question as soon as possible and I apologize to him for having interrupted him.

Mr. Lewis: I was in the middle of it, Mr. Speaker.

Some hon. Members: Oh, oh!

Mr. Lewis: Has the question of the exchange rate of the Canadian dollar been one of the matters discussed in the meetings between Canadian and American representatives, and has the government indicated any policy with regard to it?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, the question of exchange rates has, of course, been a central issue in discussions by the United States with countries generally, including Canada. Our position has been that we have complied with the requirements laid down by Secretary Connally who asked at the International Monetary Fund meeting that governments should make tangible progress toward dismantling specific barriers to trade and that they should "be prepared to allow market realities freely to determine exchange rates for their currencies for a transitional period." We have allowed objective, impersonal forces to determine our exchange rate and therefore we feel that we have entirely complied with the requirement of the United States.

Mr. Lewis: Mr. Speaker, the Acting Prime Minister gave us yesterday a list of issues which the Americans had raised at these meetings. Am I right in concluding that the question of exchange rates should have been one of the issues that the Acting Prime Minister should have mentioned yesterday, and are the discussions with regard to exchange rates continuing between the two sides?

Mr. Sharp: Mr. Speaker, the question that was asked of me yesterday, if I did not misunderstand it, was in relation to the meetings then going on or which had been going on on Monday. This question of exchange rates was not raised during those meetings.

Mr. Thompson: On a point of order, Mr. Speaker.

Mr. Speaker: Order, please. Is the hon. member rising on a point of order?

Mr. Thompson: Yes, Mr. Speaker. I believe I was the first member on his feet to ask a supplementary to the original question asked by the Leader of the Official Opposition. Some hon. members are being given the opportunity to ask three or four questions.

Mr. Speaker: Order, please. The hon. member will appreciate that, according to longstanding practice, an opportunity is given for the leader of each group in the House to lead off with a question on behalf of his group. The Leader of the Opposition led off on behalf of his party and there were a number of supplementaries. I indicated a moment ago that I would return to other hon. members, including the hon. member for Red Deer and the hon. member for Cumberland-Colchester North so they might ask supplementaries. In all fairness, there are other parties in the House and they must be given an opportunity to ask questions also. That is why the hon. member for York South was recognized and will be allowed to ask a further supplementary question.

Mr. Lewis: Mr. Speaker, may I ask a further supplementary on this subject which is obviously a very important matter for the Canadian economy and particularly the export side. Is the Acting Prime Minister in a position to tell the House whether or not the American representatives indicated the level at which they want the Canadian dollar to be with respect to the exchange in terms of rate with the United States dollar?

Mr. Sharp: Not to my knowledge, Mr. Speaker.

Inquiries of the Ministry

• (2:50 p.m.)

[*Translation*]

INCOME TAX

QUEBEC—REQUEST THAT BILL BE STUDIED BY FEDERAL AND PROVINCIAL GOVERNMENTS—SUGGESTED ONE-YEAR DELAY IN IMPLEMENTATION

Mr. Henry Latulippe (Compton): Mr. Speaker, I would like to put a question to the hon. Acting Prime Minister.

Is the government ready to comply with the request of the Quebec Prime Minister who asks, first, that there be a joint federal-provincial study of the tax provisions on international undertakings before the tax reform bill is passed and, second, that implementation of the new tax system be delayed for one year because of its complexity and the numerous difficulties involved in its interpretation and implementation?

[*English*]

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, it is my understanding of government policy that the government intends to proceed with the tax legislation that is before the House.

Mr. Stanfield: Mr. Speaker, I feel it necessary to raise a question of privilege in view of what the Acting Prime Minister said a moment or two ago when explaining the answer he had given to the House yesterday in responding to a question from me as to when the government had first learned of the leak of a cabinet document. He said in part, as recorded at page 9595 of *Hansard*:

I now find that there appeared in one newspaper on Saturday, one that I had not seen and that the Prime Minister had not seen, what purported to be an extract from a cabinet document. If at that time we had realized that the document had been revealed, then the inquiry would have been launched immediately. One was launched as soon as there was some evidence that there had been a breach of cabinet security.

The Acting Prime Minister apparently said something different outside the House and he evidently feels it sufficient, having given that answer to me yesterday, to come into the House today and say that he had no opportunity to make a correction before the House. I have to say in all sincerity, Mr. Speaker, that the answer the Acting Prime Minister gave me yesterday was wrong.

Mr. Nielsen: It was not true.

Mr. Stanfield: It is an affront to this House that he should have gone outside and made a different statement and then have seen no reason when he came back into the House to seize the first opportunity to correct what he had said in the House and also feel no necessity to do so today. I must say that as the Leader of the Opposition I feel aggrieved. I feel I have a real grievance and that members of the House have a real grievance in that the Acting Prime Minister has failed to correct what he said in the House. I feel that this constitutes a breach of the privileges of this House by the Acting Prime Minister.

Some hon. Members: Hear, hear!

Mr. Sharp: Mr. Speaker, if I have in any way offended the House it was quite inadvertent, and I make a profound apology. If I had had the information at the time the hon. member asked me the question, I would have so answered it then.

An hon. Member: Obviously the minister had it.

Mr. Sharp: There were inquiries under way at that time and it seemed to me that this was not a matter of very great importance. However, I regret that I appear to have offended the Leader of the Opposition, and I apologize.

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THE CANADIAN ECONOMY

FOREIGN INVESTMENT—TIME OF POLICY DECISION

Mr. Robert C. Coates (Cumberland-Colchester North): Mr. Speaker, my question is for the Acting Prime Minister. In his statement in the Commonwealth Room yesterday he mentioned on a number of occasions the tremendous amount of confusion that has resulted from leaks of government information to the press and he indicated that in order to clear up the confusion there is necessity for an immediate decision on this matter. Can the Acting Prime Minister tell the House when he expects a decision will be rendered in this regard?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I speak for all my colleagues when I express the hope that it will be as soon as possible.

Mr. Coates: Can the Acting Prime Minister assure us that a decision will be rendered regardless of the problems associated with the 10 per cent surcharge and other problems in the United States?

Mr. Sharp: Mr. Speaker, I think it is important that government decisions be taken in light of all the facts, but I can assure the hon. member that the 10 per cent surcharge has very little to do with it.

Mr. Speaker: Order, please. I hope the hon. member for Red Deer has accepted the explanation I attempted to give him a moment ago and is now prepared to ask his supplementary. I would be delighted to hear from him.

FOREIGN INVESTMENT—CESSATION OF POLICY FORMULATION BECAUSE OF POSSIBLE UNITED STATES RETALIATION

Mr. R. N. Thompson (Red Deer): Mr. Speaker, my question is supplementary to the original question asked by my leader. It is directed to the Acting Prime Minister. In view of the fact the Acting Prime Minister stated yesterday that any public consideration by the government of foreign investment policy at this time would muddle present talks or relations with the United States, has the government halted its policy-making on foreign investment because it might lead to United States retaliation at this time or because it fears a hardening of the United States position on the surcharge?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, what I said was that the confusion which resulted from leaks from Cabinet was not helping in the discussions with the United States. But I think we should make up our

own minds as to what is in the best of interests of Canada and we should not allow any other country to determine our policy.

* * *

• (3:00 p.m.)

GOVERNMENT ADMINISTRATION

POLICY RESPECTING PUBLICATION OF CONFIDENTIAL CABINET DOCUMENTS—POSSIBILITY OF LEGISLATION TO PROHIBIT

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, I am beginning to wonder to which question my supplementary is supplementary. It arises out of the questions asked by my leader and other members of the House with regard to the news conference outside the House involving the Acting Prime Minister. Was the Acting Prime Minister expressing government policy outside the House yesterday when he is reported to have said the following with regard to the publication of confidential privy council documents, as found in a by-line story by Arthur Blakeney in the Montreal *Gazette* today:

This is a very, very serious matter. Moreover, not only do I think that it is very serious, but I don't really think anyone who gets access to government documents has a right to publish them. I don't think so.

Does this accurately reflect government policy, even though the security of the state is not at issue, and does the publication of fact on Tuesday make fiction out of Monday?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I stand by the statement I made.

An hon. Member: Which one?

Mr. Nowlan: In view of that answer, Mr. Speaker, I have to ask the Minister of Justice a supplementary. I hope the Acting Prime Minister understood his own statement and read it well. In view of the answer of the Acting Prime Minister, is the Minister of Justice preparing legislation to prohibit the publication of confidential privy council documents?

An hon. Member: Come on.

Mr. Nowlan: After all, he implemented the War Measures Act.

Some hon. Members: Oh, oh!

Mr. Nowlan: If so, have his law officers advised him that such legislation would contravene the Bill of Rights?

Mr. Speaker: The hon. member for Comox-Alberni.

Mr. Nowlan: In view of the fact the Minister of Justice did not hear the question—

Mr. Speaker: Order, please. Is the hon. member rising on a point of order? The Chair has recognized the hon. member for Comox-Alberni. I did not see any minister rise to reply to the hon. member's supplementary.

Mr. Nowlan: There is a problem with the sound system today, let alone the many problems across the way. To be fair to the Minister of Justice, I will repeat my question. I think this is a legitimate question. In view of the answer of the Acting Prime Minister and in view of the history of this Parliament, is the minister preparing legislation to prohibit the publication of confidential Privy Council documents and, if so, has he had any advice from his law officers that the Bill of Rights may be involved?

Hon. John N. Turner (Minister of Justice): No, Sir.

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FISHERIES

CANADIAN POSITION ON PROHIBITION OF FISHING FOR ANADROMOUS SPECIES ON HIGH SEAS

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, the Acting Prime Minister will be relieved to know that I have a question for the Secretary of State for External Affairs.

Mr. Bell: He will still mess it up.

Mr. Barnett: In connection with the upcoming law of the sea conference, has the government of Canada stated a position that all high-seas fishing for anadromous species of fish beyond the 12-mile limit should be stopped and, if so, to whom has this statement of the government's position been made? Also, is it possible for the Secretary of State for External Affairs to table this statement of government policy in the House?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I think this is the general policy of the Canadian government. I think the hon. member expressed it reasonably well. As to whether we have yet had an opportunity to make such a statement before a conference, I would have to determine. I do not think there has yet been an opportunity for making that public declaration.

* * *

COMPETITION BILL

POSSIBLE AMENDMENT IN LINE WITH REPORT TO CABINET BY MINISTER OF CONSUMER AND CORPORATE AFFAIRS

Mr. G. W. Baldwin (Peace River): I wish to direct a question to the Acting Prime Minister. Has the Minister of Consumer and Corporate Affairs reported to the cabinet with regard to the new Competition Act, as required by the cabinet memorandum of July 29? If so, does the government intend to amend the Competition Act within the terms of the request contained in that memorandum?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I think the hon. member should ask the minister when he is in the House tomorrow.

Mr. Baldwin: On a point of order, Mr. Speaker, I am asking the Acting Prime Minister whether a report has been made to the cabinet.

Inquiries of the Ministry

Mr. Sharp: Mr. Speaker, I would like to ask my colleague that also.

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HEALTH

POSSIBLE INCLUSION OF DENTAL CARE IN PROVINCIAL MEDICARE PLANS

Mr. Murray McBride (Lanark-Renfrew-Carleton): My question is for the Minister of National Health and Welfare. In view of information supplied by the minister to this House at an earlier date concerning the fact that no province had yet decided to include dental care under its medical health care plan, do recent news reports indicate that such an agreement has now been achieved with the province of Ontario?

Hon. John C. Munro (Minister of National Health and Welfare): No, Mr. Speaker. I have not been advised by the government of Ontario about a desire on their part to extend coverage under medicare to include dental care.

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ATOMIC ENERGY

CAPE BRETON HEAVY WATER PLANT

Mr. Donald MacInnis (Cape Breton-East Richmond): My question is for the government House leader. Will the minister assure the House that, on behalf of all the constituents of Cape Breton, he will keep the type of representation in the future that brought to that island the heavy water plant?

Mr. McBride: Order.

Mr. MacInnis: Will the minister convey that information to the member for Lanark-Renfrew-Carleton and others?

Mr. Speaker: The hon. member for Bellechasse. Order, please. I will allow the hon. member a supplementary although I am sure he appreciates that his question, of course, was more in the form of a representation. The hon. member also knows that a question has to be asked of the minister in his capacity of being responsible for certain aspects of the administration.

Mr. MacInnis: I rise on a point of order to bring to Your Honour's attention the fact that this is not a representation to the minister. To support my contention, I draw Your Honour's attention to the fact that this question was originally asked by the Premier of Nova Scotia when he was a member of this House. The question was not ruled out of order at that time. I think the minister should make available to his party's supporters who are trying to wreck—

Mr. Speaker: Order, please.

[*Translation*]

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, yesterday I asked the hon. parliamentary secretary a question—

[Mr. Baldwin.]

Mr. Speaker: Order. I am sorry, but the hon. member for Cape Breton-East Richmond is again rising on a point of order.

[*English*]

Mr. MacInnis: I rise on a further point of order. I direct this to the minister. If he does not wish to protect his own government's position with regard to the renovation of the heavy water plant—

Some hon. Members: Order!

Mr. MacInnis: I have available what I think might be considered an official document, 19 pages of copy from *Hansard*. I will make it available to Liberal members so they will know the truth of the matter.

Mr. Speaker: Order, please. That is not a point of order. I bring to the attention of all hon. members that we are running short of time and many members are seeking an opportunity to ask questions.

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[*Translation*]

AGRICULTURE

REPRESENTATIONS OF QUEBEC MINISTER TO OBTAIN FINANCIAL ASSISTANCE FROM FEDERAL GOVERNMENT—STUDY OF POSSIBLE INCREASE IN HOG SUPPORT PRICE

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, yesterday I put a question to the hon. Parliamentary Secretary to the Minister of Agriculture and he replied that he would inquire and answer me later.

Here is my question: Could he tell us whether representations were made by the Quebec minister of agriculture to the federal government calling for financial assistance in respect of the provincial program in order to assist producers of hogs, eggs and turkeys in the province of Quebec who are now enduring great hardship?

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, after checking with the department I realized that the Quebec minister of agriculture did, some time ago, make representations somewhat similar to those of the hon. member for Bellechasse. That goes back to the beginning of October.

Mr. Lambert (Bellechasse): Mr. Speaker, I wish to ask a supplementary question.

I would like to know if the Department of Agriculture or the Agricultural Stabilization Board is considering at this time the possibility of increasing the support price of hogs which is now $24.14.

Mr. Lessard (Lac-Saint-Jean): Mr. Speaker, the hon. member undoubtedly knows that there is an Agricultural Stabilization Act which also covers hog prices. If the average price for pork this year is lower than that of previous years,—and that, on a basis of 80 per cent,—there might be a support payment—

[*English*]

• (3:10 p.m.)

Mr. Speaker: Order, please. For the next few minutes the Chair will try to recognize hon. members who were in

the House yesterday and who sought to ask questions but were not recognized.

* * *

[*Translation*]

FEDERAL-PROVINCIAL CONFERENCE

QUEBEC—INTERPRETATION OF FEDERAL GOVERNMENT CONCESSION RESPECTING CERTAIN COST-SHARING PROGRAMS

Hon. Martial Asselin (Charlevoix): Mr. Speaker, I wish to ask a question of the Minister of National Health and Welfare.

We are told that at the federal-provincial first ministers' conference, the federal government has agreed to increase special abatement points for Quebec from 22 to 24 in connection with hospitalization and health insurance programs. Can this concession be taken as a sign of recognition by the federal government of a special status for Quebec, at least in the fields which I have just mentioned, as was indicated yesterday by the Quebec premier at a news conference?

[*English*]

Hon. John C. Munro (Minister of National Health and Welfare): No, Mr. Speaker. There were previous arrangements with Quebec relative to hospital insurance dating back to 1964. These are not changed. The province does not operate under the system of tax points with reference to medicare, as the hon. member knows. The health proposals which were discussed with the provinces had to do with a new formula based on a per capita assessment and did not involve the equalization formula per se.

Mr. Speaker: I would allow the hon. member a supplementary question but the question period has to end at 3.19 p.m. There are four minutes left.

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LABOUR RELATIONS

POSSIBLE STRIKE BY BELL CANADA EMPLOYEES—REQUEST FOR FEDERAL GOVERNMENT INTERVENTION

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I should like to direct a question to the Minister of Labour or to the Minister of Transport, whichever of the two feels best suited to answer it, regarding the anticipated strike by Bell Canada operators. As I understand the situation, a 90 per cent vote has now authorized a strike. I am wondering whether the minister is aware of this and whether he is prepared to intervene? Is he in a position to offer some compromise formula on the basis of which the two parties can return to the bargaining table?

Hon. Bryce Mackasey (Minister of Labour): I am well aware of it, Mr. Speaker. I am also aware of the fact that if the employees decide to go on strike they have a legal right to do so. I believe both parties know that my department is quite prepared, as it did two years ago, to provide mediation services provided, of course, both sides ask for those services. If not, we shall have to see how long we can make do with a strike affecting the Bell telephone system.

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RESEARCH

FARM MACHINERY—ASSISTANCE TO PRAIRIE PROVINCES IN ESTABLISHING TESTING CENTRE

Mr. Rod Thomson (Battleford-Kindersley): Mr. Speaker I have a question for the Minister of State for Science and Technology. In view of the statement in Professor Barber's report that Canadian farm machinery companies were not getting their fair share of the market because they could not afford to pay for the necessary technological research and development, is the minister prepared to recommend that funds be provided to assist the three prairie governments which are now setting up a research and development centre for testing farm machinery?

Hon. Alastair Gillespie (Minister of State for Science and Technology): I am not familiar with the suggestion made by the hon. member but I will be pleased to take it under consideration.

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LABOUR CONDITIONS

UNEMPLOYMENT STATISTICS—ALLEGED PROHIBITION AGAINST RELEASE BY GOVERNMENT REGIONAL ECONOMISTS

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, I have a question for the Acting Prime Minister. Can the hon. gentleman inform the House why government regional economists have now been instructed not to release unemployment statistics concerning lay-offs across the country but, rather, that inquiries must be channelled through the offices of the ministers?

Hon. Mitchell Sharp (Acting Prime Minister): I shall make inquiries, Mr. Speaker.

UNEMPLOYMENT STATISTICS—INVESTIGATION INTO PUBLICATION BEFORE OFFICIAL RELEASE

Mr. John Lundrigan (Gander-Twillingate): While we are talking about security regulations, is the Acting Prime Minister in a position to reveal the results of the investigation he made known yesterday into the publication of unemployment statistics for the last two months one day in advance of the official publication?

Hon. Mitchell Sharp (Acting Prime Minister): The inquiries are still continuing, Mr. Speaker.

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POST OFFICE

WINDSOR—PELEE ISLAND—DELAY OF MAIL CAUSED BY AIR TRANSPORT WEIGHT LIMITATIONS

Mr. H. W. Danforth (Kent-Essex): Since my inquiry concerns two departments and since the Postmaster General

is not here, perhaps I can direct it to the Minister of Transport, Mr. Speaker. Is the minister aware of some rather serious charges that because of weight limitations affecting air transport between the port of Windsor and Pelee Island mail is delayed, with serious consequences where prescription drugs are concerned? Would the minister look into this matter?

Hon. Donald C. Jamieson (Minister of Transport): I have plenty of problems with weight limitation, Mr. Speaker—

Some hon. Members: Oh, oh!

Mr. Jamieson: —but I was not aware of this particular one. I shall take it under advisement and let the hon. member know.

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EXTERNAL AFFAIRS

PASSPORTS—REGULATIONS GOVERNING APPLICATIONS BY DIVORCED WOMEN

Mr. Steven E. Paproski (Edmonton-Centre): Mr. Speaker, my question is directed to the Acting Prime Minister in his capacity as Secretary of State for External Affairs. In light of correspondence between Marguerite J. Trussler and the hon. gentleman's department, may I ask whether it is the policy of the government that when applying for passports divorced women must use the names of their previous husbands? If so, is any action being considered to redress this blatant discrimination against women?

Mr. Speaker: I would think this question ought to be placed on the order paper. If there is urgency, it may be considered at the time of the adjournment.

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AIR TRANSPORT

USE BY ROYAL AIR FORCE OF UNITED STATES FACILITIES AT GOOSE BAY BECAUSE OF DETERIORATION OF DEPARTMENT RAMPS AND HANGARS

Mr. Ambrose Hubert Peddle (Grand Falls-White Bay-Labrador): My question is for the Minister of Transport, Mr. Speaker. On November 4, I directed it to his parliamentary secretary, the minister being absent from the House. Is the hon. gentleman aware that the Royal Air Force, which up to now has been using Department of Transport facilities at Goose Bay, is now using United States air force facilities as a result of the deterioration of Department of Transport ramps and hangars? If so, what action is the minister prepared to take to ensure that this RAF activity is returned to the Canadian side? In other words, is he in a position to answer my question of November 4?

Hon. Donald C. Jamieson (Minister of Transport): I was not advised personally of this question. I apologize for that. I would suspect that the explanation does not involve only the condition of the hangars. It may well involve a new arrangement between the RAF and the United States Air Force. But I will undertake to get a full explanation for the hon. member.

Mr. Peddle: Did I understand the minister to say he was not advised of this very important question?

Mr. Jamieson: Yes, Mr. Speaker. It is my habit to be honest with the House on all occasions. This one slipped through somehow or other, and I was not personally advised of it.

* * *

HEALTH

FAMILY PLANNING CONFERENCE—REQUEST FOR PUBLICITY CAMPAIGN BECAUSE OF INCREASE IN ILLEGITIMATE BIRTHS

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, my question is to the Minister of National Health and Welfare. In view of the welcome announcement that a national conference on family planning will be held in Ottawa next February, and in view of figures just issued by the minister's department which show a steady rise in the rate of illegitimate births in Canada from 5.3 per cent in 1963 to 9.2 per cent in 1969, will the government take the lead at this conference, financially and otherwise, in launching a campaign of public information to deal with this situation?

Mr. Speaker: I believe the hon. member's question is really in the form of a representation. If there is urgency about the matter it could be considered at the time of the adjournment. Would the hon. member like to rephrase it?

Mrs. MacInnis: May I ask a supplementary question? Can the minister tell us what organizations will be invited to take part in this conference?

Hon. John C. Munro (Minister of National Health and Welfare): Just about every organization of a voluntary nature in the private area we are aware of that has shown an interest in this subject matter in the past.

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POLLUTION

POSSIBLE DANGER RESULTING FROM CONSTRUCTION OF REFINERY AT EASTPORT, MAINE.

Hon. Hugh John Flemming (Carleton-Charlotte): Mr. Speaker, I have a question for the Minister of the Environment. Has the minister received any report regarding the possible construction of an oil refinery at Eastport on the Bay of Fundy in the State of Maine, and the need for exercising extreme care in the transport of oil to that refinery in the event of its construction?

Hon. Jack Davis (Minister of the Environment): We are investigating this matter, Mr. Speaker.

CONSUMER AFFAIRS

LIFE INSURANCE—POSSIBLE BREACH OF COMBINES ACT BY ONTARIO INSURANCE ACT

Mr. J. G. Lind (Middlesex): Mr. Speaker, I have a question for the Minister of Consumer and Corporate Affairs. It is my understanding that one of the purposes of the Combines Investigation Act is to ensure continued competition within the business realm. My question is directed to the recent amendment to the Ontario Insurance Act, particularly in so far as it may restrict competition within the life insurance industry. Are the officials of the hon. gentleman's department examining the amendment to the provincial insurance act passed by the present Ontario government in order to determine whether this legislation constitutes a breach of section 32 of the Combines Investigation Act?

Mr. D. R. Tolmie (Parliamentary Secretary to Minister of Consumer and Corporate Affairs): Mr. Speaker, the Ontario Insurance Act amendments have been taken into consideration by virtue of clause 92 of Bill C-256 which makes provision for provincial legislation to be taken into account in actions under the proposed Competition Act.

• (3:20 p.m.)

Mr. Speaker: Order, please. I am not sure which question is the most urgent before we call orders of the day but the Chair will take a chance on the hon. member for Mackenzie.

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INDIAN AFFAIRS

ALLEGED DELAY IN DEALING WITH LOAN APPLICATIONS

Mr. S. J. Korchinski (Mackenzie): Thank you, Mr. Speaker. I should like to address a question to the Minister of Indian Affairs and Northern Development. Is it part of general government policy or simply departmental maladministration that applications for loans by Indians have been delayed for four months in order to frustrate the applicants?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, if the hon. member will inform me of the particular circumstances to which he is referring, I can assure him right now that if there is any delay, it may be due to administrative errors, and is definitely not a matter of policy.

[*English*]

Mr. Korchinski: On a point of order, Mr. Speaker, I have repeatedly tried to get someone in the minister's department to provide me with certain information. I have called the department time after time and tried in vain to get an application considered. I have no recourse at this time but to bring the matter before the House. I have tried in vain to appeal the case on behalf of Hector and Virginia Bird of La Ronge, Saskatchewan. Unless the minister and his officials can be more serious I should like to give notice that on another occasion I will bring the matter up by a motion under Standing Order 26.

Mr. Speaker: Order, please. Perhaps the hon. member might also consider the possibility of asking the question again at the time of the adjournment. That might be the occasion for him to obtain an answer.

I apologize to hon. members; I have done my best to try to get as many of our colleagues recognized in the question period as possible. I have also tried to notice those who have not been recognized, some of them front benchers, including the hon. member for Brandon-Souris. Having made a note, I will try to give these hon. members priority tomorrow.

Mr. McGrath: On a point of order, Mr. Speaker, I should like to point out that I have what I consider to be an urgent question for a minister who will not be here tomorrow because of the roster system. I merely point out to Your Honour that you must either rule that the roster system is inconsistent with the practices and rules of the House, or I suggest that the time allotted to the oral question period should be extended.

Mr. Speaker: Orders of the day.

• (3:30 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, November 16, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that Act—Mr. Benson—Mr. Honey in the chair.

The Chairman: In accordance with the statement made by the Parliamentary Secretary to the Minister of Finance, as recorded at page 9630 of *Hansard* for Tuesday, November 16, 1971, the committee will now resume consideration of the sections that were before the House on Wednesday, November 10, 1971, being sections 150 to 180 inclusive, and 220 to 244 inclusive. Sections 150 to 161 were agreed to. The committee will now consider section 162 of clause 1.

On clause 1—section 162: *Penalties.*

Mr. Downey: Mr. Chairman, I have a question I should like to ask the parliamentary secretary. Last Friday when we were discussing this section, I asked a question regarding advance rulings and the cost thereof. The parliamentary secretary agreed that he would look into the situation and I am wondering whether he is at this time prepared to give a close approximation of the cost involved in obtaining advance rulings.

Mr. Mahoney: Mr. Chairman, there is a minimum fee of $150 charged on advance rulings, and the total cost depends on the actual time spent by the officials. However, the minimum fee is $150.

Mr. Downey: May I ask a further question? Can the parliamentary secretary give us some indication of the amount of time involved when an official of the department is engaged on a particular case? Is there a charge per man-hour or man-day and, if so, what is that charge? Just what should we expect by way of cost in addition to the blanket fee of $150?

Mr. Mahoney: The fee is based on a rate of $20 per hour.

Mr. Downey: Has any consideration been given to a reduction in the cost? It may well be that many people would like to obtain an advance ruling, particularly in the case of capital gains. For example, take the case of a widow whose late husband's estate is subject to the capital gains tax. There might be only a few thousand dollars involved and, although the amount would not be large from the government's point of view it might be large from the point of view of the estate.

Has any consideration been given to setting up some sort of legal aid plan under which people who can ill-afford to get an advance ruling could obtain one in a case where it would be essential to the administration of the applicant's affairs? It could be essential for the proper administration of affairs for taxation purposes.

I suggest that $20 an hour on top of the $150 blanket fee could very well mean an additional $160 per 8-hour day if one departmental official is employed on researching a tax ruling. If two employees are engaged on that research the cost would be $320 for an 8-hour day, and this, in addition to the $150, would be prohibitive to a great many people. Therefore, I suggest that the minister and his parliamentary secretary consider reducing these fees to something a little more realistic, even though some people may be able to afford to avail themselves of an advance ruling.

Mr. Mahoney: The purpose of the advance ruling is not to give ongoing tax advice to taxpayers, it is to give taxpayers a combined ruling in advance of a transaction they propose to enter into. The purpose of setting a fee, which would go a long way at least to compensate the average taxpayer in Canada who has to carry the payroll and other charges on the Department of National Revenue, is to assure that frivolous applications for advance rulings are kept to a minimum. Those who do make these applications and appear to meet the legitimate requirements for them under ordinary circumstances will be anticipating the amount of tax involved in such a transaction and the fee for the advance ruling will be a nominal portion of the potential tax involved in the deal. It is not a system involving ongoing tax. District taxation offices provide that type of information without additional charge.

Clause 1—section 162 agreed to.

On clause 1—Section 163: *Wilful failure to file return.*

Mr. Aiken: Mr. Chairman, I might have raised this matter when we were discussing sections 161 and 162, but I think it has more application to section 163. This is the section which creates a penalty for failure to file a return of income, and it involves a penalty of 50 per cent of the tax that should have been paid. There is also section 239 which sets out a similar type of penalty for this offence.

[Mr. Mahoney.]

Very briefly, this bill creates a double penalty and places a person in double jeopardy for any alleged offence against the Income Tax Act. There have been objections to this system for a great many years. I think it is most unreasonable that a person who fails to file a tax return should be subject to a penalty under section 163 and also under section 239. This is contrary to normal justice and it seems to me that if the department proceeds under section 163 it should be debarred from proceeding under section 239. Such a provision would then be reasonable.

I do not know why the department has taken this opportunity to fix the penalty at 50 per cent of the amount of tax rather than leaving it as it was before, that is 25 per cent. This is merely compounding the unfairness of the section. Not only is the amount of the penalty increased under section 163 from a minimum of 25 per cent to a minimum of 50 per cent, it also provides for adding that penalty to any fine or penalty under section 239. I should like to ask the parliamentary secretary why it was felt necessary in the first place to increase the minimum penalty to 50 per cent, without any option. Second, I should like to know what his views are on the matter of the double penalty for the same offence, which is fundamentally contrary to our justice.

Mr. Mahoney: In the first place, the penalty referred to in section 163 applies to people who wilfully attempt to evade the tax payable by failing to provide a return. I call the hon. member's attention to subsection (3) of that section which places the burden of proof on the minister to establish the facts justifying the assessment of the penalty.

Then, going on to section 239, which the hon. member mentioned, subsection (3) makes it very clear that the double penalty need not be involved unless the penalty under section 163 was assessed before the information or complaint was alleged or made which would result in the penalty under section 239. So, the effect of section 163 and the penalty assessed would be known to the magistrate or the judge before he determined what he should do following a conviction under section 239. Very obviously this would be something the magistrate or the judge would take into account.

I think, on balance, considering the fact that we are talking about people who wilfully attempt to evade payment of tax, and who can be proved to have done so, and the burden of proof rests with the minister, I do not think the sections are inequitable.

Mr. Aiken: I wonder if the parliamentary secretary would answer the first question about the increase of the minimum penalty from 25 per cent to 50 per cent?

Mr. Mahoney: I really cannot cast any illumination on that, except perhaps to speculate that in cases where very small amounts of tax are involved the penalty should be increased.

Mr. Aiken: I merely want to make one final comment before yielding the floor to someone else. The parliamentary secretary says the penalty imposed under section 163 would be known to the magistrate, and he would then consider this in passing sentence. I think the fact of the

matter is, this is still double jeopardy. This is the sort of thing that is not reasonable, regardless of whether an individual is fined $1 or $1,000. He should not be hit twice. I still think the principle is wrong. I know that it has been in the act for a long time, but we are revising the act now and I think it is reasonable for us to reconsider these sections, particularly in view of the increase in the penalty rate.

Mr. Bigg: Mr. Chairman, what I have to say touches very closely on that same point. Perhaps I am a devil's advocate in assisting the department, but it seems to me that these sections covering penalties were drafted in a way that confuses the meaning. There is apparently no penalty as long as you file a return. The return can be imcomplete or inaccurate, but as long as it is filed within the statutory limit there is no penalty. If a person had a large amount of tax to pay, say about $1 million, it would be a simple thing for him to file an incomplete or inaccurate statement. He could continue in this manner and forward returns to the department indefinitely. Presumably, in this way he could get around the section which would impose a penalty for not coming forward with a proper return. I wonder whether this fact has been considered.

• (3:40 p.m.)

It is my understanding the penalty is 6 per cent. If so, at present rates of interests, I believe this in effect is a licence to evade the Purpose of the taxation act. If the penalty for not filing or for being delinquent in paying is only 6 per cent it would be to a person's advantage not to pay his tax and earn, shall we say, the difference between 6 per cent and 9 per cent. In other words, once could borrow from the government at a very low rate of interest.

Mr. Mahoney: Mr. Chairman, the hon. member is not quite correct. The 6 per cent, of course, is interest charged on payments which should have been made and were not made in time. In section 163(2) he will note there is also a penalty of 25 per cent of the tax which should have been paid in the case of a return filed that either contains false statements or omissions. I do not think there is really the loophole the hon. member sees in this particular case.

Mr. Aiken: Mr. Chairman, I do not feel like allowing this subject to drop so easily. Because of this section I believe the average citizen will accept the 50 per cent assessment on his income tax rather than fight the minister in court. The department in this case has a second lever on the individual who the officials feel has deceived them. Before making any assessment at all someone in the department may feel that a person has attempted to deceive the department. Then, having this feeling the person makes the assessment of 50 per cent and waits for the taxpayer to come back and object to it. This might be the situation if one happens to be in the department on a salary and has an impersonal attitude toward the matter. The taxpayer, however, is scared to death of being hauled into court on a charge of tax evasion even if he feels he is not guilty and, therefore, he probably will not argue about the 50 per cent but will let it go. He will pay his assessment and the 50 per cent and say, "Please, now don't bother me anymore; don't take me into court". For that reason subsection 3 to which the parliamentary secretary referred is very good in theory but in practice is of very little help except to the large corporate bodies and those who can affort to hire legal counsel and accountants to help them prepare their case.

The average person is hit two ways. He has the terrible lever over his head that if he does not pay the 50 per cent he will be taken into court. The burden of proof does not bother him very much. He does not understand exactly that the burden of proof is on the minister in this case unless he has consulted a lawyer. He would probably decide he would rather pay whatever is owing, which might be $100 or $1,000, rather than face the disgrace of being hauled into court for tax evasion. I believe this is so wrong that I move:

That clause 163 now under consideration be deleted.

I will submit the motion, Mr. Chairman.

Mr. Mahoney: Mr. Chairman, I really think the hon. member is insulting the average Canadian. I do not think the average Canadian who fails to file an income tax return does so in a wilful attempt to evade the tax payable. Certainly, there are a number of such instances, but the average case is covered in section 162 and not section 163. Section 162 provides that the person who fails to make a return as and when required is liable to a penalty of an amount equal to 5 per cent of the tax up to an amount of $10,000 of the tax payable and $500 if the amount of the tax unpaid is $10,000 or more. That covers the average Canadian. The hon. member seems to be equating the average Canadian who files a return with one who wilfully attempts to evade taxation. I believe that is wrong. I think it would be quite improper to eliminate this type of penalty from the Income Tax Act which is designed to properly penalize people who wilfully attempt to evade taxation.

Mr. Aiken: Mr. Chairman, I come back to the parliamentary secretary's first argument given when I raised the question. At that time it was slightly different. In this case it does not really matter whether the person concerned is big or little if the department should claim he is wilfully attempting to evade. This is a serious charge and I have no hesitation in saying such a person should be brought into court and prosecuted. But that is not what is happening here. The person is not being brought into court and prosecuted. He is being given a penalty first of 50 per cent and then must go to court to see whether or not he is going to be hit for some more. I do not think this is a proper attitude. The word "lawfully" appears here. So far as the parliamentary secretary is concerned I agree that section 162 relates to a lesser offence, but in section 163 we get into the matter of wilful evasion. So, somebody is to be penalized twice.

This weakens the argument of the parliamentary secretary. The person must satisfy the minister that he was not evading and then must go to court to defend himself. I think this is a most iniquitous section in the Income Tax Act. I dealt with this matter on many occasions while practising law. This did not involve large corporations but rather people who were involved in income tax matters. Perhaps sometimes they were guilty and sometimes perhaps they were not. The point, however, is that they were

penalized twice. If they were innocent of evasion, they were sometimes penalized only once. If they were guilty they were penalized twice. There is something wrong with such a system because if these people are innocent, the 50 per cent should not be added to other penalties. I submit that practical people will pay it rather than be hauled into court. As I have said I believe this is an iniquitous situation. It is even worse when the rate of taxation is increased from 25 per cent to 50 per cent.

Mr. McCutcheon: Mr. Chairman, I, too, should like to add my support to what the hon. member for Parry Sound-Muskoka has said. This is a most iniquitous section and, in my humble opinion, is being used by some branches of the income tax department—I will not say by all of them but by some specific branches—the officials of which are bucking for a corporal's stripes and use this method to intimidate taxpayers. As the hon. member has mentioned, if the department can prove wilful evasion, then the taxpayer is hit twice. However, if they cannot prove it, he is hit only once. In my humble opinion that is definitely unfair, and I have no hesitation in recommending the amendment of the hon. member for Parry Sound-Muskoka.

• (3:50 p.m.)

Mr. Bigg: Mr. Chairman, I just want to make a short comment regarding the burden of proof. The burden of proof, which is the responsibility of the Crown, is exceptionally easy to satisfy. As anybody who has ever had to go to court knows, as soon as the Crown has established what is called a prima facie case on the simple facts established by the accounting department that the taxpayer is delinquent in the matter of taxation, the burden of proof is switched to the taxpayer and the responsibility of proving himself innocent rests upon him. So I also want to lend whatever support I can to the amendment of the hon. member for Parry Sound-Muskoka.

Mr. Smerchanski: I should like to make a comment regarding the same section which appears on page 424, section 152 (4)(a)(i), which reads:

> has made any misrepresentation that is attributable to neglect, carelessness or wilful default—

I should like to deal with misrepresentation because the penalty referred to by the hon. member for Parry Sound-Muskoka is a heavy one. The question to be asked is what is misrepresentation? It might be that a bookkeeper or someone else in one's office might have made a representation that is attributable to neglect or carelessness, and then the taxpayer is faced with a heavy penalty which might be an unfair one. The point was raised that there is a double penalty. I suggest that instead of increasing the penalty from 25 per cent to 50 per cent, it should be decreased to 10 per cent so that the taxpayer is not penalized unnecessarily and so that the legislation is fair. This section refers to misrepresentation which can be attributable to neglect and carelessness of someone working in one's office or one's corporation, and this is very important. This is a very far-reaching piece of legislation, and I suggest that we take a hard look at it because in my view this penalty section is unfair.

[Mr. Aiken.]

The Chairman: Is the committee ready for the question on the amendment.

Mr. Downey: I have a question or two on the penalty section, Mr. Chairman. In the Summary of 1971 Tax Reform Legislation it is stated:

> In addition, documents seized other than by search warrant in the course of an investigation must be returned within a reasonable time unless a court decides otherwise. A person whose documents are seized will have the opportunity of reviewing them.

What are the other circumstances in which documents can be seized other than by search warrant? Could the parliamentary secretary clarify this for me?

Mr. Mahoney: We are dealing at the moment with sections 162 and 163 and I am wondering where one finds the particular words which the hon. member has read in those sections. I would be glad to reply to his question, but I do not see these words in the sections we have been discussing.

Mr. Downey: They may not be in the specific sections but, in essence, they are relevant to this subject. I wonder whether the parliamentary secretary could clarify this situation to a certain extent.

There is another question which I would like to ask him with regard to the enquiries section. This part reads:

> At the present time, an enquiry may be held in the course of the administration or enforcement of the Income Tax Act without the presence of the taxpayer concerned. The new legislation will entitle the taxpayer, in most cases, to attend or be represented.

In what situation would the taxpayer not be entitled to be represented? The reference is to, "most cases", and I wonder in what cases he would not be represented.

Mr. Mahoney: Again, we are dealing with a block consisting of some 53 sections. If the hon. member would be good enough to give the section numbers when he asks questions, I would be very happy to look at them and try to give him answers if the references are to the particular sections with which we are dealing at the moment. Certainly, the questions he is asking are relevant to the block—I am not arguing about that—but I do not see the words he quoted in either section 162 or 163.

Mr. Downey: I ask the parliamentary secretary whether or not it really matters if I provide him with section numbers. My questions are pertinent to the sections with which we are dealing. Why is he not able to give us a simple and concise answer to the questions I asked him, and why is he trying to run me off the tracks by asking me to provide him with certain section numbers? Would the parliamentary secretary tell me in what cases a taxpayer will not be able to be in attendance or be represented when an inquiry is being conducted? Of course, he will recall the first question I asked him. Would he please give me an answer to my questions.

The Chairman: Is the committee ready for the question?

Mr. Alexander: I am seeking some clarification. I also support the amendment moved by the hon. member for Parry Sound-Muskoka to section 163(1) which puts the minister in the position of imposing a double penalty. I do not know whether the parliamentary secretary has as yet answered any questions with respect to the increase in the

penalty. Perhaps he has, but I have not heard him. It seems to me that there must be some reason that the parliamentary secretary, on behalf of the minister, has found it necessary to increase the penalty from 25 per cent to 50 per cent, keeping in mind that a person who is eventually charged with wilfully attempting to evade payment of tax can, in the long run, be faced with another penalty. Why is it necessary to have this section amended in order to increase the penalty?

• (4:00 p.m.)

Mr. Mahoney: Mr. Chairman, previously under this section the minister had discretion to levy a penalty of between 25 per cent and 50 per cent. It is felt inappropriate that the minister should have discretion in this particular situation, and it is also felt appropriate that the 50 per cent penalty be retained.

Mr. Alexander: With respect to the penalities previously levied or exacted, is the parliamentary secretary in a position to advise whether they were mainly in the lower range of the percentage or in the higher range? Were there more penalties on the 25 per cent level than on the 50 per cent level?

Mr. Mahoney: I am afraid I have no idea, nor do I have any idea whether that information is available. I will be glad to inquire and, if it is available, I will supply it.

Mr. Alexander: I can recall, from some limited experience I had with respect to court actions concerning the Income Tax Act, that it was always the minimum penalty that was exacted. If the precedents indicate that the minimum was always exacted, why is it now necessary to go to the maximum?

Mr. Mahoney: Mr. Chairman, I would dispute the hon. member's assertion that the minimum was always exacted. He says he is speaking of court cases where a magistrate levied a penalty, and I have no information on the matter he raised regarding the practice of the Minister of National Revenue in exacting penalties under the section as it stood previously.

Mr. Hogarth: Mr. Chairman, I have a question for the parliamentary secretary on section 163(1). First, am I correctly construing that section, in the Crown's view or in the minister's view, when I suggest that two things are required to be proven under section 163? First of all is it required to be proven that there was a failure to file the return and, secondly, that in addition there was a willful attempt to evade or is the failure to file the return automatically considered a wilful attempt to evade? It appears to me that it can be read either way.

Secondly, in drafting the statute why did the minister not follow the usual wording of penal sections and say "is guilty of an offence, and is liable on conviction to—"? Why is there a deliberate evasion, if I may use that phrase, of the customary phraseology for penal sections in statutes?

Mr. Mahoney: In answer to the first question, the hon. member's observation is correct. Both elements of the offence have to be established. The hon. member might look at section 162 where the simple case of failure to file a return is dealt with.

On the second question, this is not an offence under section 163 at this point. We get to that when we reach section 239. What we have in section 163 is the minister making a determination that there was a wilful attempt to evade payment of tax by failure to file a return. Then, the minister makes the penalty assessment, and of course the taxpayer has the regular right of appeal to the Tax Appeal Board and on to the Federal Court, as a result of the assessment made by the Minister of National Revenue. It is at this point that section 163(3) comes in, and where there is an appeal by the taxpayer the burden of proof rests upon the minister.

Mr. Alexander: Mr. Chairman, I do not want to pursue this much longer but I point out that in line 28 the words "is liable" appear, which may mean that a person may be liable to a fine, but not necessarily so. I ask the further question as to why this section does not read as similar sections do in other legislation, for example, "liable to not more than" say, 50 per cent? That would give some leeway. I ask the question directly: does "is liable" mean that a mandatory penalty will be exacted? Further, why has some leeway not been provided, as in many other sections, so that whoever is going to administer the law may exercise some judgment? Was this not considered?

Mr. Mahoney: Mr. Chairman, obviously that was considered because the determination was made to change the previous law which allowed the minister discretion to levy a penalty of from 25 per cent to 50 per cent. With regard to the first part of the hon. member's question, it would be the government's feeling that once the minister made the determination that a wilful attempt had been made to evade payment of tax by failure to file a return, he would have a duty to enforce the penalty.

Mr. Alexander: So then it is mandatory.

Mr. Smerchanski: Mr. Chairman, I would like some clarification of section 163(2) which reads:

> Every person who, knowingly, or under circumstances amounting to gross negligence in the carrying out of any duty or obligation—

The insertion of the word "knowingly" is self-explanatory, but I would like an explanation of what is meant by "amounting to gross negligence"?

Mr. Mahoney: Mr. Chairman, the term "gross negligence" is one that has been subject to a great many determinations at law in various cases under various circumstances. It is not a term that is defined in the Income Tax Act. This is getting into something that we encountered with the hon. member for Battle River and one or two others the other day, in trying to say what is or is not at arm's length. We can give an example and say that something is or is not a non-arm's length transaction, but to ask for an over-all simple definition of the concept of gross negligence is to ask an impossible question.

Mr. Smerchanski: In order to get clarification of a piece of legislation being considered by members of the House of Commons is it necessary to leave it in such a vague state that the ordinary taxpayer has to seek an interpretation from the courts? Is this the intention, to frame our rules and laws in such a way as to place this added burden on the taxpayer? Mr. Chairman, I say that this is

an unfair burden to place on the taxpayer. It would be far better for the minister to clarify this matter of gross negligence. I think it is incumbent upon the members of this House to get clarification of this part of the section rather than leave it worded in such a confused manner that the taxpayer will have to go to the expense of appealing to the courts for a ruling. Many taxpayers would not want to do that. We should have clarification of it now. I cannot accept the explanation that gross negligence is a matter of legality. I am not a lawyer and many taxpayers are not lawyers, and I think we are placing an unfair burden on taxpayers.

• (4:10 p.m.)

Mr. Downey: Mr. Chairman, may I return to the point I brought up earlier. It seems that the parliamentary secretary was not interested in answering me and he asked me to refer to the specific section I was talking about. I cannot tell him that, since I was reading from the Summary of 1971 Tax Reform Legislation, the booklet which is produced by the department for the benefit of the average taxpayer so that he may understand the workings of the 707 page tax bill. I am afraid that most often lawyers will look at it and some of them may not understand it. May I read a paragraph entitled "Enquiries" on page 60 of this little red booklet, the Summary of 1971 Tax Reform Legislation. It reads:

> At the present time, an enquiry may be held in the course of the administration or enforcement of the Income Tax Act without the presence of the taxpayer concerned. The new legislation will entitle the taxpayer, in most cases, to attend or be represented.

Let me ask the parliamentary secretary again to what part of the act that paragraph pertains. The officials of the department are sitting at the little table; surely he can ask them. To what part of this 707 page bill does the paragraph I have read refer? I ask him to clarify this matter, so that his answer may be recorded in *Hansard*. That way, taxpayers who read the Summary of 1971 Tax Reform Legislation will know, if they read the answer in *Hansard*, the part of the bill to which the paragraph I read has reference.

Mr. Mahoney: The particular matter the hon. member is raising is dealt with in section 231 of the act, which is in Part XV. That is in the next block of sections we shall deal with after we have finished dealing with the sections in divisions I and J. I wonder if the hon. member would be satisfied to deal with it when we get to that point, instead of dealing with it under the particular sections we are now considering.

Mr. Downey: That would be satisfactory, Mr. Chairman. I would appreciate it if the parliamentary secretary would, on his own, bring this matter up and indicate what the part I have read means. I am satisfied if we proceed on that basis.

Amendment (Mr. Aiken) negatived: yeas, 14; nays, 33.

The Deputy Chairman: I declare the amendment lost. Shall section 163 carry?

Mr. Aiken: Mr. Chairman, we have disposed of the amendment. Obviously, section 163 will remain in the bill. However, I am not satisfied and neither are other hon. members, because we have not been told the reasoning behind the increased rate. I am talking about penalties, which are to be raised to a flat rate of 50 per cent. There is to be no adjustment and no discretion, as there was formerly. The penalty rate might have been 25 per cent, which may have been reasonable. I do not want to press the parliamentary secretary beyond his ability to answer; yet he has not answered our question except to say that it was deemed best to do this. That, surely, is not a proper answer.

I realize the situation he is in and I suspect that within the department lots of problems have arisen. Perhaps one assessor has been asking for 25 per cent, another for 50 per cent and still another for 37½ per cent. I think I agree with him that it was fairest to fix the rate. I am not sure that I disagree with that. I will not argue that point too strongly because it will be fairer to everyone across the board if the same rate is applied. If a person pushes his case to the limit and goes to court, the rate might be reviewed. Nevertheless, the increase bothers me. I do not know why the rate has been jumped to 50 per cent. Surely, the parliamentary secretary can tell us why the rate was increased to the level of the maximum. Why was it not left at the minimum level in a section that involves double jeopardy and a double penalty?

Mr. Bigg: Mr. Speaker, I must agree thoroughly with the last speaker. Since there is a mandatory penalty of 50 per cent, surely in cases where perhaps $1 million might be involved, extracting $500,000 by way of penalty will be unconscionable. If we were dealing with the criminal law and were concerned about punishment, a man would first have to be found guilty, in this case guilty of depriving the people of Canada of legitimate tax money. He would be just as guilty if he deprived them of $1,000 as if he deprived them of $1 million. I do not think under British law, and I presume we are still a British country, that you could in all conscience impose a penalty of $500,000 in the situation to which I have referred. Nevertheless, taxation law is not criminal law, in the true sense.

From time immemorial most Anglo-Saxons have thought that it was the duty of the Crown to prove 100 per cent that it has a right to your property. A taxation statute merely says that the Crown has a right to your property. I suggest that every man has the right to protect his property, and therefore the onus is on the Crown to prove its case. Of course, I like to think that our courts are always right in their decisions; nevertheless, I still feel that this section may provide, in some circumstances, for a silly penalty. Perhaps $1 million is a large figure to take as an example, because in that case the statutory penalty would be $500,000 under the present wording of the act. Of course, people who face the prospect of paying this kind of penalty can afford to hire the best legal brains in the world and fight the case. On the other hand, the man who may have to pay, perhaps, $1,000 cannot afford a $2,500 lawsuit in order to protect the $1,000, so to speak, that he does not want to pay. Here a stiff penalty would be imposed merely because a man did not want to go to court.

Mr. Hogarth: Mr. Chairman, I want to ask the parliamentary secretary a question in order to see if three sections have been correctly construed. I want to put before him the case of the taxpayer who deliberately fails

to file a return, for the purpose of evading tax, and, 300 days after the return is due, he files a return in which he gives false information. Let us say that he is finally caught, that everything is fixed, so to speak, and that the amount of tax involved is $5,000. Am I correct that under section 162 this person might be assessed 5 per cent for failing to file a return, which amounts to $250? He might also be assessed under section 163(1) for 50 per cent of the tax for failing to file a return, which would be $2,500. He might be assessed under section 163(2) for putting in false information when he did file a return, and that would amount to an additional $2,500. Under section 238 he may be charged in the police court with the offence of failing to file a return. The minimum penalty for that offence is $25 a day for 300 days which amounts to $7,500.

• (4:20 p.m.)

If I am correct, this person would have to pay $15,000 in penalties and assessments for failing to file a return and making a false statement if he were liable for $5,000 in taxes. If I am wrong, please correct me or show me where I am wrong. Also, please state the correct assessable penalty in the event that I am mistaken. It seems there would be a hell of a pile of money to pay.

Mr. Mahoney: First, Mr. Chairman, the penalties under sections 162 and 163 cannot both be levied.

Mr. Hogarth: Are they leviable? That is what I want to know.

Mr. Mahoney: If I may answer to the best of my ability, the penalties under sections 162 and 163 cannot both be levied at the same time. The offence under section 162 is only one of the elements in the offence under section 163. If the minister decided to proceed with section 163, that is where he would go. In the situation the hon. member described, the person ultimately got around to filing a return, and that clearly takes him out of the provisions of sections 163(1) and puts him into the provisions of section 163(2). That person is still subject to prosecution under section 239 and to the penalties that might be imposed under that offence section.

This gets us back to the point originally raised by the hon. member for Parry Sound-Muskoka where we started the discussion on this section. It is quite true that both penalties could be levied under section 163 and under section 239, but the point is that the penalty under section 163 could not be assessed unless it had been assessed before the information and complaint were made. Therefore, the magistrate or judge trying the case under section 239 would be aware and would presumably take into account the section 163 penalty in deciding what penalty he should levy under section 239.

Mr. Hogarth: Mr. Chairman, I want to know what penalties could be assessed. I do not say they would be assessed. I do not say the minister would move under both sections. I want to know if they could be assessed.

It is my understanding from what the parliamentary secretary said a few minutes ago that the gist of the offence under section 163 is for evasion of filing a return. It seems this is not part and parcel of 162. Section 162 relates to failing to file a return. Section 163(1) is concerned with evasion. First, I do not think they are one and the same offence or that one is included in the other. Second, I cannot see any prohibition against the minister assessing under both those sections if my first premise is correct. Third, I cannot see where there is any obligation on the magistrate to be concerned with whether the man has been assessed under section 162 or section 163, because the penalty is not less than $25 a day for each day of default.

It is my understanding that the failure to file a return is a failure to file a return as required by section 150. Surely, if you are 300 days late you are not filing as required by section 152. Even assuming I am wrong on the first argument that sections 162 and 163 are one and the same and there would not be an assessment under both sections, is is true this person can be assessed $12,500 in penalties or fines for failure to pay $5,000 in taxes and evading the payment thereof?

Mr. Mahoney: Mr. Chairman, I am afraid I was not able to follow this. I leave it to *Hansard*. I will have somebody do the arithmetic and report to the hon. member.

Mr. Alkenbrack: Mr. Chairman, I think this is a pretty serious situation. With the defeat of the amendment moved by the hon. member for Parry Sound-Muskoka, I cannot understand why members on the government side are in such a hurry to support an unreasonable policy which, as someone has said, can put a taxpayer into triple jeopardy.

Section 163 is quite small. It only has three subsections. Since it deals directly with penalties, it should be placed at the end of the bill. This is usual. This is the first bill I have seen, either in this House or in other places, that does not have the penalties listed at the end where they should be listed. I move:

That this section be stood at this time and be included with other sections that are already stood.

The Deputy Chairman: Order, please. The hon. member knows the normal procedure is to ask the committee to consent to standing a clause of the bill. In my opinion, the hon. member cannot do this by means of a formal motion. The Chair is at the disposal of the committee. If it accepts the suggestion of the hon. member, I will gladly stand the particular section.

Mr. Alkenbrack: I ask the parliamentary secretary to do that at this time. We could consider it later when there are more representatives present on both sides of the House. This can be dealt with in a conclusive fashion later along with some of the other sections that have been stood. It would be better for the government and better for the committee if this were done.

Mr. Mahoney: Mr. Chairman, I was going along very well with the hon. member until he started to give the reasons for doing this. This is something the committee should decide. The members who happen to be here at this time are the committee. I am not sure why the member feels he needs additional members on his side of the House to help him make a determination on this matter. I really cannot agree with the reasons given to stand the section.

Mr. Alkenbrack: I rise on a point of order, Mr. Chairman. I did not make any recommendation along a political line. I think the parliamentary secretary has misinterpreted the meaning of my remarks.

Mr. Downey: Mr. Chairman, I am in complete agreement with the member who just spoke. We should stand this section. The parliamentary secretary did not seem to be in agreement with the reasons given. However, if you look at the penalties being handed out under other laws, you are inclined to think that the judiciary is becoming more permissive in its interpretation of the law. I recall a prominent legal counsel, a member of this chamber, speaking about a situation with regard to a case he defended. It concerned some bank robbers and something in the area of $1 million which was removed from a chartered bank. In the final analysis, fines of $1,000 were assessed against those concerned. This was about two years ago.

• (4:30 p.m.)

We might consider also the degree of permissiveness in the capital punishment area. What has been done to the people involved in the incidents which brought the War Measures Act upon us a year or so ago. Capital punishment is supposedly still with us for murderers of policemen and prison guards. But as I recall it, the last occasion when a man received the maximum penalty in Canada was in 1962. I stand to be corrected, but I think it was about that time. It seems odd to me, bearing in mind the direction society is taking, that in an income tax law we should be asked to double the penalties, and I would use this argument in support of the proposition that the clause before us should be stood, reconsidered and brought forward at a future date.

Mr. Mahoney: I am quite agreeable to standing the section if good reason can be shown. However, I did not feel that the reason given by the hon. member for Frontenac-Lennox and Addington, namely that the members who were present here today were not competent to pass on the section and that we should wait for others to come and discuss it, was a valid one. If the reason is to give the government an opportunity to consider what has been said as to the substance of the clause, and the validity of the arguments advanced, I would be quite prepared to stand it.

Mr. Alkenbrack: I rise on a question of privilege, Mr. Chairman. The parliamentary secretary intimated I had said the members of this committee who are present today were not competent to deal with the bill before us. I made no such statement. I know perfectly well, and so does the parliamentary secretary, that the members present here are perfectly competent. But if there were more members present from the government side we would be that much more competent to deal with this subject and that much more determined to correct this proposal and give it further consideration. I make one more appeal to the parliamentary secretary to use his good offices and stand this section along with the other sections which have been stood so we can reach a satisfactory conclusion in the near future.

[Mr. Mahoney.]

Mr. Ritchie: I should like to add a few words in support of the proposal that the government stand this bill and have a further look at it. The committee should bear in mind that the previous penalty was, generally, 25 per cent, at least in the experience of one person who had some connection with it. The parliamentary secretary does not seem to be sure why the penalty has been raised from 25 per cent to 50 per cent. It looks as though some bureaucratic action has been taken on the basis that since it was between 25 per cent and 50 per cent, things could be simplified by making the penalty 50 per cent.

As my hon. friend has just pointed out, in this day and age we have become more permissive in many directions and it seems unusual that the penalties should be increased in this particular area unless a very good reason can be supplied. In my opinion, the parliamentary secretary has not yet been able to supply this information.

Mr. Hogarth: I should like to ask the parliamentary secretary whether he would not consider the following to be a valid reason for standing the section. First, there is no limitation as to the number of sections under which the minister can assess. He can assess under 162, 163(1) and 163(2). And even then, he can prosecute under section 238. With respect, I ask the parliamentary secretary whether he does not consider that this is being a little vindictive in the light of the fact that there is a minimum penalty under section 238. Either the department should move to assess or it should prosecute under section 238. One or the other.

Mr. Mahoney: Well, some time ago I agreed to stand the section. However, it seems that this would deprive hon. members of their opportunity to continue to debate the matter. I am quite agreeable to standing the section—not, as the hon. member for Dauphin suggested, the bill, but certainly this section. On the other hand, if hon. members wish to continue the debate today, I cannot stand it.

Mr. Aiken: I am not rising to debate the section further, Mr. Chairman. If we had received any reasonable explanation as to why the rate had been set at a straight 50 per cent, we would feel that at least we had carried our objections as far as we could. This is the real point at issue, the point with regard to which, as far as I am concerned, we would like an answer.

The Deputy Chairman: Shall section 163 stand?

Some hon. Members: Agreed.

On clause 1—section 164—*Refunds*

Mr. Downey: With regard to this section, the parliamentary secretary will correct me if I am wrong, but I gather that refunds amount to some 10 per cent of the total taxes which are collected. Since there is sometimes a long delay in paying these amounts back to the individuals concerned, a great many people are involved. I think we should establish once and for all that what is sauce for the goose is sauce for the gander, and that the taxpayer should be put on an equal footing with the tax department. The question is, who is the master and who is the servant? Are not the officials of the tax department the servants of the taxpayers and the members of this House? Or is it the case that the taxpayers are supposed to make things easier for the tax department?

• (4:40 p.m.)

Under the old act interest was payable in some cases at the rate of 3 per cent. If a taxpayer successfully contested a case with the department, it seems interest was payable to him at the rate of 6 per cent. If he was unsuccessful, of course, the rate was only 3 per cent. Under the new bill interest is payable at a prescribed rate per annum, and it does not say whether the rate is 2 per cent or 3 per cent, as it was before, or 15 per cent. I suggest some provision should be written into the legislation that will put the taxpayer on the same footing as the tax department. If there were a prescribed rate of interest then the taxpayer would know in advance what it is. I suggest this would lead to greater efficiency and refunds would be handled more expeditiously.

In keeping with this thought, I should like to move the following amendment:

That subsection (3) of section 164, as set forth in clause 1 of the said bill, be amended by inserting therein at line 31 on page 436, next after the word "annum", the following:

"that shall return not less than the maximum cost that would be receivable on the amount of a loan under subsection (2) of section 3 of the Small Loans Act.

For the benefit of the committee may I read that particular section of the Small Loans Act. It provides:

(2) The cost of a loan shall not exceed the aggregate of

(a) two per cent per month on any part of the unpaid principal balance not exceeding three hundred dollars,

(b) one per cent per month on any part of the unpaid principal balance exceeding three hundred dollars but not exceeding one thousand dollars, and

(c) one-half of one per cent per month on any remainder of the unpaid principal balance exceeding one thousand dollars.

I suggest that such an amendment would give the department greater incentive to make refunds to wage earners and civil servants. If the refund was $300, it would accumulate interest at the rate of 2 per cent per month. If the refund was below $1,000 but more than $300, the interest rate would be at 12 per cent per annum. If the amount of the refund is large and exceeds $1,000, in order that no unnatural benefit should accrue to the taxpayer the government would pay interest on his refund on the terms set out in the act at the rate of 6 per cent per annum. I think such a provision is realistic if the Department of National Revenue wishes to be equitable to all taxpayers. On this basis I hope the minister will consider this amendment.

Mr. Mahoney: Mr. Chairman, the hon. member is quite correct in suggesting that approximately 10 per cent of taxpayers in Canada annually claim and receive a refund of income tax. However, the basic reason for this is the changes that occur in their domestic circumstances. Births or marriages change their exemptions during the course of the year, and there is the usual failure to file new information sheets with their employer so that their deductions can be changed. Then, in certain cases there are unusually high medical expenses, increased charitable donations and so on. All of this changes their taxable income and is not taken into account on the information sheet. Accordingly, I suggest that the hon. member's amendment is neither acceptable nor reasonable.

The Deputy Chairman: Perhaps at this time the Chair should put the amendment to the committee. I might have some question as to its financial implications, but in view of the previous decision I am ready to put it at this time. The hon. member for Battle River moves:

That subsection (3) of section 164, as set forth in clause 1 of the said bill, be amended by inserting therein at line 31 on page 436, next after the word "annum", the following:

"that shall return not less than the maximum cost that would be receivable on the amount of a loan under subsection (2) of section 3 of the Small Loans Act.

Mr. Bigg: Mr. Chairman, I hear groans from hon. gentlemen opposite who are usually the so-called champions of the little people. With 150 members, it seems to me the Liberal party could well put up one or two members who are interested enough to protect the rights of Canadian taxpayers.

The sections just referred to were extremely fierce, up to double and triple jeopardy, for the taxpayers who were unfortunate enough to be guilty of some error in filing their tax returns. However, when the small taxpayer has a refund due to him, what does he get? He gets nothing, no consideration whatever. The hon. member has made a very valid argument in suggesting that some consideration should be given to the small taxpayer who wants to spend his money just as much as an ever-greedier government wants to spend every bit of what he earns.

The individual taxpayer in Canada still has the right to have members of this House spend a moment or two begging that his point of view be heard. This large volume in front of us is largely taken up with a new invasion of a Canadian's right to own property. I think that this government, with its array of computers and public servants who are all very capable and efficient, should ensure that the taxpayers should get at least a reasonable return on their money. It is not right that a delinquent taxpayer should be called upon to pay an enormous sum of money—in fact, in some cases, unreasonably large sums of money—because of his evasion.

• (4:50 p.m.)

When the government owes money to a taxpayer because of an over-deduction of taxes, it should pay interest on that money just as it demands that the taxpayer must pay interest on the money he owes the government. There is no reason the government should not pay interest except the very shallow one that it is too much trouble for this army of civil servants with their computers to decide how much should be paid. This should not be difficult to calculate. Any money owing the taxpayer after the year ending March 31 should be paid with the addition of interest at 8 per cent. It would not make any difference whether the taxpayer had a great deal of money coming or a small amount, the situation would be equitable.

If it were possible for a taxpayer to commence a lawsuit against the government I am sure an equitable rate could be worked out. Anyone who borrows money must pay a reasonable carrying charge. When we have war bond drives or patriotic drives to sell bonds, the government offers between 6 per cent and 8 per cent. The income tax department should pay interest on the money it owes the taxpayer because that money is collected from the beginning of the year and the taxpayer has no choice since it is

deducted. The taxpayer should be entitled to this interest on his overpayment. I commend the hon. member for Battle River for bringing this amendment forward, and I am surprised it did not meet with unanimous acceptance.

Mr. Aiken: Mr. Chairman, I was really surprised when the hon. member who resumed his seat took part in this debate because there was an indication from the other side that he was perhaps prolonging the debate. Most of us on this side had the privilege of sitting on the other side of the House at one time and appreciate that this sort of debate or argument gets a little bit dull.

For those members who have not been following the debate, I should like to say that the biggest complaint of citizens in Canada can be related to the fact that if they do not pay their income tax, if they are late in paying it or if they fail to file a return they are assessed interest, penalties and costs across the board. However, when the government owes them money they get it back six months or a year later with 3 per cent or 5 per cent interest, or perhaps no interest at all. This is the basic complaint of the people to whom I have spoken.

Income tax is deducted from source at the beginning of every year. Income tax is paid from January of 1971, for example, and if there is an overpayment, by the summer of 1972, if the taxpayer is lucky, he will get back his overpayment—a year and a half later. This money has been deducted under the provisions of the Income Tax Act and represents an overdeduction. In many cases, these people have had to go to the bank, finance companies or small loan companies to borrow the amount of money they know they will be getting back at a rate of interest from 18 per cent to 20 per cent. Keeping this in mind, I think the amendment is reasonable because it relates in some way to the overpayment of tax and the interest an individual must pay on the money he borrows. We should not pass over this point too lightly. There is not a lot of money involved, although I do not know the exact figure.

I should like to ask at this time whether it is possible to get an indication of how much is paid in interest to people who are receiving overpayments of income tax. This may involve an impossible task and, if so, I will not press the matter, but I should like to have some idea of what the amount is. I should also like to ask what the exact rate of interest is. Perhaps it varies, but according to this section the interest would be paid at a prescribed rate which, of course, could be any amount. I should like to ask the parliamentary secretary to tell us the rate of interest now paid on repayments of overpaid income tax. What does this amount to in relation to the total amount of income tax? If it does not amount to much, I suggest that if it were paid the people would be more than satisfied. It might amount to only $4 or $5, but if people felt they were getting the same deal from the government that the government demands from them, I am sure they would be happy. If they are paying 8 per cent they should be getting 8 per cent. What is the rate of interest on overpayments? Is it the same rate that is charged by the government on tax not paid by the individual taxpayer? Perhaps we could get that information, as I think it would be helpful.

Mr. Mahoney: Mr. Chairman, the rate paid under the statute on voluntary or inadvertent payments, as a matter of course, is 3 per cent. The intention of this section is to have the rate established on a periodic basis that does, in fact, bear a realistic relationship to interest rates at which the government borrows its money, and so on. This will be established periodically. The 6 per cent rate of interest is payable where the refund to the taxpayer results from a successful appeal in respect of an assessment the minister has made.

I can only point out to the hon. member again that these overpayments are not the result of any malicious design on the part of the government. The simple fact is that people do get married during the year and they do have children during the year. Deduction tables take into account the standard $100 deduction for charitable and medical expenses, and if no other circumstances change and the taxpayer did actually make charitable donations in excess of $100 there would be a refund coming because of the provisions of the act.

The vast majority of these amounts is very small. I do not know what the total figure is but we will try to find it. I am sure it is available but I just do not have it. This involves about 10 per cent of our individual taxpayers and in almost all the cases it results from either a change in domestic or family circumstances during the taxation year or because of medical or charitable expenses and donations in excess of those built into the tables.

Mr. Aiken: Might I also suggest to the parliamentary secretary that some of the overpayments are incurred by people who may work for only part of the year but have deductions based on 12 months' employment. I think this is the most grievous complaint. Individuals do get married during the year or fall into some of the categories suggested, but they are getting a windfall in the form of a tax return because the money was properly deducted in the first place. The people who really are hurt are those who were on a high salary perhaps for a relatively short period of the year and therefore had a large chunk deducted. I have one last question. Can the parliamentary secretary tell us how this prescribed rate is to be established. The 3 per cent now on the books is not very close to reality. I wonder how close to reality the prescribed rate will be and how it is to be prescribed.

• (5:00 p.m.)

Mr. Mahoney: It would be prescribed by Order in Council.

Mr. Aiken: But on what basis? Here we are attempting to make the point that the basis of interest ought to be a reasonable one. Now, the government seems to consider it reasonable to collect a large interest rate and pay back a much smaller one. Can we have any assurance that the prescribed rate will be anywhere near reasonable, because lacking that the amendment of the hon. member for Battle River is the only alternative.

Mr. Mahoney: Mr. Chairman, I am afraid the statute does not prescribe the criteria the Governor in Council would use in arriving at the rate to be established by Order in Council each year. Obviously, this section would not have been opened up if it were not the intention, as expressed publicly by the Minister of Finance, that this rate should bear a relationship to a realistic interest rate

and better than 3 per cent. The interest rate presently established by statute is ridiculous.

Mr. Nesbitt: I have a very brief question, Mr. Chairman. The parliamentary secretary has told us that in the case of overpayments, where an appeal has been successfully launched by the appellant taxpayer the money is refunded with interest at 6 per cent. As we all know, a great many objections to tax levies never reach the stage of appeal, even to the district or departmental offices. Sometimes representations are made informally to the local tax offices or perhaps to the minister's office, the matter is rectified and the money returned. In these cases, the matter never reaches the Income Tax Appeal Board but has been settled on sort of an informal basis beforehand. Would the parliamentary secretary consider having the money returned with the appropriate rate of interest in cases such as this in which there has been genuine error, either in fact or in judgment, although the matter has been settled sort of informally without actually reaching the stage of appeal.

Mr. Mahoney: If the hon. member would look at section 164(4) he will note that where the refund is the result of either an appeal, as I indicated a moment ago, or a notice of objection which the taxpayer has filed to the assessment, even if it does not go before the Tax Appeal Board, the interest paid will be at exactly the same rate that is applicable to deficient payments by the taxpayer to the Receiver General. So, the Crown and the taxpayer will be on precisely the same grounds in this situation. The rate we are talking about here to be established by Order in Council is the rate which will apply to the ordinary run-of-the-mill overpayment which results from a person's exemptions changing during the year or something like that, where there is no dispute about the amount and where it is simply a matter of the taxpayer having paid a little more on instalments than was necessary.

Mr. Nesbitt: Mr. Chairman, perhaps I did not make myself quite clear. The parliamentary secretary referred to a successful appeal or a formal notice of objection. I realize, of course, that that is the case, but I was referring particularly to cases in which there has been no formal notice of objection or appeal and in which a genuine error has been made in the assessment or something. I am speaking of cases in which no formal notice has been filed by the taxpayer himself or of cases in which perhaps a Member of Parliament on his behalf has written to the minister or deputy minister in charge of taxation in order to have the matter cleared up. In such cases, when the money is refunded would the money bear interest.

Mr. Mahoney: Mr. Chairman, I believe the hon. member's situation is covered because when we talk about a notice of objection we are talking about a person objecting to an assessment. The only prerequisite here is that there be an erroneous assessment as the hon. member suggests.

Mr. Nesbitt: I am satisfied.

Mr. Bigg: Mr. Chairman, I have already stated I am prepared to support the amendment and, therefore, I am simply making another appeal along the same line. I think the rate paid the taxpayer should be exactly the same as the rate the government expects to collect when the taxpayer owes the government money. I do not see any argument in favour of anything else. If it is simply a matter of the difficulty involved in the process of bookkeeping, I suggest this is no argument. We have computers and we have a large number of unemployed people who could be engaged in working out these returns so the money might be sent back in a much shorter period than six months.

There should be no problem today in processing these returns. If the rate in respect of overdue accounts is to be set by Order in Council, it would seem strange that the bureaucrats do not take upon themselves the responsibility for setting the penalties in the same way. The House of Commons is seized with the responsibility of setting the penalty and, apparently, of giving its approval to a triple penalty. However, when it comes to making payments to taxpayers with a reasonable rate of interest we say we cannot possibly handle this because it is too difficult; we must hand it over to the bureaucrats so that it will come out in the form of an Order in Council. Personally, I believe the people of Canada are tired of rule by Order in Council and expect us to do these things here. We are now paid a reasonable salary. We are capable men from a general cross-section of the country.

As has been ably pointed out this afternoon, I believe the people are looking to us in respect of this large tax bill of 750 pages, plus amendments, to do something which will be of benefit to the small taxpayers. In respect of overpayments, I believe in most cases we are speaking of amounts of perhaps $200 or less. It has been said that this involves a difficult problem for the bookkeepers. I say it is not a difficult problem at all. At one time I made a typographical error in my return and believe me I was told about it within two weeks after I had filed my return. It did not take long for them to examine the return and put it through the computers. It was found that I owed the government $1.38 and they wanted the money immediately. The penalties under the law for not doing this are still very considerable indeed.

• (5:10 p.m.)

So, I make that appeal again. A citizen certainly pays a reasonable rate of interest on the money which he owes the government, and if the government has the right to take more money from him in the first place and keep it for a year or 18 months, it can well afford to pay those taxpayers, the ones who need that $200 perhaps more than most of us do now, at a reasonable rate of interest. I think that we in the House of Commons should be seized with the responsibility of finding out what a reasonable rate of interest might be, and this should not be hidden in the fine print in the rules and regulations which lie behind this act.

[*Translation*]

Mr. Ricard: Mr. Chairman, I should also like to appeal to the parliamentary secretary and ask him to consider seriously the matter since, in my opinion, this request is quite reasonable. Indeed, it concerns a great number of taxpayers each year.

In his answer, the parliamentary secretary explained that refunds were sometimes due to taxpayers, but that in

almost all cases, it was because they had failed to provide the required information.

However, as stated by my colleague for Parry Sound-Muskoka (Mr. Aiken), if often happens that owing to temporary unemployment or lower wages, an employee is taxed for part of the year at a very high rate, while for the remainder of the year, when it comes to filing his income tax return, he should be granted a refund of at least 6 per cent, as the government itself requires from taxpayers. Surely the parliamentary secretary knows that this generates much dissatisfaction with the people. People who find out that they are thus taxed 6 per cent for a mistake or for having failed to enter the precise amount on their income tax return are greatly annoyed when they have to pay 6 per cent more, whereas the government assumes none of the responsibilities that it imposes upon the taxpayers. So, I believe that it would be wise to give the taxpayer a chance proportionate to what the government requires from him.

I feel that the Quebec government, if it has not already taken measures to suppress the anomaly which afflicts taxpayers, will do so very soon. In fact, I believe that the minister of finance or revenue of the province of Quebec has already expressed the opinion that this should be done. This would be a matter of equity for the taxpayer, and I dare hope that the parliamentary secretary will be kind enough to accept this reasonable request.

[*English*]

Mr. Smerchanski: Mr. Chairman, with reference to this section on refunds, I think we possibly misunderstand the purpose of subsection (4). I believe that it is fair in that at present an interest rate of 3 per cent is paid on any refunds that are due. If you are successful in an appeal, you get 6 per cent. But the new regulation suggests that this be equalized, and inasmuch as the government must pay a fair rate of interest on the refund, likewise you would pay the same rate of interest if you owed the government money. In other words, I feel that this offsets the inequity that existed under the initial regulation. The only thing that it does not spell out is that the rate of interest shall be a prescribed rate per annum. Perhaps we could resolve that prescribed rate of interest by tying it either to the Bank of Canada prime rate of interest or tying it to the rate of interest that is paid on small business loans, farm credit loans, or something of that nature. Possibly that would tend to clarify the matter of refunds. I submit that as a suggestion.

Mr. Yewchuk: I just wanted to make a few comments in support of the amendment moved by the hon. member for Battle River. I think that the practice under the legislation passed by this government in dealing with interest rates on various items such as loans from government agencies has been to leave it open and not set a specific rate. This might be easier in some ways in that the legislation does not have to be amended as often. At the same time, I think it is a rather sloppy way of presenting legislation because the people who are dealing with the legislation do not know exactly where they stand. This becomes more of a guessing game. In dealing with a refund to a taxpayer on an overpayment of taxes to the revenue department, one finds that there is a great similarity to a small loan made to the government because the government can use those funds for whatever purpose it might find necessary while this money is in its possession. Because of the fact that it resembles a small loan, there is no particular reason the government should not pay an interest rate equivalent to that which a citizen would have to pay if he obtained a small loan from a government agency. So, this kind of amendment makes a good deal of sense.

Even though I indicated at the beginning of my remarks that I do not like unspecified interest rates, this amendment does not set a specific figure either, but it ties the rate to that which would be prescribed on a loan which an individual might obtain from a government institution. The parliamentary secretary said that the present prescribed rate is in the vicinity of 3 per cent. If such a rate were applied, it would certainly not be an inequitable rate. In all fairness, we should have a definite reassurance from the government that the rate which would be paid on refunds would be much more in keeping with the existing rates in the country at that time. I know that the parliamentary secretary indicated that an order in council could be passed from time to time prescribing these rates, but I think that this is not a neat way of doing it. I think it would be much more sensible to adopt this amendment and apply the rate prescribed for small loans.

Could the parliamentary secretary indicate what guidelines would be used in prescribing the rate on a refund? Let us say that this amendment is not accepted by the government. What guideline would be used in setting an interest rate on overpayments of taxes when a refund is made to a citizen? I wonder also if he could answer at the same time how the 3 per cent figure was arrived at previously?

• (5:20 p.m.)

Mr. Mahoney: Mr. Chairman, I answered that question some time ago, and I indicated that I regretted I could not give the answer sought. Certainly, there are no criteria in the bill to guide the Governor in Council in making that determination, and I am not aware of what criteria would be used in doing it. I think the hon. member should clearly understand that the 3 per cent rate is one that is prescribed by the existing Income Tax Act. It is not a rate that was established by regulation. Certainly, there is nothing in past history to indicate that the government would wish to continue a rather unrealistic rate such as the 3 per cent rate has become. Indeed, that is the reason the matter has been opened up by the government in this particular tax reform package, in order to permit the government from time to time to alter the interest rate as interest rates in the market place change, and to relate it to something realistic in that area. However, what actual factors would be taken into account, I cannot answer.

Mr. Yewchuk: Would it be reasonable to assume that the rate prescribed could well be that which is charged for small loans under the sections of the Small Loans Act referred to in this amendment?

Mr. Mahoney: No, Mr. Chairman. The Small Loans Act is an act that sets upward limits which private companies can charge for small loans as defined in that act. This rate has no relationship whatsoever to any interest rate either paid by or charged by the government or any government agency.

Mr. Gleave: Mr. Chairman, I do not think it is difficult to make a case that the interest rate should be set out in this section. The parliamentary secretary has said that 3 per cent is an unrealistic rate, and that it is the government's intention to set a rate that is fair and in line with present rates of interest within the business community. It seems to me that the proposal advanced here is a very practical one. If the government finds this phraseology unacceptable, it could introduce its own amendment. As one of the hon. members to my right said, it is our responsibility as parliamentarians to protect the rights of the ordinary citizen, and to have legislation clearly defined so that the ordinary citizen or accountant may understand the limits within which he can operate. That is the purpose of this amendment, and on that basis we can support it.

Mr. Mahoney: Mr. Chairman, I am afraid we cannot accept the amendment which would enshrine a particular rate of interest in the statute. The problem there is that these rates do not get changed often enough when they are set by statute. The proposal that the rate be established by Order in Council would give us an opportunity to review it on a more regular basis and keep it within some realistic relationship with the facts of the market place at a particular time. Earlier the hon. member for Parry Sound-Muskoka indicated that most of the members opposite had sat on this side of the House at one time. Indeed, they were sitting on this side of the House the last time this section was revised. In 1958 the Conservative government very generously raised the interest rate from 2 per cent to 3 per cent.

With due respect, Mr. Chairman, I think that since we have come up with something that will allow some flexibility, and hon. members opposite have come up with nothing that will satisfy the realities of the situation—and certainly in six years of being in office they were unable to do anything but increase the rate from 2 per cent to 3 per cent per annum—the amendment should be defeated and the section adopted by the committee.

Mr. Mazankowski: Mr. Chairman, I want to go on record as supporting the amendment proposed by my colleague. I believe that some measure of incentive should be placed in the bill to make governments refund moneys that they owe. I am dealing with a case right now of a farmer who has been waiting for a refund of $5,277 from the Department of National Revenue since April, 1971. It arose as a result of the five year averaging of his income. Now, it is November and he still has not received the refund. In the meantime he has been forced to borrow money at bank interest rates, and sometimes higher, at the 8 per cent to 10 per cent level.

The relationship between the department and the normal taxpayer is such that the department treats the taxpayer with a form of contempt. I submit that if an interest rate were tied to the amount of overpayment it would be an incentive to the government to get on its toes and return money to the taxpayer. I cannot see any reason in the world why this farmer should have to wait that length of time to get a refund of $5,277.78.

I took up this matter with the Minister of National Revenue. He in turn stepped on someone's toes and I understand the money is being refunded this week. But why in the name of Heaven should we have to go to all that trouble? Some formula should be provided to give incentive to the government to refund such payments. What is sauce for the goose is sauce for the gander. I know that if an individual owed the federal treasury $5,277.78 some pretty drastic steps would be taken by the department.

The relationship between the taxpayer and the department should be upgraded. There should be mutual trust and respect. A lot can be gained by improving that relationship. Making the interest rate realistic in this case would help to do that. The government should consider a reasonable amendment, such as that which has been proposed from this side of the House. I repeat that I strongly support the amendment.

• (5:30 p.m.)

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, a minute or two ago the parliamentary secretary was poking fun at the Conservatives for coming up with a better idea when they are on this side of the House than when they were the government. I express the hope that next year, when the Liberals are on this side of the House, they will come up with better ideas than they have put forward in this bill.

Some hon. Members: Hear, hear!

Mr. Downey: Mr. Chairman, I listened to the parliamentary secretary belittling the previous Conservative administration for raising the interest level from 2 per cent to 3 per cent. That was a 50 per cent increase. What can be more generous than a 50 per cent increase?

Mr. Mahoney: Would the hon. member settle for 4½ per cent?

Mr. Downey: That would be much better than what we have. I am not suggesting that the amendment I proposed is perfect. I am merely groping for something that will be acceptable to the committee, to the parliamentary secretary and to the minister. I am suggesting that tying the interest rates we are concerned about here to those applying under the Small Loans Act may not be acceptable. I am merely suggesting an amendment which would say that the Department of National Revenue shall pay the same rate of interest as it requires others to pay on funds owing to the department. What could be fairer than that? Is an amendment along those lines not acceptable? Would the parliamentary secretary agree to the same rate of interest being paid by the Department of National Revenue? Would he agree to a rate that is the same as the one the department demands on funds owing to it? Is there anything wrong with that concept? Would the parliamentary secretary comment on the acceptability of an amendment along those lines?

Mr. Mahoney: Mr. Chairman, I do not think that type of amendment would be acceptable. I should again remind the hon. member that that is precisely what this bill provides in cases where the overpayment and refund are consequential upon an assessment by the minister—that is, where that assessment proves to have been erroneous. We are still, basically, talking about a situation in which the overpayment has resulted from extra deductions and

in which those extra deductions, in turn, have resulted from changes in the domestic situation of the taxpayer. There might be extra charitable donations, and so on. These would be matters over which the taxpayer has some control and therefore he could minimize, in many cases, an overpayment by filing an up to date information sheet with his employer.

It does not seem appropriate that the general revenue should meet that particular interest rate in those cases. I could not agree more that the same interest rate should apply in cases where the minister has demanded more tax and where the taxpayer has successfully refuted that attempt through an appeal. The case of the taxpayer who, through his own action, has paid more tax than he ought to have paid is not comparable to the case of the taxpayer who has refuted the demand for more tax, and the hon. member's amendment would not be appropriate.

Amendment (Mr. Downey) negatived: yeas, 18; nays, 35.

The Assistant Deputy Chairman: I declare the amendment lost.

Clause 1—section 164, agreed to.

On clause 1—section 165: *Objections to assessment*

Mr. Aiken: Mr. Chairman, may I ask a question about section 165(3)(b). Where there are several appeals of a similar type before the department, apparently taxpayers may file copies of the notice of objection and the appeal can be entered with the minister's consent. Why has it been inserted here that the minister must consent? I do not think, if a taxpayer wants his case to be considered again, he should need the consent of the minister. In many cases one cannot do anything without ministerial consent, and this is another situation like that. Why was it necessary to say that the minister must consent to the filing of an appeal?

Mr. Mahoney: Mr. Chairman, the reason is to allow the appealing taxpayer to go directly to court, that is either to the Tax Appeal Board or to the federal court, as he elects, without waiting for the minister's formal reply to his notice of objection. That would arise in cases where, (a) the minister and the taxpayer agree that there is a bona fide case of dispute to be dealt with before the appeal tribunal and, (b) where the best interests of all would be served if the case were dealt with expeditiously and if certain preliminary formalities otherwise necessary were waived.

Mr. Aiken: Mr. Chairman, I wish to ask another question about subsection (7) and specifically about lines 27 and 28 which cover the situation in which no notice of objection is required with respect to reassessment. The words I am concerned about are, "Where . . . the Minister . . . makes an additional assessment in respect thereof, . . .". It is not clear from this section or from any other part of the legislation in what sort of situation the minister can make an additional assessment. Could that be clarified?

Mr. Mahoney: Mr. Chairman, this situation would arise in cases where the new assessment was issued after the matter was already before the court. This would allow the revision of the assessment without it being necessary to go back over the ground and recommence the appeal in court.

Mr. Hogarth: Mr. Chairman, one comment I wish to make about section 165 is this: the notice of objection must be made in prescribed form. On the other hand, subsection 6 says that the minister may accept a notice of objection despite the fact that it was not served in duplicate or in the manner required by subsection (2). I understand that the intention, when the act was originally enacted, was to make procedures for going before the Tax Appeal Board informal. Surely, we could add words to subsection (6) to provide that the minister may accept a notice that is not in the prescribed form so that the informality of the procedure may be continued. I would like to propose an amendment to subsection 6 to the effect that there be added after the last line the words:

• (5:40 p.m.)

—or is not in the prescribed form

Mr. Mahoney: I wonder if the hon. member can give some indication of what he means. How could the minister determine whether he had a notice of objection or a letter of complaint in this particular situation? The minister has to have some ground rules in this particular instance. Frankly, I question very much whether the particular amendment would be administratively feasible at least.

The Assistant Deputy Chairman: The hon. member for Parry Sound-Muskoka.

Mr. Hogarth: I have not moved that far east, Mr. Chairman. The point is if a taxpayer, 89 days after the assessment came to him, wanted to object, surely he could write a letter saying that he objects to the assessment and wants to appeal to the Tax Appeal Board. Because of the fact he did not have a prescribed form in front of him, he would be out of court. He might not have a form. Whether or not it was a notice of objection would be a question of fact for the tribunal to determine. The minister could say the letter he wrote was not a letter of objection but merely a letter of complaint. That is a question for the tribunal to determine. I suggest that to require the taxpayer to file a particular form is very dangerous, keeping in mind the purpose of this particular provision.

Mr. Mahoney: Mr. Chairman, the particular instance that the hon. member cited would certainly be in the prescribed form because it clearly states that it is a notice of objection. I call to the hon. member's attention that it must be in a prescribed form, not that it be on a form supplied by the department. It must be in a form that clearly stipulates that it is an objection. It can be a letter if it clearly states the intent of the writer. The actual forms are available at district taxation offices throughout the country, but I am advised that the particular example which the hon. member gave would indeed be an objection in the prescribed form.

Mr. Smerchanski: Mr. Chairman, I would like a little more clarification of lines 34, 35 and 36 on page 439. What happens if the taxpayer waives his right for the reconsideration of the assessment and if the minister does not consent? Is it the intention that the minister will automati-

cally consent if the taxpayer waives his reconsideration of the assessment by going directly to either the tax review board or the Federal Court?

Mr. Mahoney: Mr. Chairman, if the minister has not responded to the notice of objection within 180 days, the taxpayer can proceed in any case without awaiting further word from the minister.

Mr. Smerchanski: There must be another part of this bill where the 180 days is still acknowledged as the time limit within which the minister can either consent or disagree. If he does not, it automatically goes to the Tax Appeal Board or the Federal Court as the case may be.

Mr. Mahoney: If the hon. member will read a few pages ahead to section 169, he will find this.

Clause 1, section 165, agreed to.

On Clause 1—Section 166: *Irregularities*

Mr. Downey: I note, Mr. Chairman, that in section 166 there is very little room for any humane attituded. I would like the parliamentary secretary to comment on this. The section reads:

> An assessment shall not be vacated or varied on appeal by reason only of any irregularity, informality, omission or error on the part of any person in the observation of any directory provision of this Act.

I would like to know what this entails. Suppose a taxpayer has information which he is mailing to the tax department and is involved in a car accident or has a heart attack on the way to the post office. The forms are lost. As a result of something of this nature, the tax form is late. Instances like this may come under this section of the act. It refers to an omission or error. It would be very easy to make an error in computing income tax on the basis of a complicated document such as this.

Suppose the tax which this person owes is relatively little. For the sake of argument, let us say $50 or $100. An individual who owes this amount of tax can hardly afford to hire the services of an accountant or a tax lawyer to look after his forms. With his education, he may not be able to comprehend this 707 page document or the sections that pertain to his business or type of work. Earlier this afternoon the parliamentary secretary stated that the fee charged by the department for manpower to enable a taxpayer to obtain an advance tax ruling is $20 an hour. The cost of an accountant may be $10 an hour. This person with very low income and little education could very easily run afoul of a section like this.

I would like the parliamentary secretary to comment on circumstances such as these. There are circumstances where accidents and errors do occur. This may happen to any of us. It may happen to some people more frequently than others. What provisions are there to safeguard a situation such as this?

Mr. Mahoney: Mr. Chairman, the particular sections we are now considering deal with assessments, not income tax returns. It is purely administrative and does not relieve anyone of errors in matters of substance or of law. It does relieve in the case of inadvertent irregularities in procedural matters. The next section, 167, deals with many of the circumstances that would legitimately prevent a taxpayer for some reason or other meeting time limits and so on. Perhaps when the hon. member has looked at it, he will have a good part of the answer to his question.

Clause 1, section 166 agreed to.

On Clause 1—Section 167: *Application to Review Board for time extension*

The Assistant Deputy Chairman: Section 167 has an amendment proposed by the Minister of National Revenue. It appears on page 8956 of *Hansard* for October 22.

Mr. Hogarth: Can we have an explanation?

Mr. Mahoney: Perhaps it would be a sufficient explanation for the hon. member for New Westminster to know that the amendment is a correction in the French text.

Amendment (Mr. Gray) agreed to.

Mr. Hogarth: As I understand it, section 167(1) is a relieving section for a person who has failed to file a notice of objection within 90 days. If you do not do that within 90 days, you are out of court. You cannot go to the Tax Appeal Board or the Federal Court unless you can get an extension of time under this section. The only way in which you can get an extension of time is to apply to the board or the Federal Court under subsection (4). The only basis upon which this extension of time can be given is in the event of death, an incapacitating sickness or bankruptcy of a taxpayer.

• (5:50 p.m.)

I suggest there might be any number of valid reasons why a taxpayer should be given an extension of time. For instance, I can see a case where a taxpayer's lawyer or accountant died and he could not get the material out of the office of his professional adviser, or something like that. For him not to be given an extension of time in these circumstances would be restrictive. So, I would ask the parliamentary secretary to consider an amendment to that section, section 167(1) reading: "Where no objections under section 165 is filed within the time . . . then the Board may extend the time." The Board could then decide whether or not there should be an extension of the time. It would not have to depend upon the taxpayer being dead, or bankrupt or being incapacitated through sickness. Similarly, in subsection (4), so that the ground may be broader and more just.

Those of us who have been concerned with appeals to the courts find that these time limitations are often missed. Lawyers have to take a lot of responsibility for this. But the courts are not as restrictive as this section when it comes to extending the time limit. They will do it in certain circumstances which they feel to be just, and it does not depend on the death or sickness of the litigant.

The Assistant Deputy Chairman: Shall the subsection as amended carry?

Some hon. Members: Carried.

The Assistant Deputy Chairman: Shall section 168 carry?

Mr. Hogarth: Mr. Chairman, I asked the parliamentary secretary whether he would consider an amendment

because I did not wish to move an amendment without hearing his point of view as to section 167 (1) and 167 (4).

The Assistant Deputy Chairman: I have to say I did not see the parliamentary secretary getting up to answer, so I put the question. But I could now give the floor to the parliamentary secretary.

Mr. Mahoney: Without reopening the section, the reason is that the Tax Appeal Board up until now has chosen to construe its discretion very narrowly and has not allowed appeals in many cases, although there might have been very good reason for doing so. I would say that this is to give them some guidance and to indicate that perhaps there are cases where they should exercise a discretion of this nature. I am sure that as we see how this works out, if there appears to be merit to seeking further ground for extension of time, we would be glad to entertain such a proposition but I would be most reluctant at this time, on the basis of the speculation here, to handle the matter in that particular way.

Mr. Hogarth: The Tax Appeal Board, as a result of legislation we have passed in this Parliament, is now to be a very informal board, no longer to be confined to strict forms. I do not believe these restrictions should be approved and in particular I do not think a federal court should be restricted as it is in subsection (4). I would therefore move:

That subsection (1) be amended by the deletion of the words "because of the death, incapacity, sickness, or bankruptcy of a taxpayer".

And that the same words be deleted from subsection (4).

The Assistant Deputy Chairman: Shall the amendment carry?

Mr. Mahoney: I was under the impression that this particular section was carried and that I was simply responding to a question. In the circumstances I would certainly much prefer an opportunity, in view of the hour and the importance of the debate which would take place on this amendment, to suggest that it is six o'clock and that the question be not now put.

Progress reported.

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

HOUSE OF COMMONS

Thursday, November 18, 1971

The House met at 2 p.m.

PRIVILEGE

MR. NIELSEN—ALLEGED CONTRADICTORY STATEMENTS BY SECRETARY OF STATE FOR EXTERNAL AFFAIRS AND MINISTER OF NATIONAL REVENUE

Mr. Erik Nielsen (Yukon): Mr. Speaker, I rise on a question of privilege of which I gave rather belated notice to Your Honour through no fault of my own.

My question concerns contradictory statements made by the Secretary of State for External Affairs and by the Minister of National Revenue. These statements are contradictory in themselves, and the two ministers have contradicted each other. The statements concern official documents of the executive government of Canada. These documents the government has refused to table. The statements also concern other documents which have been reproduced in the public press. The publishers allege them to be in one case an authentic version of one of the documents first mentioned, and in the other case a true copy of one of the documents first mentioned.

Certain of these statements have been made by the ministers in this chamber and others have been outside this chamber to the public media. Whether made in this chamber or outside it, these statements have themselves been reproduced in the public media. Again, the statements made outside this chamber have been the subject of questions in this chamber.

At this point I intend to meet an argument which I anticipate may be advanced. It is that statements made outside this chamber by members of the House are outside the jurisdiction of the House to deal with as a matter of privilege. In other words, a minister of the Crown, although constitutionally responsible to the House, may quite properly inform the House on a matter of public business by making a statement in the House, and may inform the public on the same matter of business by making a contradictory statement outside the chamber. And, because these contradictory statements are made by the minister when he is physically in two different places—although these places be only 100 feet removed—the House does not have the right to investigate these contradictory statements. If the law of Parliament says that, Mr. Speaker, my submission is that the law of Parliament is, as Mr. Bumble said, an ass.

Of course, Mr. Speaker, the law of Parliament does not say that, however much the ministers of the Crown may feel at home with such an interpretation.

The privileges which members of the House enjoy are exercised in trust in the right of the public. The right of this House to be informed in this chamber on a matter of public business is the right of the citizen to be informed, whether the citizen is informed in this House or outside it. It is strictly from Alice in Wonderland to say that the citizen is entitled to one version in the House and another version outside it. It is a parody of the privilege of freedom of speech to hold that the citizen does not have access to the courts with respect to a statement made by a minister in the House because the minister is protected by the privilege of freedom of speech and at the same time to hold that this House cannot investigate statements made by a minister outside the chamber which do not agree with statements made inside it on the same matter. In this regard I would refer your Honour to the excerpt contained in paragraph 4 on page 419 of Beauchesne's Fourth Edition.

Because of the overriding importance of the whole matter, the right of members of this House to be informed, the right of the citizen to be informed, and because of the serious nature of the contradictions within the statements made by the Secretary of State for External Affairs himself, and between those of the Secretary of State for External Affairs and the Minister of National Revenue, I ask leave to move the following motion:

This House orders that the Standing Committee on Privileges and Elections forthwith investigate all statements made by the Secretary of State for External Affairs and the Minister of National Revenue concerning the Gray report, so-called, the published so-called authentic version of that report and the purported cabinet document dated July 29, 1971, concerning a screening mechanism to control foreign investment in Canada.

Mr. Speaker: The hon. member for Yukon has given notice of his intention to bring this matter forward by way of a question of privilege. As the hon. member knows, there is a slight technical difficulty in that the Standing Order does require an hour's notice to give the Chair an opportunity of looking into the matter and considering precedents and citations. Unfortunately, because of circumstances beyond the hon. member's control, there was a slight delay. I am satisfied that the hon. member is not responsible for that delay and I am prepared to accept the notice on this basis as satisfying, on that count, the requirement of the Standing Order.

• (2:10 p.m.)

The hon. member has put forward for the consideration of the Chair and submission to the House a proposed question of privilege which I submit is essentially the same as one proposed the day before yesterday. The Chair considered the matter extensively having asked for the forbearance of hon. members and the co-operation of the House to give me an opportunity to look into the precedents and citations, which I did for some hours in the afternoon. As a result of this consideration I made a ruling which is reported at pages 9618 and 9619 of the Commons Debates for November 16.

I suggest to the hon. member that the precedents quoted therein are applicable to the circumstances on which the proposed question of privilege is based. I do not want to

be unfair to the hon. member, but the impression I get is that he has considered the ruling that the Chair delivered on November 16, found it wanting, and in a way is now appealing, in effect, that decision. I do not think an appeal is possible, either directly or indirectly, from a decision of the Chair. If a ruling is delivered by the Chair on a given set of circumstances, I think it would be highly irregular for the Chair, on the same set of circumstances, to deliver a different ruling two days later.

The hon. member has made much of the ruling of the Chair in regard to statements made outside the House. The hon. member knows even better than I the rulings which have been made on this subject, Speaking from memory now I would refer to the ruling in 1964, I believe, by my distinguished predecessor, Mr. Speaker Macnaughton, on statements made outside the House. I was Deputy Speaker at that time and following these matters with some interest, and my recollection is that a very strong argument was made then by the hon. member for Yukon in which he invited the Chair to make a distinction between statements made outside the House and statements made inside the House.

I might say that the arguments used at that time by the hon. member for Yukon have been used by the Chair on a number of occasions since. The Chair did agree with the arguments forcefully made at that time by the hon. member, and the arguments that he brought to the fore then are applicable equally to the present circumstances. I feel I cannot alter, change, amend or reverse a ruling made on a similar set of circumstances, and that the matter cannot be referred to a committee or put to the House at this time as there is no prima facie case of privilege.

ROUTINE PROCEEDINGS

FEDERAL PROVINCIAL CONFERENCE

TABLING OF COMMUNIQUÉ ISSUED FOLLOWING CONCLUSION

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, under Standing Order 41(2) I should like to table copies in English and in French of the communiqué prepared by the federal-provincial conference of first ministers which finished yesterday.

* * *

FRUIT

ANNOUNCEMENT OF PAYMENT TO BLUEBERRY PRODUCERS AND GRANT TO PROMOTE DOMESTIC APPLE CONSUMPTION

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, further to my recent statements on the program to provide assistance to agricultural producers, I now wish to advise of programs authorized for blueberries and apples.

Blueberry producers this year received reduced returns and direct payments will be made to them through the Agricultural Stabilization Board. Data will be collected on sales to distributors and processors and payments of one and a half cents per pound will be made upon proof of sale.

Support to apple producers selling to the fresh market will be provided in the form of a grant for apple promotion. The Agricultural Stabilization Board has developed a program in consultation with the Canadian Horticultural Council and producer groups. The grant will be used to promote domestic apple consumption. Producers now pay a levy for apple promotion purposes. This grant will be used to reduce their levy payments this year and will therefore improve producers' returns.

Details of these programs are going to the producer groups and payments will be made when data has been collected.

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, the statement by the Minister of Agriculture (Mr. Olson) is most welcome, although rather brief. I hope the support programs are sufficiently large. In complimenting the minister may I say I have some knowledge of the discussions between the minister and representatives of the producer groups and the Canadian Horticultural Council about a support program for apples. I only hope that in terms of dollars and cents payments to the apple industry will be much larger than the statement of the minister today. It is commendable that at long last discussions have been held with producer groups in this country regarding support that is so necessary as far as apples are concerned. This is a basic industry which has suffered in so many ways apart from anything the apple producers could do. I am glad the minister has made this statement and I hope he will give us the details later. I hope that the result in terms of dollars and cents to the industry will be much larger than this statement.

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, in response to the minister's statement, which was received at ten minutes after two this afternoon, my remarks, of necessity, must be both brief and general. Coming from a province which is a major producer of both apples and blueberries I welcome the news that there is to be support for both these proudcts.

The fruit industry of British Columbia, in fact the whole agricultural industry in Canada, is not in a state of vigorous health today. Anyone who has followed the debates in the House of Commons dealing with the problems of grain production facing the western farmers could find little to disagree with in that statement.

Regardless of what kind of promotion we may be able to undertake with this assistance from the Agricultural Stabilization Board, the main problem is the low price of imported apples from Japan and Mainland China which are used mainly in the pie-making industry across Canada.

In addition, the depressing of the price of the local product because of the low price of United States apples to wholesalers has injured Canadian growers even though none of these apples are actually imported. Returns from many agricultural products, including apples, have been reduced. At the same time, many families in Canada are deprived of apples for their children. Perhaps we should

be thinking along the lines of a free school lunch program that might include apples. Instantly available machinery is definitely needed for the protection of our producers when injury is caused by cheap imports.

In addition to the action announced by the minister today, I hope we can look forward to further studies of this very important problem. If we look at some of the measures the United States has taken recently to protect its economy, perhaps we will realize that while we do not want to engage in overt retaliation we should do no less for our own people.

• (2:20 p.m.)

[*Translation*]

Mr. C. A. Gauthier (Roberval): Mr. Speaker, I wish to thank the minister for what he has just announced.

I would however draw his attention to the fact that the new program might help on a temporary basis perhaps the blueberry producers. Because I live in the main blueberry-producing area of Quebec I feel qualified to talk about it.

In fact, the decrease in the income of blueberry producers can be attributed to two causes: first of all, to a blueberry shortage and secondly, to a drop in prices.

The blueberry shortage is essentially due to the fact that oil is used to burn the blueberry fields. It was thought, in the past, when forest fires happened every 10, 15 or 20 years, that blueberry crops were enhanced by these fires. People came to the conclusion that blueberry fields had to be burnt every two or three years, which has brought about the systematic destruction of almost all our blueberry fields in the North, because all new shoots are burnt. Results can easily be anticipated.

Government experts have set up their research centre in Saint-Léon in a neighbouring constituency where there are only two blueberry fields, while we have 14. All our blueberry fields are being destroyed by that excessive burning.

The main cause of the decrease in income is the shortage of blueberries which has grown worse in the last two or three years.

The second reason is the price. Prices have gone down steadily, especially when the blueberry pickers union came into the picture and tried to corner the blueberry market. Competition was not tolerated. American buyers used to come every year. I have seen bumper years where 16 to 20 buyers showed up. Now, there is not one. Such few as do come all deal with the union, setting their own price, so that pickers are not even interested.

I believe those are the two main reasons for the slump. The department will have to tackle them, listening not to the self-styled experts in Saint-Léon, but to buyers who know something about blueberries. They know they are wild fruit and that destroying their habitat, which is the forest, results in their disappearing. Actually, they are trying to grow blueberries in "deserts". That's the main trouble.

Mr. Speaker, I merely want to draw this matter to the attention of the Minister of Agriculture—I would have a lot more to say—that he might have a serious inquiry made by blueberry producers, those who really know the business, and not by people who know nothing about it. Then we might get a sensible report.

Mr. Lambert (Bellechasse): Mr. Speaker, I rise on a point of order.

Mr. Speaker: The hon. member for Bellechasse on a point of order.

Mr. Lambert (Bellechasse): Mr. Speaker, it is with much hesitation that I do so, because on many previous occasions I have thought of drawing the attention of the Chair to the following fact: when a minister makes a statement, it is normal for a representative of each party to express his opinion on the reaction of his party to the statement. But when it is time for the Social Credit spokesman to take the floor and speak in French as he has every right to do, very often hon. members talk between themselves so that the hon. member who has the floor can hardly be heard.

I realize that there is no ill-will, but I request that, in future, the right of speech of any member of my party be respected so that one may hear what he has to say.

Mr. Speaker: I am sure that all hon. members will consider the remarks of the hon. member for Bellechasse. I believe them to be well founded, and I invite all members to remember that those who speak on behalf of their party, following a ministerial statement, have the right, under our Standing Orders, to be heard by their colleagues.

* * *

[*English*]

THE CANADIAN ECONOMY

EFFECT OF U.S. DISC LEGISLATION—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Steven Otto (York East): Mr. Speaker, I rise under the provisions of Standing Order 43 to request the unanimous consent of the House to make a motion in connection with the passage of the Domestic International Sales Corporation provisions by the Senate of the United States yesterday. The pressing and urgent nature of the situation arises out of the fact that the DISC legislation will lead to a massive exodus of manufacturing plants from Canada to the United States in order to gain the advantage of a tax-free position. The effect will be to close down half of Canada's industrial production and produce massive unemployment. In these circumstances it is imperative that this House debate what measures should be taken to ensure Canada's economic survival. I would therefore move, if unanimous consent is given, the following motion:

That this House now consider what economic measures should be taken in response to the passage of the DISC legislation in the United States.

Some hon. Members: Hear, hear!

Mr. Baldwin: We agree, Mr. Speaker.

Mr. Knowles (Winnipeg North Centre): Agreed.

Mr. Baldwin: And I will second the motion, Mr. Speaker.

Mr. Knowles (Winnipeg North Centre): Agreed.

Mr. Speaker: Has the hon. member indicated who is seconding the motion?

Mr. Otto: Mr. Speaker, I believe a volunteer has already indicated that he will second it.

Mr. Baldwin: I second the motion, Mr. Speaker.

Mr. Speaker: I will inquire whether there is unanimous consent. I should like to bring to the attention of the hon. member for York East and the hon. member for Peace River, who has seconded the motion, that there might be some difficulty about the form of this motion since it asks the House to consider what economic measures should be taken. I am not sure how this would be done or what would happen if the motion were carried. I appreciate, however, that if the motion were carried unanimously perhaps we might agree on the form of the debate, so I will not pursue the procedural aspect of the motion and will simply inquire whether there is unanimous consent.

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent and the motion cannot be put.

Mr. Baldwin: Who said no?

Mr. McGrath: It was the parliamentary secretary opposite.

* * *

LABOUR CONDITIONS

NUMBER OF JOBS AVAILABLE—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. David Orlikow (Winnipeg North): Mr. Speaker, I should like to move a motion under Standing Order 43. Its import will be obvious from its content. If there is consent, I would move, seconded by the hon. member for Regina-Lake Centre (Mr. Benjamin):

That the striking contradiction between the Prime Minister's assertion that there are plenty of jobs available if the unemployed really wanted to work and the results of a survey of Canada Manpower Centres which shows that there are 480,762 persons registered with Manpower looking for work and only 48,057 vacancies to be filled by Manpower—a ratio of 10 to 1 of people looking for jobs over available jobs—be referred to the Standing Committee on Labour, Manpower and Immigration for immediate investigation.

Mr. Speaker: The House has heard the motion proposed by the hon. member for Winnipeg North. This motion requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent and the motion cannot be put.

[Mr. Baldwin.]

• (2:30 p.m.)

ORAL QUESTION PERIOD

TRADE

UNITED STATES DISC PROPOSAL—PRESENTATION TO FIRST MINISTERS' CONFERENCE OF MEASURES TO OVERCOME DIFFICULTIES FACING CANADIAN EXPORTERS

Mr. G. W. Baldwin (Peace River): Mr. Speaker, before I ask the Prime Minister a question I want to say on behalf of myself, and particularly on behalf of the Secretary of State for External Affairs, how much we welcome him back.

Mr. Sharp: I second the motion.

Mr. Baldwin: In view of the statement in the communiqué tabled today by the Prime Minister that the provincial first ministers were informed of the efforts of the federal government directed at the reconsideration by the United States of proposed economic measures and at mitigating the effects of such measures, can the Prime Minister tell the House whether the federal government presented to the conference any specific measures to enable Canadian exporters to face the difficulties posed by the proposed tax incentives for U.S. exporters and the DISC proposal?

Right Hon. P. E. Trudeau (Prime Minister): Nothing beyond what has been stated in the House, Mr. Speaker.

Mr. Baldwin: As a supplementary question, Mr. Speaker, does the rather brief and truncated economic review delivered by the Minister of Finance to the conference contain the sum total of the presentation made by the federal government to the provinces on this particular issue?

Mr. Trudeau: Mr. Speaker, I apoligize. I missed hearing the question. There was something about a truncated statement. If the hon. member would repeat it I would be glad to answer.

Mr. Baldwin: I am always glad to repeat a question in different form. Does the unusually truncated and brief statement that the Minister of Finance made to the conference contain the sum total of the presentation made by the federal government to the provinces on this issue?

Mr. Trudeau: Well, Mr. Speaker, a communiqué is not a repetition of the speeches which are made. A communiqué is as brief a summary as possible of the general lines and substance of a presentation, so obviously it is not a total summary of what the minister said throughout three days of the conference.

Mr. Baldwin: In view of the decision taken by both Houses of the United States Congress in favour of tax incentives for U.S. exporters, and DISC in one form or another, has the government any contingency plans to assist Canadian exporters and the Canadian economy in this event, and when will these plans be presented to the House of Commons for discussion and appropriate action

or, if not presented, will the plans be leaked in the usual way by the government?

UNITED STATES DISC PROPOSAL—REQUEST FOR STATEMENT ON GOVERNMENT MEASURES—PLANT RELOCATION MONITORING—GENERAL ADJUSTMENT ASSISTANCE PLAN EXPANSION

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I wish to direct a supplementary question to the right hon. Prime Minister. In view of the fact that the Nixon administration and the United States Senate and House of Representatives have all agreed in principle on the DISC proposal and its passage awaits only a conference of the Senate and the House to determine the percentage of the tax deferment that will be permitted, and in view of the very serious repercussions that this will have on Canadian exports and Canadian jobs, is the Prime Minister prepared now, or will he be prepared on motions tomorrow, to make a statement on the measures that the Canadian government proposes to take to deal with this matter? In particular, may I ask him if any monitoring machinery has been set up to ascertain whether there are indications of plant relocation south of the border, or in order to monitor any future indications of such plant relocation that might arise?

Right Hon. P. E. Trudeau (Prime Minister): I will consider the suggestions made by the hon. member, Mr. Speaker.

Mr. Douglas: In view of the fact that according to the alleged cabinet document of July 29 the Minister of Industry, Trade and Commerce was asked by the cabinet to prepare plans for an expansion of the General Adjustment Assistance Plan, GAAP, have such plans been completed, and when will the government be able to tell us what this expansion of GAAP entails?

Mr. Trudeau: Mr. Speaker, I do not think it would be good practice to comment on cabinet documents which have not been made public.

Mr. Douglas: Mr. Speaker—

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Hamilton West on a supplementary and return to the hon. member for Nanaimo-Cowichan-The Islands later.

[*Later:*]

Mr. Douglas: Mr. Speaker, I would like to ask the right hon. Prime Minister if it is the government's intention to expand the General Adjustment Assistance Program, and in view of the fact that contingent upon such expansion would be an outline of the government's industrial strategy, does the government intend within the next few days to make a statement both with respect to its industrial strategy and expansion of the GAAP?

Mr. Trudeau: Mr. Speaker, I will inform myself of the intentions of the various ministers in this regard.

Inquiries of the Ministry

UNITED STATES DISC PROPOSAL—POSSIBLE SPLITTING OF INCOME TAX BILL TO ENABLE RECONSIDERATION OF CERTAIN PROVISIONS

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, now that the DISC program is more than likely to come into effect, and in view of the fact that in this House we are dealing with a tax bill that is now outdated, is it the intention of the government just to introduce the more attractive features of that bill and hold the other controversial parts for further consideration?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker.

UNITED STATES DISC PROPOSAL—ESTIMATE OF UNEMPLOYMENT THAT MAY BE CAUSED IN CANADA

Mr. Lincoln M. Alexander (Hamilton West): In view of the fact that at the time the United States surcharge was invoked on August 15 the government produced figures with respect to the trade losses and the jobs that would be lost as a result of that surcharge, has the government now got any figures on what the DISC program will mean in terms of unemployment in Canada? As I recall it, the government estimated that if the surcharge remained in effect for a year the unemployment caused by it would total some 90,000 jobs. Has the government any figures in this regard?

Right Hon. P. E. Trudeau (Prime Minister): Well, Mr. Speaker, the figures we do have show that exports have continued to go up in the past ten months.

Mr. Alexander: Mr. Speaker, I direct one further supplementary question to the Minister of Labour. In view of the fact that the country will certainly be faced with massive lay-offs in the future, can the minister advise when in fact he will have the regulatory provisions regarding bi-weekly and bi-monthly computations in order that industry can now calculate the type of formula that will be used?

Hon. Bryce Mackasey (Minister of Labour): I hope fairly soon, Mr. Speaker. The hon. gentleman has pointed to an area which is very complex, and I think he can well understand the degree of planning required necessitates a certain degree of co-operation and openness that hitherto has not always been available.

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, I have a supplementary to the original question and I will direct it to the Prime Minister as soon as I can get his attention. In view of the fact that I and other Members of Parliament are on the mailing list of the Prime Minister's office, would the Prime Minister give consideration to putting members of the House on the leak list?

Some hon. Members: Oh, oh!

Inquiries of the Ministry

HEALTH

MEDICARE—STUDY OF WAYS TO MEET COSTS AND PROVIDE SERVICES

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of National Health and Welfare arising out of discussions at the recent federal-provincial conference concerning the costs of medical care. In view of the rising costs in this area, is the government giving consideration to an over-all and comprehensive study of ways in which these costs can be met and services provided, rather than just trying to solve the problem by cutting off what the federal government would pay and leaving the rest to be paid by the provinces?

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, there is no suggestion of cutting off what the federal government is paying. The suggestion is that if we can implement many of the reforms identified, of which there were some 80 in the joint federal-provincial study on health costs, we could have funds available to do many other needed things that should be done and that indeed many provinces are doing in their own way.

Mr. Knowles (Winnipeg North Centre): Is the only answer of the government in that area to tie the federal contribution to the level of the GNP and not to consider other factors?

Mr. Munro: No, Mr. Speaker. The suggestion is that the formula be on a base year and be escalated in accordance with annual increases in the GNP. There would also be further moneys, some $640 million over a five-year period, as an incentive to the provinces to get into new areas and bring about reforms in the health services system.

• (2:40 p.m.)

* * *

[*Translation*]

THE CANADIAN ECONOMY

ABOLITION OF INDIRECT TAXES TO ALLEVIATE INFLATION AND UNEMPLOYMENT—PRICE AND WAGE FREEZE

Mr. Léonel Beaudoin (Richmond): Mr. Speaker, I have a question for the Prime Minister.

Would he tell the House whether the government agrees with the Senate Standing Committee on National Finance that indirect taxes should be abolished in order to check inflation and unemployment in Canada?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I believe the hon. member is referring to a report to be tabled in the Senate at this very moment. As I was not able to obtain copies of the report as quickly as the hon. member, I have not yet read it and I cannot now answer the question.

Mr. Beaudoin: May I ask a supplementary question, Mr. Speaker?

[Mr. MacInnis.]

Could the Prime Minister tell us if the government intends to freeze prices and wages in order to fight inflation and unemployment and to stop the 10 per cent American surtax on some Canadian products exported to the United States from having adverse effects on our economy?

Mr. Trudeau: As we have said on previous occasions, Mr. Speaker, that is an alternative which we have considered and to which we are ready to give further consideration if the need should arise. For the present, as the hon. member knows, inflation is not what is threatening the Canadian economy.

PROPOSED REDUCTION OF FEDERAL SALES TAX

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I would like to put a supplementary question to the Prime Minister.

Does the government feel that reducing taxes, the sales tax included, would improve the economic situation in Canada?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the Minister of Finance told us, barely fifteen days ago, I think, as well as in June that personal and corporation taxes had been greatly reduced. So as far as tax cuts are concerned, we indicated our agreement. It remains to determine where such cuts will benefit the economy most.

* * *

[*English*]

NATIONAL DEFENCE

U.S.-CANADA PRODUCTION-SHARING AGREEMENT—UNITED STATES REQUEST FOR GREATER CANADIAN PURCHASES FROM THAT COUMTRY

Right Hon. J. G. Diefenbaker (Prince Albert): My question is directed to the Minister of National Defence and relates to the agreement entered into on June 6, 1963 between Mr. MacNamara on behalf of the United States and the present President of the Treasury Board, then Minister of National Defence, in connection with the sale and production of defence material. Last year the credit balance in favour of Canada was, I think, well over half a billion dollars. Has the United States now called on Canada to make greater purchases in the United States in order to bring about what was described in the agreement as a fair balance of expenditure? Has there been anything like that recently?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the primary responsibility for this agreement lies with my colleague, the Minister of Industry, Trade and Commerce. However, I can confirm to the right hon. gentleman that in particular the United States has been very enthusiastic in pressing upon us the purchase of the Lockheed Orion aircraft as a long-range patrol aircraft. At all stages I have made it clear to the Americans that we would buy such equipment as was suitable to our needs in what we regarded as the best possible market.

Mr. Diefenbaker: Apparently the United States has been exerting some pressure on Canada. The simple question is: Has the American administration asked for a reasonable balance as between these purchases and, in particular, that in the next year or two Canada should purchase from the United States a great deal more defence material than ever before? If so, has the government of Canada pointed out that to bring about that balance under the agreement of 1963 would mean a loss to Canada of $500 million a year in trade and increased unemployment within our country?

Mr. Macdonald (Rosedale): Mr. Speaker, I share the right hon. gentleman's viewpoint. In general terms, no, the United States officially has not impressed upon me the necessity of righting this balance. As I have said, any representations made to me have only been in regard to the Orion aircraft which, as I have said, we will not necessarily buy, nor any other American aircraft, if it does not meet our requirement.

Mr. Speaker: Order, please. I will allow a supplementary to the right hon. member for Prince Albert but I would invite hon. members to limit supplementaries as I am anxious to recognize those who were not given an opportunity to ask their questions yesterday and are waiting to do so now.

Mr. Diefenbaker: Mr. Speaker, I just want an answer to that simple question whether the United States is now applying pressure to Canada in this regard. Has the Canadian government pointed out to the United States the adverse results of anything like a balance being established for defence as between our two countries?

Mr. Macdonald (Rosedale): Mr. Speaker, I shall be glad to respond to the hon. gentleman for the third time. There has not been general pressure on me as Minister of National Defence. There has been with regard to the Orion aircraft—

Mr. Diefenbaker: That is defence material.

Mr. Macdonald (Rosedale): —as I pointed out to the hon. gentleman.

Mr. Speaker: Order, please. The hon. member for St. John's East (Mr. McGrath).

* * *

MANPOWER

ALLEGED RELUCTANCE OF UNEMPLOYED TO ACCEPT CERTAIN KINDS OF JOBS OR LEAVE HOMES

Mr. James A. McGrath (St. John's East): I should like to direct a question to the right hon. Prime Minister. Based on the report that the Prime Minister stated on Friday that many jobs are going begging in Canada because Canadians do not want certain kinds of work or are not prepared to leave their homes, I should like to ask the Prime Minister if this kind of evidence is provided by the Department of Manpower and Immigration and, if so, will this statistical information be made available to the House?

Right Hon. P. E. Trudeau (Prime Minister): I think this is information I got from a member of the opposition, Mr. Speaker, who was complaining that in his riding there were not enough workers to pick fruit from the trees of his constituents.

Mr. Baldwin: How about parliamentary secretaries?

Mr. McGrath: May I ask the Prime Minister if it is his view that Canadians are in fact too lazy to go to work and are not prepared to leave their homes?

Mr. Speaker: Order, please.

AVAILABILITY OF JOBS IN THOMPSON AND SUDBURY

Mr. David Orlikow (Winnipeg North): I have a question for the right hon. Prime Minister. In view of the fact that in the last couple of weeks International Nickel Company has announced lay-offs in Thompson and Sudbury, may I ask on what information the Prime Minister based his statement that jobs are available in those two centres?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I was referring to a statement I had made a year ago when there were jobs. In the same answer I referred to a comment on my answer which had been made at that time by Mr. Mahoney of the steelworkers saying that I should ask permission before saying there were jobs in Thompson.

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THE CANADIAN ECONOMY

SPECIAL LOAN FUND TO ENCOURAGE WINTER EMPLOYMENT—AVAILABILITY OF CRITERIA AND APPLICATION FORMS TO PROVINCES

Mr. Norman A. Cafik (Ontario): I have a question for the Minister of Regional Economic Expansion. Do the provincial authorities have the criteria and forms necessary to assist municipalities in making application for loans under the new $160 million loan fund recently set up to encourage employment during winter months?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I think the Minister of Finance wrote to all the provinces saying what the criteria are and setting down the conditions. We have forms here in Ottawa but they do not have to fill in their applications on those forms. They have all the necessary information and they just have to follow the guidelines and forward their requests.

Mr. Baldwin: Is that for this year or next year?

Mr. Marchand (Langelier): This year.

Mr. Cafik: Are any further agreements required between the provinces, particularly Ontario, and the federal government before this program can be implemented?

Mr. Marchand (Langelier): Mr. Speaker, I think it has to be approved by both parties before it is implemented but first we have to receive the application.

Inquiries of the Ministry

INDIAN AFFAIRS

NORWAY HOUSE AND CROSS LAKE—FINANCIAL ASSISTANCE TO PROVIDE TELEVISION SERVICE

Mr. Robert Simpson (Churchill): I have a question for the Minister of Indian Affairs and Northern Development but in his absence I shall address it to the acting minister or the parliamentary secretary.

Mr. Nielsen: The parliamentary secretary is not there; try the Prime Minister.

Mr. Simpson: If neither is available I shall address it to the Prime Minister. In the areas of Canada where large numbers of Indian people are living, such as the closely adjacent communities of Norway House and Cross Lake in Manitoba, and television services are non-existent, can the Prime Minister say whether the Department of Indian Affairs and Northern Development is considering any means whereby they can assist financially in providing this greatly needed service?

Mr. Speaker: Order, please. I suggest to the hon. member that this question ought normally to be placed on the order paper. I realize that the matter is important but if there is urgency it is not apparent to the Chair. Perhaps it might be given priority in being considered at the time of adjournment.

Mr. Simpson: On a point of order, with the greatest respect, Mr. Speaker, I thought that the minister might be able to throw some light on this question, and in view of the fact I was not able to ask the question during the last two days when he was present, I felt I should ask it today because the answer is very important.

• (2:50 p.m.)

Mr. Speaker: Order, please. Perhaps in view of the circumstances the question might be given priority at the time of adjournment.

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TRADE

REPORT ALLEGING DETERIORATION OF RELATIONS WITH WESTERN EUROPE AND GREAT BRITAIN—REQUEST FOR STATEMENT

Mr. Lloyd R. Crouse (South Shore): My question is for the Secretary of State for External Affairs. Is the minister aware of a report by Leonard Beaton for the British-North American Research Association that Canada's traditional trading links with western Europe are disappearing and that our relations with Britain have sunk to a level of triviality? If so, is the government studying this report and will a statement be made on these vital relationships?

Mr. Speaker: Order, please. I suggest most respectfully that this again is the type of question which ought to be placed on the order paper. The question might be answered to the extent of whether a statement will be made on motions.

Hon. Mitchell Sharp (Secretary of State for External Affairs): I am not aware of the statement, Mr. Speaker. I do not agree with it and therefore I have no occasion to make a statement.

[Mr. Marchand (Langelier).]

* * *

MANPOWER

AVAILABILITY OF JOBS

Mr. Les Benjamin (Regina-Lake Centre): I wish to return to a matter raised earlier in the question period and direct a question to the Prime Minister. It does not involve a statement he made a year ago but one which was quoted in the November 13 edition of the Toronto *Star* where he is reported to have said: "Today, if they want to do anything, there are plenty of jobs." In view of that statement, is the Prime Minister willing to accept inquiries direct to his office from unemployed people looking for jobs inasmuch as the Department of Manpower says there are only 48,000 available and there are 480,000 applicants?

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[*Translation*]

FAMILY INCOME SECURITY

FAMILY ALLOWANCES—INQUIRY AS TO AGREEMENT WITH QUEBEC

Mr. Roch La Salle (Joliette): Mr. Speaker, I have a question for the Minister of National Health and Welfare.

Could he tell the House whether the Quebec government and the federal government agreed on a family allowances policy? If there has been an agreement in principle, will it guarantee the Quebec government the legislative precedence while leaving with the federal government the responsibility of issuing cheques?

[*English*]

Hon. John C. Munro (Minister of National Health and Welfare): No, Mr. Speaker, there is no agreement yet. Talks are still going on at the official level. When those talks reach definite conclusions and political decisions are made, an announcement will be made in the House.

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BROADCASTING

QUEBEC CABLEVISION LEGISLATION—DISCUSSION OF JURISDICTION WITH PROVINCIAL MINISTER OF COMMUNICATIONS

Hon. W. G. Dinsdale (Brandon-Souris): My question is for the Secretary of State. In light of the initiation of cablevision legislation in Quebec and the desire of Quebec to discuss the jurisdictional issues involving cable television with the federal government, is the Secretary of State now going to meet with the Quebec Minister of Communications on this matter?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I met the Quebec minister of communications many times and I shall meet him again.

The purpose of these meetings is to explore the activities of the Quebec and the federal governments in this field and to study the meaning of the legislation passed by the National Assembly of Quebec.

* * *

[*English*]

EXTERNAL AFFAIRS

DISCUSSIONS WITH MEMBERS OF EUROPEAN ECONOMIC COMMUNITY TO ESTABLISH RAPPORT

Mr. Heath Macquarrie (Hillsborough): I should like to direct a question to the Secretary of State for External Affairs. Based upon the statement yesterday of the Canadian Ambassador to France that a vital question for Canada is whether it can establish rapport with an enlarged and more integrated European community, can the minister advise if in this urgent matter there are any special plans for early top level discussions with members of the European Economic Community?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Yes, Mr. Speaker, except that these are not plans; these are realities. We have had discussions with the members of the European Commission. We are now in the process of establishing the kind of links to which the hon. member has referred.

Mr. Macquarrie: May I ask the minister if he has any lack of confidence in this area in that we might be left out in the cold unless we do a little more?

Mr. Sharp: No, Mr. Speaker, we have a very warm relationship with the European community.

Mr. Baldwin: The trouble is they don't know it.

* * *

FINANCE

RESTRICTIONS TO BE IMPOSED ON FOREIGN CONTROLLED INVESTMENT FIRMS

Mr. P. V. Noble (Grey-Simcoe): In view of the fact the Minister of Finance has not been in the House this week, perhaps I can direct my question to his parliamentary secretary and ask him to bring it to the minister's attention. Will the minister take the first opportunity on motions to tell the House what segments of their operations restrictions will be imposed on foreign controlled investment firms by the government?

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THE CANADIAN ECONOMY

FOREIGN INVESTMENT—FURTHER DISCUSSION OF PROPOSED POLICY WITH PROVINCES—TIME OF ANNOUNCEMENT

Mr. Thomas M. Bell (Saint John-Lancaster): My question is for the Prime Minister. I had hoped to ask it earlier. Did the Prime Minister give any indication to the provinces that he would again be discussing foreign investment policy with them and, if so, will this be done before the end of the year?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker. The communiqué states that we did discuss this subject. I told them I hoped there would be other occasions to discuss the general subject with them.

Mr. Bell: Is there any hope that the whole foreign investment policy will be announced before the end of the year?

Mr. Trudeau: Yes, Mr. Speaker.

FOREIGN INVESTMENT—POSSIBLE SALE OF MONTREAL CANADIENS HOCKEY TEAM TO UNITED STATES INTERESTS

Mr. Barry Mather (Surrey-White Rock): I have a question for the Minister of National Revenue in his capacity as the minister who is very much concerned about the extent of foreign investment in Canada. Is the minister aware of reports today emanating from Montreal which indicate that some consideration is being given to the sale of the Montreal Canadiens hockey team to United States interests and will he look into the reports?

Hon. Herb Gray (Minister of National Revenue): Mr. Speaker, I was not aware of these reports until the hon. member asked the question. I will be happy to look into these reports in so far as I have any jurisdiction or responsibility in this area.

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[*Translation*]

REGIONAL ECONOMIC EXPANSION

CLOSING OF CHEMCELL LIMITED—POSSIBILITY OF ESTABLISHING NEW INDUSTRIES IN MONTMAGNY

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I should like to direct a question to the Minister of Regional Economic Expansion.

Since the minister is well aware of the problem created in Montmagny by the closing of the Chemcell plant, could he tell the House if plans are being made to establish new industries in this area, in order to create jobs for the workers who will be laid off soon?

Hon. Jean Marchand (Minister of Regional Economic Expansion): I believe, Mr. Speaker, I shall have very good news to announce soon.

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FEDERAL-PROVINCIAL RELATIONS

ALLEGED WIDENING OF EQUALIZATION PAYMENT SYSTEM

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I would like to ask the Prime Minister a question.

Following the Premiers' conference the Prime Minister said yesterday on television that the province of Quebec and the federal government had agreed on how to enlarge

the equalization plan, which the premier of Quebec denied categorically.

Could the Prime Minister clarify that situation and tell us whether the federal government and the province of Quebec have really reached an agreement on a formula to enlarge the equalization plan?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I cannot have said that there has been an agreement on the enlargement equalization plan in the sense proposed by the province of Quebec and by other provinces. I have said that in fact there has been—and that appears in the communiqué—an enlargement of $18 million which will be added to the amounts subject to equalization, but it is following a technical review that we have improved the application of the system to a point.

Mr. Valade: I want to ask the Prime Minister a supplementary.

I would like to ask him whether a mere technical difficulty, or more basic principles, are involved in this discussion.

Mr. Trudeau: Mr. Speaker, there is one basic principle on which all provinces were in agreement—that the rich provinces should help the less privileged ones. Because of this principle, the province of Quebec received hundreds of millions of dollars under the equalization formula. It is asking for more, but the provinces which have to foot the bill say that too much money has been redistributed already.

The federal government improved the system, without, however, going as far as some of the poorer provinces would have wished. It still went much further than the Conservative government had planned to do in 1962. The 1967 formula is far more generous towards the poorer provinces.

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[*English*]

AIRPORTS

HAWKESBURY—ACTION TO REMOVE POSSIBLE SAFETY HAZARD CREATED BY CANADIAN NATIONAL RAILWAYS

Mr. Jerry Pringle (Fraser Valley East): My question is directed to the Minister of Transport. Is the minister aware of the possible aviation safety hazard being created by Canadian National Railways at Hawkesbury airport and, if so, is he taking any action to correct the situation?

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker, I am aware of it. I have conveyed the problem to Canadian National. I understand they have met with the parties concerned but I am not sure whether they have reached any agreement.

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INQUIRY OF THE MINISTRY

Mr. John Lundrigan (Gander-Twillingate): I have two brief questions to direct to the Prime Minister which I hope he will treat candidly. Can the Prime Minister confirm whether he has requested the resignation of the Minister of National Revenue?

[Mr. Valade.]

Mr. Speaker: The hon. member for Broadview.

• (3:00 p.m.)

Mr. Lundrigan: Perhaps the Prime Minister will answer this question candidly, Mr. Speaker. Can he confirm, in view of the—

Mr. Speaker: Order, please. I suggest to the hon. member that it is not in order to ask a minister, or the Prime Minister, whether he will answer a question candidly. The hon. member has the floor in order to ask a question, not to make a speech.

Mr. Lundrigan: I will rephrase my question and ask the Prime Minister whether he will answer the following question. Can he confirm, in view of the conflict within cabinet, that unless there is a consolidation of opinion along his own defined lines he will resign his own position as Prime Minister and leader of the Liberal party?

Mr. Speaker: The hon. member for Broadview. Order, please. I apologige to the hon. member for Broadview. I hope to be able to recognize him in a moment or so. The hon. member for Gander-Twillingate rises on a point of order.

Mr. Lundrigan: Mr. Speaker, my question was asked in all sincerity—

Some hon. Members: Oh, oh!

Mr. Lundrigan: —and I hope the Prime Minister, even if he does not want to answer, will be given an opportunity to indicate whether—

Mr. Speaker: Order, please. Even if the Prime Minister wanted to reply he could not do so because the question is certainly not in order.

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UNEMPLOYMENT INSURANCE

TORONTO—NEED FOR MORE EMPLOYEES AT HOLLY ST. OFFICE

Mr. John Gilbert (Broadview): Mr. Speaker, my question is directed to the Minister of Labour. In view of the high unemployment rate and the hon. gentleman's desire to help solve this serious problem, is it his intention to employ more staff at the Holly Street branch of the Unemployment Insurance Commission in Toronto to help process claims rather than have the present employees work overtime three nights a week?

Hon. Bryce Mackasey (Minister of Labour): I shall inquire whether more people are needed at this branch. If such a need is obvious, I shall have no hesitation in recommending the appointment of additional staff.

LABOUR CONDITIONS

POSSIBLE LOSS OF JOBS AT DOMINION ENGINEERING RESULTING FROM LOW RUSSIAN BID FOR TURBINES FOR MICA CREEK PROJECT

Mr. Raymond Rock (Lachine): I have a question for the Minister of National Revenue about the possible loss of 800 to 900 jobs at the Dominion Engineering Works in Lachine, Quebec. Is the government, through its anti-dumping laws, looking into the possibility that Russia used dumping tactics when submitting her bid for the supply and installation of turbines for the Mica Creek project of British Columbia Hydro? The bid was lower by $4,800,000.

Mr. Speaker: Order, please. The hon. member is now making a speech. He has the floor for the purpose of asking a question, not to make a speech.

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THE CANADIAN ECONOMY

WINTER WORKS PROGRAM—POSSIBLE CHANGE IN MAN-MONTH REGULATION

Mr. S. J. Korchinski (Mackenzie): Mr. Speaker, I have a question for the Minister of Manpower and Immigration who is apparently a roster buster today. In his absence I should like to direct it to the Minister of Labour. Has there been any change in the regulations pertaining to the winter works program? In particular, I have in mind the 30 man-month regulation. Can he tell us what changes have been made, since many of the smaller communities have not been able to comply with some of these regulations?

Hon. Bryce Mackasey (Minister of Labour): Perhaps I may have missed the point, Mr. Speaker. The Minister of Manpower and Immigration will be away until the end of next week in connection with his responsibilities as minister in charge of immigration. With regard to the specific question which was asked concerning regulations, I am not aware, frankly, that there has been any change. I know this matter has been under consideration in light of certain representations which have been made. I will find this out today and make sure that a report is made to the House tomorrow, either by myself or by one of my colleagues.

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AIR TRANSPORT

HIJACKING—REQUEST FOR IMPROVED SECURITY MEASURES AT AIRPORTS AND IN THE AIR

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to address a question to the Minister of Transport. What steps has he taken to improve security at our airports and on our airlines in view of the latest hijacking incident and repeated requests from the Canadian Airline Pilots Association?

Hon. Donald C. Jamieson (Minister of Transport): A great many steps have been, and are being, taken. I am sure the hon. member would not wish me to disclose them in detail in public. We have consulted with the pilots association at each step of the way. I do not think it is a breach of secrecy to indicate that detection devices have been installed at a number of airports and that others are on order. As soon as they have been received they will be installed. The department has agreed to pay for them so the burden will not be borne by the airlines.

Mr. McGrath: May I ask the minister what steps he is taking to improve security in the air?

Mr. Jamieson: Again, this is a very difficult question to answer briefly. I think we have taken part in every international conference which has been held on this subject. The difficulty is to devise rational responses to acts which are totally irrational. We do the very best we can, and I think that up to now our efforts have received the full co-operation of the pilots and other groups, including the airlines.

Mr. Erik Nielsen (Yukon): Since most of the detection devices to which the minister has referred, or a good many of them, are installed in the major airports on a portable basis, can the hon. gentleman assure us there will be a change of policy in this regard and that permanent detection devices will be installed?

Mr. Jamieson: I cannot give a categorical answer to that question. I can say that we are trying to find the best possible solution to the problem. I am sure Your Honour would not be indulgent enough to allow me time in which to answer in detail. The volume of traffic at certain airports is much greater than at others and we are trying to deal, first, with the airports which are used most. Eventually, I hope we shall have most of our airports covered.

Mr. Speaker: Order, please. I have to remind hon. members again that we are running short of time. I realize the importance of this question, but if hon. members feel that further supplementaries might be left until tomorrow I will recognize the hon. member for Peace River.

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COMPETITION BILL

REQUEST FOR WITHDRAWAL AND REFERENCE OF SUBJECT MATTER TO COMMITTEE

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I should like to direct a question to the Acting Minister of Consumer and Corporate Affairs. In light of the decision by the minister to withdraw the new Competition Act and bring in a new bill next session, may I ask whether the subject matter of the new bill will first be referred to a committee so that a more acceptable piece of legislation than the existing bill may be available?

Hon. Donald S. Macdonald (Minister of National Defence): On behalf of my colleague, the Minister of Consumer and Corporate Affairs, I would point out that he was really reaffirming his previous position that the present bill would not be advanced this session but that a new one would be brought forward in the next session. I do not think there is any question of withdrawing it.

Mr. Baldwin: The minister did not answer the last part of my question. Is it the intention of the government to first refer the subject matter of this bill, as with other repugnant bills, to a committee with a view to getting better legislation?

Mr. Macdonald (Rosedale): No, Mr. Speaker. Neither is it a repugnant bill.

[*Later:*]

INCLUSION OF PROVISIONS TO DEAL WITH FOREIGN OWNERSHIP

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, I have a supplementary to the previous question directed to the Acting Minister of Consumer and Corporate Affairs. In view of the statement that the competition bill is to be revised, I wonder whether the hon. gentleman, or the parliamentary secretary, can tell us whether there will be any proposals in the bill to deal with foreign ownership?

[*Later:*]

Mr. Macdonald (Rosedale): Mr. Speaker, I did not catch the first part of the question asked by the hon. member for Yorkton-Melville. I cannot answer as to the general proposition he made, but I will bring the matter to the attention of my colleague directly he returns to Ottawa.

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LABOUR CONDITIONS

ALLEGED NEED FOR LEGISLATION PROHIBITING STRIKES BY EMPLOYEES IN ESSENTIAL SERVICES

Hon. Paul Hellyer (Trinity): Mr. Speaker, I should like to direct a question to the Minister of Labour. Would the minister consider introducing into the House at once legislation withdrawing the right to strike in all essential services under federal jurisdiction and substituting the rule of law, and including in the legislation the telephone service and air traffic control?

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, the hon. gentleman should know that Air traffic control does not come within the responsibility of the Minister of Labour but under the public service. Whether or not we can do without telephone service over the next month depends, of course, entirely on how much we use it. As to whether I am going to bring in anti-labour legislation in this House to suit the wishes of the hon. gentleman, the answer is categorically no.

Mr. Hellyer: Does the minister not feel that ordinary citizens have some right to the continuous provision of essential services?

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please. Obviously the hon. member and the minister are anxious to embark on a debate, but I would not think this is the time for it.

[Mr. Macdonald (Rosedale).]

THE CANADIAN ECONOMY

FOREIGN INVESTMENT POLICY—STUDY OF OPTIONS OPEN TO CANADA IN ECONOMIC RELATIONS WITH UNITED STATES

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I have a question for the Prime Minister arising from the right hon. gentleman's announcement that a statement on government policy with regard to foreign capital will perhaps be made before the end of the year. Has the government under intensive study at this time the options that Canada would have open to it in its economic relations with the United States ranging from, say, a commodity agreement like the auto pact to a customs union as proposed by the Premier of British Columbia?

• (3:10 p.m.)

* * *

[*Translation*]

REGIONAL ECONOMIC EXPANSION

REASON FOR REMOVAL OF AEROVOX CANADA LIMITED FROM HAMILTON TO ANOTHER PROVINCE

Mr. Colin Gibson (Hamilton-Wentworth): Mr. Speaker, I should like to put a question to the Minister of Regional Economic Expansion.

Did the policy of his department cause the removal of an industry from the city of Hamilton to a poor area of Canada? For instance, was an amount of money paid Aerovox Canada Limited, as the mayor of Hamilton claimed, if we are to believe the news report published yesterday in the Hamilton *Spectator*?

[*English*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I am ready to make the same effort and to answer in English; I hope I will be as clear as the question was. There is no doubt that the decision to close down the Aerovox plant in Hamilton was taken even before an application was made to my department.

Mr. Donald MacInnis (Cape Breton-East Richmond): Mr. Speaker, I have a supplementary question which I address to the minister and also to the questioner. Is he aware of the fact that the question asked and the answer given are a reflection on Premier Regan and his administration?

* * *

[*Translation*]

INQUIRY OF THE MINISTRY

Mr. René Matte (Champlain): Mr. Speaker, I should like to put a question to the Prime Minister.

Has the French version of the report of the Senate Committee on Poverty been tabled?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I did not understand the question. Would the hon. member mind repeating it?

Mr. Matte: Has the French version of the report of the Senate Committee on Poverty been tabled?

Mr. Speaker: I feel that question should be put in the other place.

* * *

[*English*]

AGRICULTURE

REPRESENTATIONS ON BEHALF OF CANADIAN PRODUCERS TO HIGH TARIFF COUNTRIES

Mr. R. E. McKinley (Huron): Mr. Speaker, I have a question for the Minister of Agriculture. At the meetings of the United Nations Food and Agriculture Organization, did the minister make representations on behalf of Canadian agricultural producers to those countries that have high tariffs and levy systems, thereby making it impossible for Canadian products to be exported to those countries? Were talks along that line held and were representations made?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, the formal sessions of FAO are not designed for the purpose of negotiating trade arrangements or agreements. Nevertheless, informal discussions do take place during the meetings, especially after hours, and at all times I can assure the hon. member that the interests of the Canadian farmers were promoted vigorously by all members of the Canadian delegation.

Mr. McKinley: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. We have just about run out of time. Perhaps the hon. member might pursue the matter tomorrow. I was anxious to give the hon. member a chance to ask his question.

Mr. McKinley: Ten o'clock, Mr. Speaker.

Mr. Speaker: The hon. member can ask his supplementary at ten o'clock, and he will be given priority again since this is obviously an urgent matter. The hon. member for Kootenay West will be allowed a question, and then we will call orders of the day.

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POWER

PROPOSED FLOODING OF SKAGIT RIVER VALLEY—INTERNATIONAL JOINT COMMISSION REPORT

Mr. Randolph Harding (Kootenay West): Mr. Speaker, I have a question for the Secretary of State for External Affairs. Has the government received a report from the International Joint Commission on its recent investigation into the proposed flooding of the Skagit Valley and, if not, when is a report expected?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I have not yet received the report but I will make inquiries.

Mr. Speaker: Orders of the day.

BUSINESS OF THE HOUSE

WEEKLY STATEMENT

Mr. Baldwin: Mr. Speaker, I raise my usual Thursday point of order. I should like to ask the parliamentary secretary to the government House leader about the business for the rest of this week and next.

Mr. Jerome: Mr. Speaker, we will continue in committee of the whole on the tax bill. In accordance with earlier discussions, we will carry on with groupings so that discussion on any one of the sections in a group will constitute discussion on all of them. In line with that, we will deal today and tomorrow with co-operatives and credit unions.

On Monday we will deal with international income, on Tuesday mining and petroleum, and then one day on each of the following subjects later in the week, namely corporations and their shareholders, and business and property income. It is not possible at this moment to say exactly which days the last two groups will fall on because there have been some preliminary discussions about using the fifth day of next week, wherever it may fall, as an opposition day. Discussions on that subject are continuing.

We have endeavoured, as in the past, to prepare a list of sections that will be dealt with under each heading, and if the House is so inclined I should like to go through the sections at this time, since I think there is a high level of interest in them. I have prepared a list and will distribute copies to the House leaders.

Monday's debate on international income will include sections 2, 17, 56 to 58 inclusive, 90 to 95 inclusive, 113 to 116 inclusive, 126, 133, 134, 212, 219 and 257. It will be observed that some of those sections are overlapping with ones already discussed but not passed. We have purposely included them in the list to make sure that the discussion has full range.

Mr. Baldwin: Would the parliamentary secretary circulate that list among his backbenchers who are showing unusual interest in the bill at the present time?

Mr. MacInnis: Mr. Speaker, I have a point of order, one that I had hoped to raise before the Prime Minister left the House. It relates to the protests made from this side of the House with respect to the roster system. The appearance in the House today of five ministers who were not supposed to be here according to the roster appears to indicate a breakdown in the management of the roster system by the Prime Minister. In view of the many protests raised on this side of the House, I thought in all fairness that I should draw to Your Honour's attention and to the attention of the House the fact that the roster system has completely broken down, as indicated by their presence, and at the same time object to the fact that ten ministers who according to the roster are supposed to be here are not present today.

Mr. Speaker: Orders of the day.

• (3:20 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Wednesday, November 17, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: In accordance with the statement made by the Parliamentary Secretary to the Minister of Finance, as recorded at page 9630 of *Hansard* for Tuesday, November 16, 1971, the committee will now proceed to sections 135, 136 and 137 dealing with co-operatives and credit unions. Hon. members will know that with respect to these three sections there are four amendments before the committee that were moved by the government.

On clause 1—section 135: *Deduction in computing income.*

The Chairman: Shall the amendment to section 135 carry? The hon. member for Regina East. May I beg the pardon of the hon. member for Regina East. I did not notice the hon. member for Moncton in his place. I think I should recognize him in the first round of debate on this group as a spokesman for the official opposition.

Mr. Thomas (Moncton): Thank you, Mr. Chairman. I presume, in speaking on these sections, we will probably follow the practice we have followed of discussing these three sections, 135, 136 and 137, at the same time because they definitely are related. Is this correct?

The Chairman: That is my understanding.

Mr. Thomas (Moncton): Mr. Chairman, these three sections of Bill C-259 illustrate very vividly the problems this House faces in attempting to intelligently and dispassionately discuss this bill. Very few other sections have caused as much controversy as these three. There has been a great deal of argument pro and con concerning the purpose and effect of these amendments. I should like briefly to discuss, as dispassionately and objectively as I can, the reason the government has brought in these amendments and my view concerning why I believe these amendments are not desirable.

In most of the presentations which come in on either side of the fence, there is obvious concern about the purpose of the amendments and the reason the government deems them to be desirable. I have read the white paper and all the preliminary background material to this bill. The only excuse the government has given for these sections is contained in the statement of the Minister of Finance to the House on the proposed amendments to these sections. At that time the minister stated that the original changes created a great deal of discussion and went on to say:

> The government's intention in the tax reform bill has been to provide a more appropriate tax treatment of these organizations in relation to other business enterprises.

[Mr. Speaker.]

That statement says very little and many things can be read into it. One thing I read into it, however, is that the minister considers these amendments to be reform. Many things have been said or done under the guise of reform in this tax bill. We continually hear the government spokesman, the parliamentary secretary, talk about reforms and how these sections will benefit the taxpayer and make the act more equitable. I have yet to have explained to me—and perhaps the parliamentary secretary will do so later—how these sections contribute to tax reform. I should like to know how they reform a section of the Income Tax Act which has been the subject of a great deal of controversy for a great many years and, in fact, ever since its existence. If the parliamentary secretary can explain this later, I would be happy to have him do so. However, since we are talking about tax amendments or tax reform I believe we must keep in mind that a good tax system demands certain prerequisites. There are many and varied ideas concerning a tax system and what it should do. Briefly, I should like to present to the House my ideas of what a tax system should be, and how I feel these sections are in conflict with the basic principles of a good tax system.

First, I think any tax system should be designed with simplicity of application in mind. After all we are dealing here with hundreds of thousands of individual taxpayers and any good law should be an intelligible law. I do not need to comment further on how these sections meet this criterion, other than to say that these sections along with the more than 700 pages of the bill, the more than 100 amendments, the amendments to amendments and second and third editions of amendments have not only confused the ordinary taxpayer but have also confused the tax consultants, tax accountants and tax lawyers. In fact, these sections, along with other sections of this bill, lead to such complete confusion that most responsible people are now suggesting the government should start all over again.

The second criterion I would suggest which should be very essential to a tax system is the principle of equity. Equity oversimplified simply means that taxpayers in similar circumstances should carry an equal share of the tax burden. This is a theory which was made popular by the late Kenneth Carter and has led to the "cops and robbers" theory of taxation which this government has adopted and in which the Minister of Finance has become the proclaimed Robin Hood. A taxation system is much more complex than the simple theory of equity according to which everyone pays an equal share of the tax burden. I was interested in reading an article by Howard Ross of the Private Planning Association of Canada in which he discusses this apparent preoccupation of the government with the theory of equity in taxation to the exclusion of all else. Page 19 of this booklet of the Private Planning Association of Canada contains this statement:

> I would be much happier if the minister talked, not of his great ambition to give us an equitable tax system, but rather of making our system work better. I despair of a really satisfactory solution unless we abandon the defender-of-the-poor posture and adopt a tough clinical determination to look at our problems unemotionally. We will not have achieved the right atmosphere for optimum solutions until someone can get up and announce publicly that he is not in favour of attempting to close all loopholes in our tax legislation.

It would seem to me that Mr. Ross has put his finger right on the core of the whole government attitude in respect of this tax reform bill. The government has become so obsessed with the fact that a few big fish have been getting away with tax evasion that it has put out a big net to haul in everyone indiscriminately. The result is there are many ridiculous situations created by this bill. Two such situations are created by these particular sections. There are many situations resulting from this bill which should not occur under a valid, viable tax system. Mr. Ross went on to say:

> But very often relatively small amounts are involved, and if, to close the loophole, the government must hire more staff to administer the necessary machinery and all of us have to fill out more forms to effect compliance, then in such cases it may be better to forget about the whole thing.

• (3:30 p.m.)

He goes on to point out that a review of this magnitude of the tax system should not have been undertaken lightly merely because the minister wanted to plug some loopholes. He points out that it has been said our tax system is full of loopholes. He asks, if our system is riddled with these loopholes, how bad is it really. After comparing our system with that of the United States and of the United Kingdom, he says that our tax system does not compare too badly and there is no great disadvantage. Apparently the minister has been totally preoccupied with plugging these loopholes. The Department of Finance, in referring to co-operatives and credit unions in its news release, says that many of them have now grown to a point where they compete with large-scale business enterprises and should be subject to a fair burden of taxation.

Here, again, the minister was preoccupied with equity, imaginary or real. I question the minister's approach to this whole business of tax reform that is before us. Apparently, although we are interested in equity, the department is suggesting arbitrary concepts for the levying of taxation and no explanation has been given as to how they have arrived at the rates involved. For example, the capital employed concept in the present act has apparently been pulled out of thin air. No one has explained to me how the 3 per cent figure was arrived at except by saying that that is a reasonable figure. As I say, no government spokesman has said why that figure was arrived at. When the white paper was produced the government must have said, "well, 3 per cent is too low, so we had better make it higher." And what rate did they come up with? They said to themselves apparently, "we had better set the percentage at about the rate currently charged for farm loans." That rate of interest at that time was approximately 8½ per cent. Then, after protests started pouring in, the Minister of Finance apparently said, "that rate seems to be too high; perhaps we had better set the rate at 5 per cent for capital employed in the co-op." Therefore, the whole hit and miss approach is not far different from that used back in 1946, when the capital employed concept was originally introduced into the act.

Let us suppose, for the sake of argument, that the minister's approach to plugging tax loopholes is valid, and I do not for a minute admit that it is valid. However, let us, for the sake of argument, say that there are loopholes and that they should be plugged. If that argument has any validity it is fair to ask, what loopholes is he trying to plug with these sections? What tax advantages have co-operatives been enjoying, since the minister seems to be saying that from now on they should bear their fair share of taxation. Furthermore, are these loopholes real or imaginary?

We are all aware of the arguments to the effect that co-operatives enjoy a tax advantage, that they do not pay their full share of the tax load, and so on. I submit to the committee that this is just not so, because you are oversimplifying the argument when you merely talk about tax payments. Even if you argue that the co-op itself may not pay a certain tax, you must consider the tax that is paid at the individual's level and that a co-operative still pays taxes on retained earnings. For that reason, I question whether co-operatives enjoy any real tax advantage. We have also heard it argued that co-operatives enjoy a special advantage because they may deduct patronage dividends before paying taxes. It is not true that they thereby enjoy an advantage. Any corporation may deduct the same patronage dividend payments.

I was interested in reading another article by a tax expert, Dr. A. K. Eaton. He is just as much an expert in his own right as Mr. Carter was. In his statement before the Royal Commission on Banking and Finance in October 1962, Dr. Eaton said:

> All in all, we have in Canada, pretty sensible laws for co-operatives. Actually, the main provision which alleviates their tax position is not limited to co-operatives at all but applies to any company. Any company which holds forth the prospect of patronage dividends to its customers may deduct the amounts disbursed in this way in computing its income for tax purposes.

He went on to say later:

> There is no special privilege in this tax provision. It merely recognizes one of the ordinary practices in doing business. Profit-sharing plans are not uncommon in private industry.

Interestingly enough, Dr. Eaton goes on to refer to the rather curious provision limiting the deduction of patronage dividends. Of course, he was referring to this business of capital employed which, as he says, makes no sense and is a bit farfetched. So, I submit to those who would support these sections of the bill on the ground that co-operatives enjoy an unfair advantage, that this is just not so and that they do not.

Let us suppose, and I do not for one moment admit this, that there is a difference in the levying of taxes as between co-operatives and private corporations. I say that this difference is still valid under principles of equity, because an equitable tax system simply demands that taxpayers in similar circumstances bear a similar share of the tax burden. However, I submit that there is a valid distinction as between co-operatives and other types of corporations.

I do not want to repeat old arguments about the nature of co-operatives. Such arguments have been advanced many times in the House and no doubt will be repeated. Nevertheless, there is a basic difference between co-operatives and other corporations. The main difference, of course, is that the members of the co-operative combine together, through their own efforts, to obtain increased services from the co-operative. They do not join the co-operative for the sake of obtaining a profit. If they joined it for that reason they would be ill advised, because they could better invest their money in a corporation which

pays dividends. Therefore, the members of the co-operative join that co-operative for services rendered and not for the sake of making profits. I could recite the other basic differences, namely, that the member's share in the co-operative must be redeemed by him, that it cannot be sold on the market as other shares listed on an exchange may be sold, and that there is no capital gain on the members share. All these differences and distinctions are well known to the committee. Knowing these differences, I cannot understand why the minister would take the approach he has taken.

Not long ago I read an article by John C. Satterfield, past president of the American bar association. In it he talked about co-operatives, and said that co-operatives are criticized for not paying their fair share of taxes, for being fore-runners of socialism, and so on. He raised all the well-known arguments. Nevertheless, he pointed to something that I have known for many years when he said:

In the free-enterprise economy, which is ours in the United States of America today, the co-operative is a potent factor in retarding the rapid march of this country toward socialism and a government manipulated economy.

Here, we are getting down to the crux of the argument on co-operatives. These people have pulled themselves up, as it were, by their own bootstraps. This is individual enterprise in its purest form. Now, under the guise of taxation reform, the state has started to step in and put controls on these people. One thing we must always remember about a co-operative is that it represents enterprise in its purest, elementary form.

• (3:40 p.m.)

Mr. Satterfield went on to shoot down the argument that a co-op enjoys an advantage over other conventional organizations. He said:

The fact is that the profits of the conventional business corporation belong to the corporation and not to its individual stockholders, may be retained or distributed in the discretion of the directors and are properly part of the corporation's taxable income.

Exactly the opposite is true of the margins between the amount received by a co-operative from its patrons and the cost of the goods or services furnished to its patrons or patron-stockholders—

Tax favouritism, tax advantages or tax discrimination in favour of co-operatives does not exist.

Whether or not the committee agrees with my assessment is immaterial at this point because I know there is a vast difference of opinion on the subject of how co-operatives should be taxed vis-à-vis other corporations. But I would like to go into my third criterion for a good tax system, which I think is important at this time.

The Chairman: Order. I regret to interrupt the hon. member. I do so to advise him and the committee that his time has expired.

Some hon. Members: Continue.

The Chairman: There is an indication that the committee would like the hon. member to continue. I should ask if there is unanimous consent.

Some hon. Members: Agreed.

The Chairman: It is agreed. The hon. member for Moncton.

[Mr. Thomas (Moncton).]

Mr. Thomas (Moncton): I thank hon. members for their indulgence and I will not abuse it. It is pretty widely admitted that co-operatives have performed a very useful function in this country. The Minister of Finance said so in the statement that I quoted. He said he was concerned about the fact that co-operatives had a part to play in our society, and that was why he was bringing in his amendments to the original proposal.

I would emphasize to the committee that any sections of a tax bill, or of any other bill, that are as contentious as these three sections are, should be considered very carefully before becoming law. If there is any doubt at all that this principle is bad we certainly should not aggravate the situation by making it more difficult for co-operatives to operate. If there is any danger at all, and I am firmly convinced there is, of smaller co-operatives not being able to function under these new proposals, again I say the committee should not pass these sections.

If the government will not accept any amendments, and is determined to pass this bill in its entirety, then I plead with the parliamentary secretary to at least consider passage of the bill with immediate implementation only of those sections which have met general agreement, and with deferral of sections such as this for further study, on the understanding that such sections would not become law until the House has made a further determination. By doing this we would show good faith both to those who are advocating higher taxes on co-operatives and those who claim that higher taxes will force some co-operatives out of business.

I submit that very little intelligent analysis has been made of these proposals when the Minister of Finance simply pulls a percentage out of the hat and does not attempt to justify it, other than to say the previous limit was too low. It is quite obvious that these sections were not given thorough study, and I request the parliamentary secretary to give them much close thought and study before they are passed.

Mr. Burton: Mr. Chairman, after studying the government's proposals and amendments as they affect taxation of co-operatives and credit unions, I have come to the conclusion that their effect will be to strangle the co-operative movement. The original proposals in Bill C-259 would have resulted in quick strangulation. The amendments that have since been introduced will change that to slow strangulation. I am not sure which is preferable. Of course co-operatives do have an alternative if the government's proposals are adopted. They can adjust their structure and carry on their operations like an ordinary corporation, such as paying out dividends on capital; but if they do so they will destroy themselves as co-operatives. I ask hon. members to reflect seriously on this matter.

What kind of society are we living in if we cannot devise a tax system that is capable of taking into account a form of economic organization different from the corporate structure which is characteristic of private economic endeavour? I maintain that the co-operative approach is different. I maintain that any society that cannot adjust to a different form of doing things is doomed in the long run.

It is also necessary to make reference to the token support and half-hearted, patronizing encouragement given to small co-operatives. I think that sometimes we

even see crocodile tears shed for them. It is said by some that our tax laws should help small co-ops, and that large co-operatives are just like any other business so they should be subject to tax like any other corporation. In support of this argument, it is suggested that large co-operatives are no longer close to their members and are no longer really co-operative. Anybody who says this does not know what he is talking about. He does not know how bodies such as the Saskatchewan Wheat Pool, the Federated Co-ops Ltd. and Co-op Implements work with their members and keep in touch with their members. Such an argument also ignores the fact that many of the large co-ops were formed by the smaller co-ops and are today an integral part of their operations.

However, there is another important and subtle point involved in such an argument. There are some people who really are not worried about the small co-op that has to try and survive on an independent basis in today's economic jungle. It does not really count by itself in a world of corporate power. What those people are worried about are the co-operatives that are big enough to have some economic clout, that are in a position to really help people on a major scale.

In dealing with this bill I would like to review the situation as it affects co-operatives and credit unions. First of all, I would like to say that any suggestion that either co-ops, or the dividends paid by co-ops, are exempt from taxation at the present time is inaccurate, and in some cases dishonest. Co-operatives have been subject to tax since 1946 under a formula which, for most co-ops, involved paying tax on surpluses up to a level of 3 per cent of capital employed, as defined. The white paper proposed raising the percentage to 7 per cent. Bill C-259 split the difference and came up with a figure of 5 per cent. At the same time, however, it widens the definition of capital employed in a way that will seriously hurt some co-operatives.

• (3:50 p.m.)

We have before us an amendment that provides for an option to tax co-operatives at a level equivalent to one-third of taxable income as calculated on a corporate basis. This will provide some relief to many co-operatives and may look very good on the surface. But it ignores the double taxation involved, it ignores the nature of a co-operative, and most important, it opens the door to taxing co-operatives on a straight corporate basis. The one-third figure is arbitrary and can be changed to one-half, two-thirds or 100 per cent just as the 3 per cent capital employed figure is now being changed to 5 per cent and was originally proposed at 7 per cent. There are other changes as well that I shall not go into now.

However, I shall make brief mention of one illustration of the type of thing for which we have to watch. Mention has been made that there is an amendment before the Committee which would provide a ten-year phase-in rule for co-operatives. I think it is important to note that this provision does not apply to some co-operatives in the way the bill is set out. It will not apply to any co-operative that is handled and governed on a delegate basis. If the government will look at section 136, and the way the new phase-in rule applies, they will see that that is certainly the effect of the rule.

What is the significance of these gyrations in the government position? They demonstrate that some people do not understand what co-ops are all about. More ominously, though, there must be people who do know what they are doing to the co-operative movement. We know that there has been a well financed movement for years whose sole object is to destroy the co-operative movement as an effective economic instrument. The government has listened to these people. But even the government had to back off to some degree from its impossible position. The changes have only been in degree. There is no logic or rationale to the government's proposals. They are indefensible as they stand.

I should like to turn now to the position of credit unions and caisses populaires. They were not previously subject to income tax in Canada. First of all, Bill C-259 proposes to apply the capital employed concept to credit unions, and now the one-third of income formula has been introduced with respect to credit unions, in the same way as to co-operatives. This completely ignores the fact that while co-operatives and credit unions are based on similar principles, their capital structure and their operations are very much different. It is ludicrous to think of using the capital employed concept for credit unions.

Mr. Gilbert: Right on.

Mr. Burton: Bill C-259 poses other problems for credit unions. Interest or dividends on share capital could not be deducted from taxable income if this had the effect of reducing the capital employed below the 5 per cent level. This has been changed by the amendments. Credit unions could not qualify for the small business tax incentive. This situation has been improved with the amendments. There remains the problem of how reserves are treated. Credit union reserves are not the same as bank reserves. A credit union is not the same as a bank. Statutory reserves are required by provincial legislation I believe in every case across Canada, and most reserves are ineligible for distribution to members at any time, even if the credit union is being dissolved.

There remains a curious question. If the government did respond to credit union representations, and I acknowledge this fact, why didn't it respond to co-operative representations? Again, I can only conclude that there are forces behind the scenes working to destroy co-operatives. I think we need to take careful note of the co-operative position on taxation. Mr. E. K. Turner, President of the Saskatchewan Wheat Pool made his position clear in a statement on October 22, which contains a number of important points which we need to consider. He said:

> Co-operatives are prepared to pay tax at the ordinary corporate rate on any earnings retained by the co-operative. Earnings returned to the member should become part of his income.

In addition, I might say that it was made clear that in cases where income is not distributed, where it is retained, co-operatives are prepared to accept taxation of such income as a whole.

> For a taxation act to force an imputed taxable corporate income on a co-operative is to interfere with the democratic right of members to run their own business. Such a treatment is not applied to co-operatives in any other country, to our knowledge.

Income Tax Act

Mr. Turner said:

The taxation proposals completely ignore the basic principle of a co-operative, which is that earnings are a result of surplus on operations and belong to members. Earnings are not a return on investment.

I think we need to keep clearly in mind, Mr. Chairman, that co-operatives are designed to provide a service to their members at cost or as close to it as possible. They are not designed to operate for profit.

Mr. Turner then went on to state:

The fundamental characteristics of a co-operative must be respected in the taxation bill:

(1) That co-operatives provide primarily a self-help service required by members.

(2) That co-operatives distribute earnings to members in proportion to member business.

(3) That co-operatives raise and service equity capital by revolving the same in relation to the use of the co-operative by its member.

(4) That capital contributed by a member of the co-operative is to provide himself with service and not to produce a return on investment.

The Co-operative Union of Canada, speaking on behalf of co-operatives, has also made its position clear in opposition to the capital employed concept in particular, and has presented an alternative. I quote from their recent submission to the Minister of Finance:

Co-operatives request that they be permitted to distribute to their members the annual earnings resulting from business done with their members, with any earnings retained in the hands of the co-operative to be taxed at a corporate rate of tax. This proposal is subject to the following restrictions and conditions:

1. That there be paid by the co-operative a withholding tax on all distributions made by way of a patronage refund.

2. That the withholding tax paid in respect to patronage refunds be creditable toward the recipient's personal tax. If the recipient is not taxable, the withholding tax will be refundable upon filing the usual tax return.

3. That the payment of patronage refunds be limited to the extent of income derived from member business and that any income derived from non-member business be taxed at the appropriate corporate rate, unless patronage refunds are paid to both members and non-members.

4. Any surplus remaining in the co-operative after making distributions by the co-operative, shall be taxed in the hands of the co-operative at an appropriate rate of corporate tax.

In particular, Mr. Chairman, co-operatives object to the capital employed concept. No other country to my knowledge uses it. No other industry in Canada is subject to it. It erodes and can destroy the very existence of co-operatives. It hurts the operating position of co-operatives because of the turnover of equity capital. It will eliminate or substantially reduce the only source of equity capital for co-operatives. It will result in double taxation because tax will have to be paid on the imputed income of the co-op and on most patronage refunds when they are allocated to the recipient. This, I suggest, is a clear case of discrimination when we take account of the fact that shareholders of corporations are allowed a dividend tax credit of 33 per cent under the new income tax bill before us.

• (4:00 p.m.)

The capital employed concept will make it impossible for most co-ops to pay cash dividends. It strikes at the very heart of the co-operative movement. In addition, I

[Mr. Burton.]

have already outlined why the option proposed in the government amendment is unacceptable. This is the central issue and this is why I feel it is necessary to deal with this matter at this time. I would like to propose an amendment at this stage which would remove these objectional features. The amendment will do away with the capital employed concept and also the alternative which has been proposed by the government. Neither are adequate in terms of the situation facing the co-operative movement and the reality of their operations. I move:

That the amendment to Section 135 be amended by deleting all words after the words "page 356" and substituting the following:

"and also by striking out lines 20 to 47 on page 357, lines 1 to 23 on page 358 and lines 33 to 40 on page 359."

The effect of this amendment will be to remove from section 135 subsection 3, subsection 4(f) and subsection 6. These contain all the references in section 135 to the capital employed concept and also to the option proposed in the government amendment. I should also note at this time that if this amendment is accepted, and it is proposed to accept the co-op proposal, it will be necessary to further amend section 153 which has already been passed by this committee. It will be necessary to reopen this section and propose the following amendment. I quote the amendment it would be necessary to propose but, of course, I cannot place it before the committee at this stage. The amendment would read as follows:

that Section 153(1) be amended by adding thereto after paragraph (h):

"(i) allocations in proportion to patronage."

This would make it possible for the Department of National Revenue to apply a withholding tax to patronage refunds in the same way they now do with regard to payroll deductions, lump sum payments of pension contribution refunds and a number of other categories set out in section 153 (1). I urge the committee to give this amendment serious consideration. It involves the very life of the co-operative movement. It will be a very heavy responsibility on this committee and this House if a set of provisions are passed which will have the long-run effect of strangling the co-operative movement, however gently it might be done from year to year. For this reason, I suggest this is a very serious situation. It deserves the earnest consideration of members of all parties in the House.

The Chairman: The Chair will put the amendment. I might say I have some doubt about its acceptability. It seems the hon. member might achieve the same thing in a more procedurally acceptable manner by voting against the proposed amendment and then moving consequential amendments with regard to the other parts that are deleted. However, I do not think this is a serious matter. If there are no objections, I think it would be in the—the Parliamentary Secretary to the Minister of Finance.

Mr. Mahoney: Mr. Chairman, I just want to make it clear that the intent and the effect of the amendment would be to transfer the tax burden from one taxpayer or one class of taxpayer, the co-operatives, to another taxpayer or class of taxpayer, the members of co-operatives. This is clearly what the hon. member is stating. As such, I think the amendment is very definitely out of order.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, the point that the parliamentary secretary seeks to raise is, of course, quite different from the point which Your Honour drew to our attention. As for the point raised by the parliamentary secretary, I think Your Honour's rulings have been quite consistent throughout the debate on this bill. When a member seeks merely to reduce a tax on any particular group of taxpayers, providing he does not move to put a tax on another group, Your Honour has found no objection to that kind of amendment. All this amendment does is give us an opportunity to exercise our right to vote against certain subsections of the section that is before us at the present time. I submit, therefore, that there is no validity to the objection raised by the parliamentary secretary.

I also wish to comment briefly on the point Your Honour raised a moment ago. Merely to vote against the amendment of the Minister of National Revenue that is before us leaves us in the position of accepting what is previously in the bill as subsection (3). We are opposed to both versions, both subsection (3) as it was originally drafted or as it has been proposed by the Minister of National Revenue. That is why we prefer to deal with it in the manner in which the hon. member for Regina East has placed it before Your Honour.

The amendment would strike out the substitute wording that has been proposed by the Minister of National Revenue and also leave out the original wording which was already there. That is what the minister's amendment does, namely strike out the original wording and put something else in its place.

Since the other two parts, subsection 4(f) and subsection 6 are relevant to the same issue and consequent to the removal of subsection 3, it seems to us that the simplest thing to do would be to have one vote on the whole issue of the capital employed concept. If Your Honour feels there is not that much one way or the other, I hope you will consent to this amendment being put. In one vote it will give hon. members the opportunity to say "yes" or "no" to the capital employed concept as far as co-operatives are concerned.

The Chairman: I thank the parliamentary secretary and the hon. member for Winnipeg North Centre. I expressed initial reservations because, although I have some reservations about the procedural acceptability of the proposed amendment; I feel the Chair should try to expedite the proceedings rather than spend our time on procedural arguments. I should put on record that I agree in principle with the argument of the hon. member for Winnipeg North Centre. I indicated this a day or two ago in my ruling on the proposed amendment by the hon. member for Edmonton West. I suggested that, with complexity of this bill and the somewhat unusual procedure we have been following, unless we give a bit of latitude hon. members will not have the opportunity to express opinions on the substantive aspects of the bill. In this instance it may be, as the hon. member for Winnipeg North Centre has argued that if we follow the procedure suggested in the subamendment of the hon. member for Regina East, it would give members of the committee a better chance to register an expression of opinion.

• (4:10 p.m.)

With respect to the argument put forward by the parliamentary secretary, I think this is a point which does not raise much difficulty. I was really concerned with finding the best way of dealing with the matter which the hon. member for Regina East wishes to bring before the committee. Unless there are further objections, I am prepared to put the subamendment in the name of the hon. member for Regina East.

[*Translation*]

Mr. Gauthier: Mr. Chairman, my remarks will be mostly about section 137 concerning Caisses populaires.

I should like to call the attention of the Parliamentary Secretary to the well marked difference that exists between private corporations and Caisses populaires. Then, I shall read communications from persons concerned with Caisses populaires.

The Parliamentary Secretary is well aware that there is a vast difference between private corporations that I shall describe as capitalist corporations, and Caisses populaires. As a matter of fact, they are capitalist corporations since they exist mostly for the purposes of capital-money. In those institutions, each share entitles the holder to one vote. That is what we call capitalistic companies.

However, there are institutions where the directors establish the terms of the voting rights. In a co-operative institution, all shareholders have their say as long as they have one share. Even if one shareholder has 50 shares and his neighbour has only one, each is entitled to a single vote.

That is the whole difference between these two kinds of institutions, and I think that today, with the bill that we are in the process of passing, we are discriminating against co-operative institutions and credit unions as regards deductions allowed when computing income tax.

The Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) will perhaps tell me that the government has proposed amendments. At page 9158 of *Hansard,* I read the amendment on the computation of cumulative deductions:

> (4.2) For the purposes of subparagraph 125(6) (*b*) (i), the amount of a credit union's taxable income for a taxation year shall be deemed to be the amount, if any, by which its taxable income for the year otherwise determined exceeds the lesser of $25,000 and ½ of its taxable income for the year otherwise determined.'

Mr. Chairman, I will point out that co-operatives with capital stock just have to convert it and invest it. As for co-operatives, they can do so, especially the caisses populaires which are corporations with capital stock. Thus they cannot put it into reserves; they do not have the alternative offered to a private corporation, that is either to put it into reserves or invest it.

For example, if the caisses populaires decided to transform their reserves into capital stock, this would create a problem because a member can withdraw his capital stock at any time. This represents a serious danger to the security of the caisses populaires, which does not happen to private corporations. This is why, despite a few weaknesses still contained in this legislation and account being taken of the small amendment brought in, we would hope that the government raise the exemption ceiling from

$25,000 to $50,000. I think this would be most helpful, especially to small credit unions because they certainly need the first reserve funds to assure their future and give confidence to their members.

So, without wanting to be too long—this is just a reminder to the parliamentary secretary—I would like to read the communications which we receive. The first, given by the chapter of credit unions affiliated to the Ontario Federation of Credit Union is as follows:

On behalf of the credit unions affiliated to our chapter, I want to express our concern regarding the legislation now under consideration, Bill C-259, relating to the section dealing with caisses populaires and credit unions.

Despite the few favourable amendments brought in the House recently, it is evident that even exports do not know the effect this bill will have on caisses populaires and credit unions in Canada.

Since 1900, the co-operative movement has been fighting usury in Canada and trying to improve the financial situation of our people who need it most. It would be unfortunate if the government of Canada, in order to collect more revenue, ruined the ideal means for Canadians to help themselves.

Another spokesman of the Fédération des Caisses Populaires du Québec says what follows:

Caisses populaires and Credit Unions very much appreciated your co-operation and the interest you expressed regarding the methods of taxing them as proposed in Bill C-259.

There have been several amendments to section 137. They will allow Caisses populaires and Credit Unions to maintain the services their members expect from them while integrating them into the new tax system. We have already informed the Minister of Finance of the importance of those amendments.

However one point is still of concern to us. That is the application to small companies of the concept of total business limit, as provided in section 125.

We requested that the first $50,000 taxable revenue be excluded from the computation of the total business limit. The proposed amendment grants a $25,000 deduction in this regard.

We feel our request was reasonable because:

(a) Our reserves are built up solely in the interest of the group to which they belong.

(b) They are for the most part required by provincial legislation.

(c) They are not subject to distribution among members.

(d) They never result in capital gains or personal benefits.

(e) The tax paid on such reserves will never result in tax credits.

To that effect, we have asked the Minister of Finance, whether he could review amendment 137(4.2).

At the present time, we are still waiting for the draft of the regulations applicable to Caisses populaires and Credit Unions. We hope that those regulations will continue to recognize the characteristics of Credit Unions and Caisses populaires.

Those were the comments which I wanted to make to the Parliamentary Secretary to the Minister of Finance and I am sure that if he considers the requests of the representatives of co-operatives and Caisses populaires, he will surely propose an amendment, as requested by the federations for the common good of the Caisses populaires.

• (4:20 p.m.)

[*English*]

Mr. Hales: Mr. Chairman, I will limit my remarks to credit unions and caisses populaires in discussing the section dealing with co-operatives and credit unions. I do not think there is a member in the House who has not received some correspondence expressing great concern at the proposed taxation of credit unions and caisses populaires. I think it is only right that we pause a minute to think of the great value of the work of credit unions in the community. I doubt that there is a member of the House who does not have a credit union or caisse populaire in his constituency, be it a credit union at a factory, at a college or university, or one in the community at large.

In many areas of western Canada there would be no financial institutions had it not been for credit unions. In areas that were too small for banking institutions, credit unions offered their services. In the province of Quebec there are caisses populaires in many areas which banks consider too small to serve, and these provide a very useful and necessary service.

May I repeat very briefly some remarks made by the McDougall report in 1945, which report was tabled in the House of Commons. Page 52 of the report reads as follows:

It—

That is, credit unions.

—provides a method whereby people in poor circumstances are encouraged to develop a habit of thrift, since by pooling their savings they can provide a source of credit for themselves in times of need.

The bond of association, occupation or other community interest on which the membership of credit unions is based tends to minimize the element of risk which has to be considered by another type of lending institution when considering an application for a loan from an individual with little or no collateral security.

Accordingly, it provides a service for those who are either not provided with credit services from other lending institutions at all, or only at much higher rates because of the risks involved.

The tangible material and other benefits which can be derived through the credit union form of activity enable and encourage the members to solve their problems through self help rather than by relying on government aid in times of emergency or depressed conditions.

Then, at the same page the report continues:

Credit unions return to their members a very high proportion of their surplus earnings. In some cases, however, they are retaining amounts which appear to be larger than are required for reserves against bad loans and losses on the basis of past experience. If they were to be taxed by the methods we have recommended for co-operative associations, additions to these excess reserves would be made subject to tax. However, the individual amounts to be assessed would, in many cases, be very small.

As a result, the royal commission recommended that the income of credit unions continue to be excepted from taxation. I would like to challenge anyone who claims that credit unions are not motivated today by the very same principles and philosophy that impressed the legislators in 1945. If the movement is larger today than it was then, it is only because credit unions have met an enormous need in Canada. I do not think there was any doubt in the mind of the royal commission about the usefulness of credit unions and caisses populaires. I am very concerned that the minister is taxing these organizations in a way that makes it quite evident that the smaller credit unions will have to close, and that will mean a real service will be lost to the community as a result of the minister's action. I realize the minister has made some amendments, but the amendments do not go far enough to enable the credit unions to survive.

I am sure all members of the House could quote letters they have received on this issue, and I should like to quote

one or two. For example, the fiberglass employees credit union at a large factory in Guelph has this to say:

A credit union is beneficial to the lower and middle income population of our country. We feel that taxation is extremely heavy in this area at present and Mr. Benson appears to be trying to drain even more.

Then, the tobacco workers' credit union, again at Guelph, make this point:

We regard our credit union operation as simply a sensible, share-the-risk extension of loaning money between member employees. The fact that full tax is paid by member employees receiving compensation for use of their money, we question the reasoning behind the credit union being also taxed.

Many letters along similar lines have been sent to me. As I understand it, the amendments that the minister tabled on October 28 relating to credit unions and caisses populaires will hopefully facilitate their transition from what was tax-free status to that of a taxable financial institution. The first of these amendments relates to the small business tax incentive, and the second and third amendments deal with the level of tax-free reserves.

• (4:30 p.m.)

In the case of the first amendment this new tax reform bill provides that the Canadian controlled private corporation will pay 25 per cent of its first $50,000 of annual business income and that beyond that level of income the rate will be the 50 per cent rate generally applicable to other corporations. Once such corporations accumulate a taxable income over $400,000 the lower rate of tax will no longer be applied but the corporation can extend the use of the lower rate by paying regular dividends to its shareholders. Every $3 of dividends would reduce the taxable income by $4 according to the Department of Finance. Although the small business incentive is available to credit unions and caisses populaires the credit unions and caisses populaires are not permitted to pay dividends under their statutory reserves. So, this again will not be of much use to them. They will not be able to pay dividends under their statutory reserves and therefore are inhibited in their ability to reduce accumulative income by dividend payments as other business corporations are allowed to do.

After these amendments were tabled on October 28 I received a letter from one of the credit unions, the College Heights Community Credit Union Limited, which reads as follows:

Some of these amendments will help our movement, but one area still remains a grave major problem.

This is the part to which I draw attention.

This is in the area of reserves and is primarily one of a conflict between federal and provincial governments. Ottawa looking for money, regards our reserves as being too high. The provinces on the other hand, by statute, require all credit unions to set aside for bad debt purposes amounts varying from 9.5 per cent of yearly earnings, in the case of Nova Scotia to 20 per cent in several other provinces including Ontario, to protect the weakest links in the credit union movement. (Incidentally this bad debt reserve will account for approximately 90 per cent of the reserves Ottawa regards as so high!). The reserve for bad debt purposes cannot be used for anything other than covering the write-off of bad debts. Under most provincial statutes should a credit union be wound up, this reserve must be distributed to charity.

I say again that the credit unions and caises populaires are not permitted to pay dividends under statutory reserves and therefore are inhibited in their ability to reduce accumulated income by dividend payments. In the other place, this matter was discussed at some length. I believe a very sensible recommendation was made. I wish to read it so that we, the parliamentary secretary and the minister can give further consideration to the very important matter of the survival of credit unions and caisses populaires. I used the word "survival" because I think it is that important. The Senate Standing Committee on Banking, Trade and Commerce made this recommendation:

That caisses populaires and credit unions should not be required to include in their 'cumulative deduction account' (for purposes of determining the available balance of their total business limit of $400,000) such portion of their taxable income as is set aside in the year as a reserve to the extent that such reserve is not available for distribution to members. This should be subject to the further limitation that no recognition be given to any such reserve to the extent that the total amount set aside does not exceed, say, 5 per cent of the organization total deposits and share capital at the commencement of the year.

The Senate Committee considered it sufficiently important to recommend that this matter be given further consideration by the government since the effect of other amendments introduced by the government differs from the above recommendation. When we have a body of men of experience and ability studying this matter and making a recommendation like this, surely the government should pay attention to the recommendation. I realize there is a problem here. A credit union may be a very large organization and someone might suggest, since it is somewhat in the position of a bank, that it should be taxed the same as a bank.

Perhaps the department would give some thought to having an escalated scale of taxation. I am thinking of the small type of credit union or caisse populaire such as might be found in a very small area of the country. In such cases the members often do much of the work for nothing. There may be only one paid executive in a community co-operative. Why should we drive these people out of business. Perhaps there should be a tax free area up to a certain level of, for instance, $100,000 or $200,000 and then over that level the tax would apply. It would seem to be an almost impossible task to strike a tax rate for credit unions if it is to be done on a fair and equitable basis.

I hope the parliamentary secretary and his officials will give consideration to the protection of the small, most useful credit unions and caisses populaires which are so prevalent across Canada. I hope also that amendments will still be made that would make it possible for these essential financial organizations to exist, flourish and continue to serve a very useful purpose.

Mr. Blair: Mr. Chairman, we are having a most interesting discussion and the remarks I propose to make immediately are not, I regret to say, the final views I will express on this subject because I hope that today and tomorrow there may be an opportunity for all members who are interested to contribute their ideas in this debate. I think the first thing that must be said is with reference to the comment made by the parliamentary secretary a few minutes ago when he said with respect of the amendment of the hon. member for Regina East that it shifted the incidence of taxation from the co-operative or credit union to the member. I have a feeling that many people in

the country are unaware of the true incidence of taxation as it applies to co-operatives and their members. The fact is that the incidence of tax now falls upon the members no matter what happens, and the effect of the proposals which are being made to us by the credit union and co-operative movement is to reinforce this integration of tax liability upon the members, rather than upon the organization which they have formed to render service to themselves.

I think also it is important to bear in mind that neither the co-operatives nor the credit unions are seeking exemption from taxation but are inviting this House to consider the fairest way of applying it and achieving an equitable incidence of that taxation as between these organizations and their members. I hope hon. members will have registered very carefully the serious point made by the hon. member for Regina East in which he pointed out that there is a defect of serious proportions in the definition of a co-operative in the bill. The present definition, as I understand it, would exclude the large co-operatives which are well known to all of us, the large co-operatives in western Canada such as the prairie wheat pools and others which operate on a delegate system of voting. This, to me, is something which requires immediate repair and attention and I do not think it would be prudent for any of these sections to be incorporated until this type of curative amendment is placed before us.

• (4:40 p.m.)

At this stage, Mr. Chairman, I should also like to comment on the substance of the amendment proposed by the hon. member for Regina East. He was quite correct in asserting that the basis for the computation of tax against credit unions and the co-operative movement is entirely novel. These are the only organizations in the country to whom income is imputed for the purpose of computing tax. And this basis of the imputation of income is one which co-operatives have consistently and correctly objected to, in my opinion, for many years. It is proposed that parliament take advantage of the fact that our tax system is undergoing major review and that this type of artificial approach be eliminated. The proposal is that tax be levied, as it should be, on the cash which flows through to individual members and that some appropriate, average rate of tax be applied that would give proper recognition to the reality of the operation of co-operatives and credit unions. These organizations propose that the incidence of the tax shall apply, not artificially, to the corporate body but, rather, to the members. I hope that hon. members will have an opportunity to comment on the detailed suggestions made by the co-operatives and credit unions. I suppose I ought to give fair warning of my further intervention at a later stage of debate.

Mr. Orlikow: Mr. Chairman, let me begin by saying that for the first time since the hon. member for Grenville-Carleton was elected, I agree with the position he has taken and look forward to seeing him vote for the amendment proposed by the hon. member for Regina East when that vote is called.

Ever since the Carter Commission report was published, we have seen in this country a concerted effort by the vested interests of this country to get the government to reject, in principle and detail, every useful recommendation made in that report. Virtually every proposal for equity spelled out in that report has been either ignored or watered down by the government, and almost nothing remains of the original commission recommendations. If the government were not so concerned about protecting the interests of this country's corporations and of this country's self-employed people who, as Carter pointed out, have done very well over the years out of the existing tax system, we would not need to consider a bill like Bill C-259 which runs for more than 700 pages. A bill running to more than 700 pages is needed because the government has taken so many steps to protect the concessions which have been made over the years to business interests and to self-employed people.

Ever since the Carter Commission made its report, representations have been coming to the government and to Members of Parliament from mining companies, oil companies, manufacturers and the self-employed. These representations have attempted to show why the principles enunciated in the Carter Commission report should not be implemented. When the government brought out its white paper we saw, at that time, just how far the government had moved away from those principles which had been enunciated in the Carter Commission report. Yet, even the white paper was met by hostility, almost universal hostility I might add, from the business community of this country. The business community is still not satisfied. It still attacks the modified provisions of Bill C-259, because business feels that those provisions infringe on the rights and privileges which business has enjoyed until now.

The ordinary citizen, as usual, has not been included in the representations made to the government on tax questions. The ordinary citizen who pays income tax cannot afford to hire tax lawyers and chartered accountants to put his case before the government. Our ordinary citizens have been virtually unrepresented. However, the credit unions and co-operatives which, by their very nature, deal with ordinary citizens have made representations to the government. Every single Member of Parliament, I am sure, has heard from credit unions and co-operatives in his constituency. It is no small wonder that members have heard from them, because the provisions of this bill affecting credit unions and co-operatives might just as well have been written by officials of the tax department, by the finance companies, by the Equitable Tax Foundation, by the private grain companies or by companies like the Richardson Securities Company. And, Mr. Chairman, they could not have done a better job of attempting to destroy the credit unions and co-operatives than do the provisions of the bill we are now discussing.

As a result of the complaints of credit unions made to Members of Parliament on the government side as well as to members on the opposition side, the government made some concessions. Some amendments have been brought in to lighten the full force of the crippling effect that certain provisions of this tax bill would have had on credit unions. However, I do not believe it is by accident that those sections which will most seriously affect credit unions remain virtually intact and remain precisely as the government first introduced them.

I join in supporting hon. members from all parties who have said that if the provisions of this bill affecting credit

unions are passed in their present form, many credit unions will disappear completely and the ability of others to serve their members will be so severely curtailed that the major function they have performed for their members will disappear. The parliamentary secretary has always impressed me as being a man with a great deal of business experience. He represents very well—and I am not criticizing him—the members of the business community. They, too, are entitled to be represented just as everyone else is. They, too, are entitled to have their spokesmen.

• (4:50 p.m.)

As I say, the parliamentary secretary has always impressed me as one whose major interest and experience has been in the business community. Does he not realize the effect which these sections of the tax bill will have on credit unions? Does he realize that the tax the government proposes to impose will mean that the most important area of reserves which must be set aside under the provisions of provincial legislation will be very adversely affected? Not only are the transfers to reserves non-discretionary because of provincial legislation under which credit unions operate, but there is a legislative bar to their distribution to the members even on the winding up of the credit union. What this means is that the basic principle, that shares in a credit union which may only be redeemed at par irrespective of the amount of reserves on hand, will not be able to operate. The fact that these reserves are beyond the reach of the shareholders removes in effect shareholder ownership, a very cardinal quality of income as contemplated in the Income Tax Act.

Commercial corporations are in an entirely different position. Retention of corporate income increases the value of the shares, and in this way gives a benefit to the shareholder. Or alternatively, amounts reserved may be paid out as dividends, again benefiting the shareholder and earning for him a tax credit on his dividend, which essentially represents a rebate of the corporate tax. The effect of the provincial legislation controlling credit unions is to deny these benefits, which are available to corporations, to credit unions. Because of the lack of equality of income, and because these non-discretionary reserves cannot be distributed to members, credit unions find themselves trapped by section 125 of the Income Tax Act. There reserves will be considered income in the "business limit" of $50,000 per year and in the total "business limit" of $400,000 which is contemplated under this bill.

The very fact that the credit union is statute barred from distributing these reserves means that the "total business limit" will automatically be reached in a very short period of time. Aggravating this situation is the fact that transfers to the reserve must be tax paid. No provision exists permitting income taxes to be charged against these reserves. The sum of these factors means that section 125, which provides for a reduction of tax under certain conditions, will not apply to a medium sized credit union beyond five years, after which time a transfer of $50,000 to reserve will attract a tax of $50,000. Mr. Chairman, talk about confiscatory taxation—that is what the government is proposing for the credit unions.

The credit unions have proposed that section 137, the credit union taxation provision, be amended to provide that amounts required to be transferred to statutory reserves be excluded from the calculation of the "business limit" and the "total business limit" in the application of section 125. The effect of such an amendment would be that tax paid transfers to reserve would attract a tax equal to 33 per cent of the reserve requirement as opposed to a tax equal to 100 per cent of the reserve requirement. Surely, if the government is concerned about the so-called tax advantages which the credit unions and the co-ops have been able to enjoy as compared with ordinary corporations, it ought to be willing to agree to this very modest proposal made by the credit unions unless, as some of us who are politically partisan and motivated believe, the government is out to help destroy the credit unions.

Mr. Mahoney: Nonsense.

Mr. Orlikow: The parliamentary secretary says no. It would be interesting to hear him explain to members on both sides, including his colleague the hon. member for Grenville-Carleton, why the government, at least up until now, is insisting on imposing these punitive tax provisions on the credit unions.

Earlier, Mr. Chairman, I said that the government had agreed to some amendments of the tax legislation affecting the credit unions. But to date there has not been the slightest indication, to my knowledge, that the government is prepared to meet in any way, shape or form the criticisms of the co-ops with respect to this tax legislation. And if the parliamentary secretary can agree with me on anything, although I sometimes wonder about that, I am certain he can agree with me when I say that co-ops by their very nature are not very radical, revolutionary, aggressive organizations. They are part of the free enterprise or mixed economy system which exists today. When they have made representations to government I have always felt that if they erred, they erred on the side of moderation. Yet, Mr. Chairman, there has not been a single indication on the part of the government that it is prepared to modify this tax legislation one jot, one little, to meet the criticisms and requests of the co-ops.

Let us look at what the co-ops have said about this tax legislation. I know that the government will say, "Well, we are prepared to protect the little co-operative, the little consumer co-operative and the little credit union, but it is the big co-ops, which are really in the same league as private corporations—the wheat pools and the Federated Co-operative—which we think have not been paying their fair share of taxation." I say to the parliamentary secretary and to the government that the little co-ops in the towns, villages and cities of Canada, and the little credit unions would not have been able to survive unless they had the assistance, the technical advice and the detailed knowledge that they have been able to receive from the wheat pools, from the United Co-operatives in Ontario, and from the Credit Union League, all of which were built up through the contributions of the ordinary members of the credit unions.

What have the co-ops said? The President of the Saskatchewan Wheat Pool has called for further amendments to this bill because he says that the proposed amendments

still limit the way in which co-ops pay patronage refunds to their members.

The Deputy Chairman: Order. It being five o'clock it is my duty to rise, report progress and request leave to sit again later this day.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Speaker: Order. It is my duty pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Hillsborough (Mr. Macquarrie)—Fisheries; the hon. member for Saskatoon-Biggar (Mr. Gleave)—Grain; the hon. member for Compton (Mr. Latulippe)—External Trade. It being five o'clock, the House will now proceed to the consideration of private members' business as listed on today's order paper, namely, notices of motions (papers), private bills and public bills.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, on behalf of two of my colleagues I wonder if I may ask for consent for the first two items under the heading of "Motions for Papers" on today's order paper to be withdrawn. I refer to order No. 24 in the name of the hon. member for Winnipeg North (Mr. Orlikow), and to order No. 49 in the name of the hon. member for Saskatoon-Biggar (Mr. Gleave).

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

Orders discharged and motions withdrawn.

• (5:00 p.m.)

PRIVATE MEMBERS' MOTIONS FOR PAPERS

COMMUNICATIONS

TELECOMMUNICATIONS SATELLITES—REQUEST FOR COPY OF AGREEMENT BETWEEN HUGHES AIRCRAFT, NORTHERN ELECTRIC AND SPAR AEROSPACE

Mr. Heath Macquarrie (Hillsborough) moved:

That an order of the House do issue for a copy of the agreements between Hughes Aircraft Co. on the one hand and Northern Electric Co. of Montreal and Spar Aerospace Ltd., Malton, Ont. respecting component parts for telecommunications satellites.

He said: Mr. Speaker, the original inquiry now seems a bit ancient since it was raised here in November, 1970. The matter with which it deals, however, has not by any means become obsolescent. Indeed, it is a strange coincidence that in many ways this question is especially germane in this Parliament and in this country today. It deals with documentation which is not revealed. As we have often thought in recent months, far too many publications are concealed from study by Members of Parliament and from perusal by the public which they concern.

The matter, of course, also deals with the tremendously important item of competition from foreign industry, an eternal situation I suppose in recent years. It reveals a collapse of the expectations which the government had created in and for the Canadian people. I recall the heady days of yesteryear when the present hon. member for Duvernay (Mr. Kierans) used to have such high-flown hopes and such lofty ambitions for what was to be done in the stratosphere in the realm of telecommunications.

Mr. Bell: Whatever happened to him?

Mr. Dinsdale: He went into orbit.

Mr. Macquarrie: I often thought when things got worse in the postal department that the rosy hopes in the communications branch became more and more rosy. Lower and lower went the morale of the Post Office and up and up into the stratosphere went the satellites. I used to say of the former incumbent that as a postmaster general he was a good economist. I still think he is a good economist, and in these matters he should be listened to by his associates across the way. I ask for these documents because I am very concerned about what has happened to the hopes which we had been led to entertain in reference to a very important matter, the development of a domestic telecommunications system for this country. Important legislation was passed, very serious scrutiny and discussion in committees ensued and there was a good deal of public discussion and a great deal of public expectation on this extremely important matter.

One of the prime inducements which was set before this House as the bill was passed and as the estimates were passed and this money was voted, was that the development of a domestic satellite system would add tremendously to Canadian technology, especially in the advanced field of scientific technology. We were led to believe that there would be a tremendous spin-off, that Canada would advance itself immeasurably because of the application of the ability of its scientists and of its highly refined and sophisticated industrial workers in this very important scientific equipment.

We were led to expect breath-taking gains in the important field of scientific and technological innovation. I believe it was not so much the spinning of the satellite itself but the spin-off from the industrial technological development which sold the people of Canada on this. There was no reason Canadians should not look upon that future as reasonably hopeful. Canadians were not and are not infants in the field of space age technology. The Alouette satellite went up years ago and proved to be extremely successful. The life span and performance reached was better than expected. Alouette II was also very successful. Isis A and B "flew" very well. They were well constructed and were very capable, operating birds, if I may use the expression.

When the government produced its white paper it was under the imprimatur and inscription of the then minister of industry, who is now President of the Treasury Board (Mr. Drury). There was some clear outline of what would happen. I shall read a paragraph or two from the white paper called "A Domestic Satellite Communication

System for Canada" published in 1968. This, we were told, and I think rightly so, was the guideline for the program which led to the Telesat establishment. At page 50, appears the following:

It is at this early stage of the development of a satellite communication system that Canada must decide whether to be simply a user of these new means, as they may be developed by others, or to be a leader in their development. Only the latter will permit the realization of their full benefits and opportunities for the Canadian public.

It is evident that Canada already possesses to a large degree the essential technology to determine the design and construction of its own domestic satellite system as a result of successful programs of the Department of Industry, the Defence Research Board and the Department of Transport. This is not to say that every part of the system be manufactured in Canada. Components or sub-systems may be brought from other countries when the volume might not justify Canadian development of production. When this is the case, however, effective control can only be maintained through the exercise of choice and specification. The control of specification, design, and construction, can and must be retained in Canadian hands. The development of satellite communications will employ the most advanced "state of the art" in many fields of technology. An important corollary, therefore, to the undertaking of such development by Canadian industry will be to enable it to apply the resulting skills to the development of other high technology products. The complex technology of satellite systems involving advanced techniques, new planning methods and higher standards of industrial performance will, in a few years, become the technology of many industries. It demands the rapid evolution of techniques, reliability of products, control of production, interdisciplinary development work, anticipatory research and system management, and long term program planning.

I am almost overwhelmed, Mr. Speaker, as I read this document, even at this late date. I am filled with nostalgia. At page 52, I find this:

National identification is intimately associated with technological progress. The power of programs such as this to attract and hold scientists, engineers and others, and to cause them to identify their own aims with those of Canada, cannot be ignored.

The programs, both private and public, to prepare Canadian industry for participation in space communications, have been markedly successful. The government intends to use to the full this capability in realizing a domestic satellite communication system.

I shall end the lesson there, Mr. Speaker. Then, I recall the minister of communications at that time thinking out loud. He was a very engaging minister in the House and outside and I may say that I miss him profoundly. He reflected one day that:

A 100 per cent Canadian-built satellite will come with a price tag, both in dollars and in the length of time it takes to build.

A 100 per cent foreign-built satellite will come more cheaply and more quickly, but bring with it no benefits to Canadian scientists, engineers, industries.

It boils down to deciding the price we are prepared to pay for being Canadians.

That was on January 27, 1969.

Now, Mr. Speaker, the inquiry for papers was prompted by what happened to this outburst of technological nationalism, if I may call it that. Who is constructing the satellite? Is it being built by a Montreal firm, a Toronto firm, a Brandon firm or a Charlottetown firm? The name is the Hughes Aircraft Co. of California. How much Canadian content will there be in the Canadian satellite? If you combine the bit that was given to Spar and the bit that was given to Northern Electric you get something a little less than 20 per cent Canadian content in the satellite, the whole system of which may cost this country many, many millions of dollars.

• (5:10 p.m.)

When it was suggested that we buy off the shelf one of the American satellites and send it up at a very low price, it was said that we could not do this to our own technology and that it was worthwhile to pay a little more. However, there is surely here the fear that we have, as is so often the case, fallen between the two stools. We do not pay the price to have a purely Canadian operation, and we do not go into the market place purely on business terms and buy an American satellite.

So far, we have taken the costly road. We reached the stage where we used Hughes Aircraft Company of California. They became the principal creators of our satellite. We do not know the terms. We do not know the correspondence. We do not know what went on between the relevant department and the Canadian firms who were interested. We do not know what kind of arrangements were made for and with Hughes, yet this is one of the most costly and important developments which the Canadian government and, therefore, the Canadian people have moved into in our day and age. I resent the secrecy profoundly. There is no reason, in terms of competition on an economic or commercial basis, this information should not be revealed. It is high time someone told us the full story of our collapsed hopes in industrial nationalism as revealed by this business.

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, I am pleased to have the opportunity to support my colleague who has made an eloquent presentation here this afternoon. I am sorry that the present Minister of Communications (Mr. Stanbury) is not in the House because I sometimes get the feeling that the present Minister of Communications, who inherited the mantle of his predecessor, is not fully aware of the complete background that has given rise to the motion that has been put forward here today.

I followed very closely the development of the idea of a Canadian communications satellite. In fact, I attended most of the committee meetings. Like the hon. member who has just spoken, I was impressed by the eloquence and the spirit of the white paper which was the basis upon which the Parliamentary committee conducted its deliberations. The optimism expressed in terms of the development of the Canadian satellite communications technology was one of the reasons the bill, when it came before the House in 1969, received such enthusiastic and unanimous consent. As has been pointed out, the rules have been changed in the middle of the game. We are now heading in a completely opposite direction from that which was presented to the committee and the House when the act was under consideration.

I wish to review briefly the history of Canada's participation in the satellite program. In 1962, the decision was made to proceed with the launching of our first 100 per cent Canadian satellite; that was Alouette 1. It was such an overwhelming success that Canada went on from strength to strength. I believe we now have four of the Alouette series in orbit. It was my privilege to be at the

Vandenburg air base last April when number four in the series was launched. I was impressed to discover that all four of the Canadian built satellites were still in orbit, functioning and producing useful information in the bigger function of atmospheric probing. The other statistics given to us at that time were also impressive. I discovered that Canada was number three in terms of functioning satellites still in orbit.

It was interesting to hear the briefing of the experts at the Vandenburg air base where NASA was charged with the responsibility of hurtling the Canadian satellite into orbit. Throughout the day's briefing, they were full of negatives. They said that many things could happen. We were told that so much of the technology was marginal in launching one of these complex gadgets into space that it was highly likely that this fourth launching would not be a success. Notwithstanding the misgivings and the warning that had been issued throughout the day, when the launching finally took place that evening with a thunderous roar, Alouette 4 went off into outer space. I think the statistics indicated it entered orbit within two miles of the designated point. This indicates that Canada has indeed achieved remarkable technological skill in sophisticated space technology.

When the decision was made in 1962, we were at the beginning of the decade of the sixties. We were moving toward Expo 67 and our centennial. Canadians were aglow with confidence. That spirit still prevailed in 1969 when the Parliament of Canada made its decision with regard to proceeding to develop our own communications satellite. Within the past two years, Mr. Speaker, that optimism, glowing spirit of Canadianism and confidence in Canadian technology has unfortunately deteriorated. This is one of the reasons I wholeheartedly support the motion we are discussing this afternoon. A government that has completely reversed itself in such a short space of time should certainly be responsible enough to the House of Commons to indicate by the publication of documents why it has now backed away from this positive and optimistic note and is moving in a completely negative and pessimistic direction.

I also support the mover's note that today we are facing a general climate in Canada of growing concern over the penetration of American technology into the Canadian economy. This is one of the major issues that seems to be before the country as a result of the leaks that have emerged within the past few days. Today, we are looking for documents which have not been made available to the public or to this House. I hope it does not become necessary to have another leak in the ship of state in order to get the information that Parliament has the right to expect, in view of the wholehearted support that it gave to the original intentions of the government. That support was based on more than the white paper to which reference has been made this afternoon. It was based on a detailed report which was referred to as the Chapman Report, presented in 1966, which supported wholeheartedly the concept of a Canadian domestic space program. The author of that report is now the Deputy Minister of the Department of Communications. He appeared before the committee when the proposed legislation was under discussion and no doubt we shall have an opportunity in due course to examine a number of officials, including Dr. Chapman, with respect to the reversal of that policy. As I re-read that report—and it has been necessary to go over the documentation—I see that this was to have been an entirely Canadian project. It was to depend upon NASA, the United States space agency, for launching only. This is the program on which the Allouette series was predicated. It was the anticipated basis with respect to the operation of Canadian satellites.

• (5:20 p.m.)

Today we find that the rules have changed radically, as compared with the proposals in the Chapman Report. I would point out that in 1967 the Science Council of Canada endorsed the Chapman Report. It was out of both these preliminary documents that the white paper of 1968 came forward in support of Canadian technology in such eloquent terms as were quoted by my hon. friend. To sum up the spirit of these reports—and they were examinations of the subject in depth—the conclusion was that Canada could not afford to become completely dependent in this field upon the super powers, whether the United States or the U.S.S.R.

What has happened since then, is, of course, that the policy has been reversed. This is why I had hoped the Minister of Communications might have been in attendance during this debate; had he been here he might have thrown some light on the current thinking of the government in this regard. The former minister originally shared the enthusiasm of the reports I have outlined today. He stated emphatically when the Telesat Canada Act was before the House in 1969 that a Canadian designed and built satellite with associated ground facilities would result from the passage of that measure.

It was then, Mr. Speaker, that the Hughes Aircraft Corporation of America got into the act—I am not referring to the act of parliament itself. They put in a bid on the project and it was then that the accent used by the former minister of communications (Mr. Kierans) took on a slightly southern tone. He began to talk of a 100 per cent Canadian effort as a case in Canada re-inventing the wheel. So, we were moving into an entirely new scheme of things after the bill had been passed unanimously by the House. Apparently there is a cost figure involved here which has not been explained in any detail by representatives of the government. We have been given some inkling as to why the government has changed its mind. Instead of a project with a 67 per cent Canadian content, United States technology playing only a minor role, they talk now of a 20 per cent Canadian content to be provided by such Canadian firms as Northern Electric and Spar Aerospace Products Limited of Malton, Ontario.

There has been a further development. The United States authorities themselves are now getting into the act and urging a joint United States-Canadian project. From what I gather from the meagre information available from government sources, this is where the matter stands at the moment. It is no longer a 100 per cent Canadian effort. It is now a Canada-United States joint project, with the huge Hughes Aircraft Corporation providing the technological skills and Canada reverting to the role she has assumed only too often of following in the footsteps of the United States giant. And this in spite of the fact that we have proof of our skill and competence in this area in four

successful satellites which are still in orbit; that we happen to be No. 3 in terms of functioning satellites still orbiting. Nevertheless, there has been no attempt made by the government to reveal in any detail even the financial picture which persuaded it to completely change its concept of a 100 per cent Canadian communications satellite.

It boils down to this. Government policy in this field, as in others, has been confusing because of its meandering from one position to another. The same criticism could be made with respect to other areas of the government's activities. For example, we are presently debating a government bill proposing tax reform. It has gone from complexity to complexity and from confusion to confusion until the whole of the Canadian economy finds a pall of uncertainty hanging over it. I know that in the field of satellite technology, Canadian firms such as R.C.A., Northern Electric and Spar Aerospace feel they are competent to move into this area. I appeal to the government, not only on behalf of opposition members but for the sake of its own backbenchers as well, to table the document which has been requested and which has been withheld.

I believe that having regard to the leaky condition of the ship of state at the moment we shall get the documents anyway. But let us do this in the regular way, not by the back door method. Evidently there are those in the civil service who are becoming disenchanted with the government's disposition to keep all these matters away from the public. The government should move to restore our faith, and it can only do so by showing less readiness to resort to a cloak of secrecy and taking Members of Parliament into its confidence.

Some hon. Members: Hear, hear!

Mr. Charles Turner (London East): Mr. Speaker, the motion of the hon. member for the production of the contract signed between Telesat Canada and the Hughes Aircraft Company for the construction of Telesat Canada's domestic communications satellites must be opposed for the reasons set out in the Telesat Canada Act of 1969. The act clearly establishes that Telesat Canada is not an agent of Her Majesty or a Crown corporation within the meaning of the Financial Administration Act. Rather, it is an independently operating commercial corporation which only reports to government respecting certain matters delineated in the Telesat Canada Act. The powers of the company are spelled out in section 6 of that act.

• (5:30 p.m.)

On several occasions in statements to this House and in answers to questions, the Minister of Communications (Mr. Stanbury) has stressed that as a result of the commercial nature of the company it would not be in the interests and objects of the company to have information of a private and confidential nature made public. In short, then, Telesat Canada is a private company subject to certain limited powers possessed by the Minister of Communications or the government as laid down in the Telesat Canada Act. Essentially it is a common carrier which is subject to certain government regulations in the same way that the other, old common carriers are.

Telesat is a limited company in which the government is a major but not controlling shareholder and in which other shareholders also have rights. Aside, therefore, from certain corporate actions specified in the Telesat Canada Act in which either the Minister of Communications or the Governor in Council must concur, the management of the company is responsible to shareholders in the company. Given this private, commercial nature it is particularly important that Telesat's right to privacy in its negotiations with members of the communications industry be preserved.

Telesat's contract with the Hughes Aircraft Company is a complex commercial and technical document dealing with the most advanced technological equipment. Some of the confidential information included in it is the property of the Hughes Aircraft Company, which almost certainly, and quite understandably, would regard its public disclosure by Telesat Canada as a breach of faith.

Since the hon. member's motion for the production of the Telesat-Hughes contract and other documents was made, the company's 1970 annual report has been tabled in this House as provided by the Telesat Canada Act. It contains up to date information on the financial and program activities of the company as required by the Canada Corporations Act and the Telesat Canada Act. In July of this year a semi-annual report was distributed to shareholders of record in the company. I am further advised that the company, like any other Canadian commercial corporation, will respond to any private inquiries for additional information in connection with its program.

For the above reasons I cannot support the motion at this time and suggest the hon. member should contact the president of Telesat for the information he desires.

Mr. Dinsdale: Would the hon. member who has just spoken accept a question? He made the point that it would not be possible to reveal information because of the involvement of private companies. Is he aware that the Trans-Canada Telephone System and the CN-CP Telecommunications system offered to build a Canadian communications satellite without any public involvement at all, and had it not been for government insistence we would have had our domestic satellite communications system?

Mr. Arnold Peters (Timiskaming): Mr. Speaker, this is another opportunity for members to point out to the government their resentment at the retention of information in a field of general interest if not of general advantage. The hon. member for Brandon-Souris (Mr. Dinsdale) referred to the technology we have developed in Canada, of which all Canadians are duly proud—the Alouette satellite, which was not a highly secretive program. I understand that some of the so-called scientists took parts of it home and worked on it in the basement, that they did not have proper insulating materials and used the fibre-type coffee cup. Then they talked the United States into putting this mass of coffee cups in the air, and the satellite is still up there working very satisfactorily, probably much to the chagrin of every other scientific body in the world.

Liberal governments have a habit of not allowing information to be made public. I am not familiar with what is in these particular papers or with the background outlined by previous speakers, but I do know that many Canadians are of the opinion that the Telesat operation

should be a public utility in Canada, that it should operate to the advantage of communications systems in this country and play a useful role in sending messages to all parts of the world. In addition, this would enable Canada to stay in a prominent position in the communications field.

While it may have been necessary to bring in a consortium to provide the scientific knowledge, most Canadians were of the opinion that we had decided to go that particular program alone and were increasing the expertise we had already developed in this field. The Canadian public was aware of the fact that we are the second or third most interested country in this type of communication. We have a vast area geographically, and therefore need scientific knowledge of this sort.

When the Liberal government suggests that the publication put out by the Telesat Corporation was sufficient to provide information about the changes that have taken place in government thinking over the last several years, it seems to me that they have not read the pamphlet, since all it gives is the names of the board of directors and very little else. It does not say why we did the things we did. It does not say why we had to negotiate a contract with Hughes.

I had thought the argument had been resolved on the side of Canadian development, and I was given the impression the other night from a television program that we were building a plant at Shirleys Bay for the purpose. I stand to be corrected, but I think we are now building a plant in California, where the sun shines much longer than it does in Canada and where everything is done in a big way, and Hughes may make a big splash with this as he did with other projects over the years, much to the dismay of many shareholders in that corporation. However, I suggest that the government is obligated to give the information asked for in both motion No. 96 and motion No. 97. I think the Canadian public is entitled to know whether or not we have totally abandoned the building of telecommunications facilities of the kind we believed we were embarking upon.

The former Minister of Communications did admit a cost factor was involved, and this raised another problem. I suppose in the Liberal party there are two lines of thought. There are those who believe that Canadian development is worth while though it may cost something; there are others who believe it is better to give the money to the United States and buy technology. Perhaps we will now give the money to the Russians since they seem to be doing pretty well, too, in certain fields. Or perhaps we should shop around in Eaton's and Simpsons'.

• (5:40 p.m.)

I think there are many people in this country who agree with the former Minister of Communications who said, in effect, "So what?"—because there is a change. We spent a lot of money developing much useless scientific knowledge in this country, and here is a place in which we have established some expertise and have decided we can build a communications facility which can be used not only by Canada but by other countries, and to which we can add in order to do the things which will be necessary to make a contribution in the communications field which we are unable to do in other fields. I presume the same difficulty exists in the Conservative party, because as I understand the hon. member for Hillsborough (Mr. Macquarrie)—and I am always very interested in listening to his speeches because he seems to be taking a new line in the Conservative party—

Mr. Dinsdale: It is Progressive Conservative.

Mr. Peters: He may be the progressive in that party, progressing to a new position in the political spectrum. But he seems to be saying in a very progressive way that we should take the money and buy it as cheaply as possible, and what is wrong with buying it from the United States? The hon. member for Brandon-Souris is a little more old-fashioned and says there might be some merit in keeping it in Canada. I should like to see these papers so we could look at the developments that have been made.

Mr. Dinsdale: We started this in 1962.

Mr. Peters: That proves the point. A real Conservative never lets go of something. The year 1962 seems to have become a fixation. The hon. member for Hillsborough, however, is really talking about something happening right now, and I am particularly interested in something which will happen in the future. I believe most Canadians are interested in the development of expertise in certain fields. We have made some bad mistakes in this country. We have made them in the aircraft industry. We developed probably the best team of scientific experts in the aeronautical field in Canada and then, through government intervention and lack of foresight among other things—this is history—we scrapped the project and lost these scientists.

This cost us a lot of money. In my opinion we had the largest expenditure in that field and only had to find out what we would do with the baby. We had to make up our minds whether we had a bomber, a fighter aircraft, a trooper or what. However, we scrapped it. It seems to me this is what we are doing in respect of the expertise we have developed in the telecommunications field. I was interested in the fact that Northern Electric is involved in this development. Northern Electric, as you know, Mr. Speaker, is a subsidiary of Bell Canada, which is another public utility. Bell Canada is before us now, wanting more money.

I should like to learn from these papers just what Northern Electric is doing. It is interesting to note that Northern Electric has started to lay off a number of people and close down its wire and hardware division. It has laid off people in my area and has closed down in Ontario, I am told, something like 16 outlets. It has laid off a large number of employees who have been with the company for a long time. It does not appear to be too interested in an aggressive sales program. I am wondering how that company fits in with the Telesat program and with other developments in this field.

I should like to see these documents. Also, I should like to see them published so that the news media could see them and perhaps do some research into the question of why we became involved with Hughes Aircraft Company in the United States. I was of the opinion, as I believe most people in the country were, that we had decided this was a field of prime importance to Canada because of the need for television in the Arctic and in remote and inaccessible

areas. I do not know whether we will pay for the launching or how we will get it into orbit, but we probably have figured that out. However, we were to build it. It was to be ours and we would have a commodity in which we could sell space communications to other people.

Mr. Dinsdale: A good, Conservative policy.

Mr. Peters: As my friend says, "A good, Conservative policy". I think it was, but the new Conservative policy amuses me because it is one the Liberals had for a few months. The Liberals gave up their position of continentalism and my friends in the Conservative party have taken it up. I do not know where this leaves them. These papers might indicate where it leaves them.

I have not supported that proposition in either the old or the new position, but believe Canadians should do all they can and should be as expert as possible in fields where it is feasible. I wholeheartedly accept the proposition that these papers should be made public and ask that the government, in the interest of the Canadian public, not provide this information through leaks but in a formal manner so that business can be conducted in an orderly fashion.

[*Translation*]

Mr. Jacques-L. Trudel (Montreal-Bourassa): Mr. Speaker, I have listened closely to the comment made by the hon. member for Hillsborough (Mr. Macquarrie) who, apparently, wanted to emphasize three main points.

He stated first of all that there was a lack of information and he attempted to give reasons for this. He then quoted the white paper.

Then, to show that Canada's share was not very great, he referred to certain speeches.

His colleague from Brandon-Souris (Mr. Dinsdale) proceeded in a totally different manner, and he proved that there was in fact a telecommunications system in Canada by going over past events.

I share the view of the hon. member for Timiskaming (Mr. Peters) that the hon. member was then showing that there had in fact been participation and that we did participate in the telecommunications system. He spoke of the Alouette and the trip he made to Vandenberg last April when another satellite was launched.

If I may answer the question asked by these two members concerning the lack of information, I would like to make some remarks. On the contrary, it seems to me that we have the necessary information in order to ascertain just how far we have gone in the field of telecommunications.

• (5:50 p.m.)

There is a point on which I would like to insist before commenting on another subject. The hon. member for Brandon-Souris seemed to suggest that we reversed the engine, that we had changed the government policy. On the contrary, I think he has demonstrated himself that not only did our policy remain unchanged but also that we still apply what has been decided previously.

At this point, I would like to review for the information of hon. members certain striking facts which certainly concern the national system of telecommunication by satellites, including Telesat, which was established by the government.

On July 31, 1970, after it received permission to do so from the government of Canada, Telesat opened negotiations with the Hughes Aircraft Company, which led to a contract under which Hughes Aircraft was to build the spacecraft needed by Telesat for its national satellite communications system.

On September 30, a month later, after the Minister of Communications had approved the Canadian contents of the project, as required under the Telesat Canada Act, representatives of Telesat Canada and the Hughes Aircraft Company signed the contract, which amounted to some $31 million.

The contract stated that Hughes Aircraft would provide three spacecraft for implementation of the space part of the Telesat system. Before this contract was signed, Hughes Aircraft had signed contracts with its two main sub-contractors—the Northern Electric Company in Montreal, and the Spar Aerospace Products Ltd. in Toronto. Northern Electric is to provide the whole electronic system—particularly all the communication devices of the spacecraft—which would represent not a 20 per cent content, as mentioned by the hon. member for Hillsborough, but rather a 100 per cent content in that case. Spar Aerospace Products Ltd. will supply the structure of the spacecraft and the technical support staff. The suggestions of the hon. member for Hillsborough might perhaps be vindicated by saying that owing to the contribution of two Canadian sub-contractors, more than 20 per cent of the elements of the spacecraft will be Canada-made.

Contracts have also been signed by Hughes Aircraft, Spar Aerospace and Northern Electric whereby the two Canadian companies would provide the electronic system and structure for about fifteen other similar spacecraft which Hughes Aircraft hopes to sell on the world market.

It is interesting to note that the structure of the first spacecraft which will be launched has already been delivered to Hughes Aircraft by Spar Aerospace Products Ltd. on August 23, long before the deadline and that works on the electronic equipment are progressing at the new Northern Electric plant at Lucerne in Quebec.

The contract between Telesat and Hughes Aircraft calls for delivery of the first spacecraft in October 1972; the second and third are to be delivered at four months' intervals. The contract of some $31 million calls for performance pay to Hughes Aircraft during the whole useful life of the satellites and penalties payable by Hughes Aircraft for delays in delivery. In other words, Hughes Aircraft will not receive the total amount stipulated in the contract as long as the satellite's performance has not been satisfactory for its whole useful life. The company will also be penalized if it does not deliver the spacecraft as scheduled.

Telesat will be one, if not the first national satellite telecommunications system in the word to use satellites on synchronous orbit.

Each satellite will have 12 channels of which ten will be available for commercial use, and the other two reserved. Each channel will be able to carry a signal for colour television, or the equivalent in message traffic, that is a maximum of 960 unilateral telephone lines.

Present plans foresee the launching of the first satellite Anik I for the end of 1972, and the start of commercial operations early in 1973. The second satellite will be launched after six months of satisfactory operation of the system. This second satellite will thus offer a maximum degree of system reliability, and the same capacity as Anik I, for the number of usable channels. The third spacecraft will be kept on the ground as a standby.

Furthermore, in their remarks, the hon. member for Brandon-Souris and the hon. member for Hillsborough have said that there was a lack of documentation, that no figures were available and that we were groping in the dark.

Allow me to give a few other figures. Amounts in the neighborhood of $30 million were mentioned in the motion for tabling of papers. It is important to consider that the Canadian telecommunications industry is among the most sophisticated in the world. Its investments are estimated at more than $5 billion, a figure which will double over the coming decade if this industry keeps its present rate of growth.

Canada also has the longest micro-wave system, 50,000 miles, on a per capita basis. It comprises three main relays, owned by public corporations in the telecommunications field, such as the Trans-Canada Telephone System and Canadian National-Canadian Pacific.

I still have many notes before me. The information they contain is public and they are available to hon. members.

As other hon. members wish to speak, I shall let them have the floor. As for the reservations expressed by the hon. member for London East (Mr. Turner), I cannot, at this time and after reading them, be in favour of the production of papers.

Mr. J. Roland Comtois (Parliamentary Secretary to Minister of Communications): Mr. Speaker, I think I should also take exception to two notices of motions of the hon. member for Hillsborough (Mr. Macquarrie) who is asking for a copy of the agreements between private companies supplying spacecraft to Telesat Canada. Such a request is based on the fact that these matters are of no public interest or of no interest to Telesat Canada, a private concern.

The agreements referred to in the notice of motion could be either the sub-contractor agreements negotiated between Hughes Aircraft and the two Canadian firms for making components for the spacecraft of Telesat Canada, or else the agreement under which the two Canadian companies will participate in building other similar telecommunications satellites whose number—it was given a while ago—could reach 15 and which Hughes Aircraft hopes to sell on the world market.

In either case, it concerns agreements between Hughes Aircraft and two Canadian sub-contractors, Northern Electric and Spar Aerospace Products Limited. Telesat knows the terms of the sub-contractor contracts concerning satellite construction, but is not a contracting party. Mr. Speaker, I think that is important. The arrangements Hughes Aircraft and the two Canadian companies made regarding their participation in the production of similar satellites for future customers were negotiated between the three private corporations which are the ones concerned and not Telesat.

That is why it would be impossible for Telesat to make public all arrangements of which it could be aware and which would bind Hughes Aircraft, Northern Electric and Spar Aerospace Products Ltd. in view of a future market where other customers are involved.

Mr. Speaker: I am sorry but I must interrupt the hon. parliamentary secretary; the time provided for private members' business has now expired. The House now resumes the debate interrupted at 5 o'clock.

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequent upon the amendments to that act—Mr. Lachance in the chair.

The Deputy Chairman (Mr. Lachance): Order, please. It being six o'clock, I do now leave the chair. The committee will meet again at eight o'clock.

At six o'clock the committee took recess.

AFTER RECESS

[*English*]

The committee resumed at 8 p.m.

On clause 1—section 135: *Deduction in computing income.*

Mr. Orlikow: Mr. Chairman, when I spoke this afternoon I tried to put on the record the difficulties which this legislation, as it is now drafted, will create for credit unions. The difficulties which will be created for co-operatives are even more serious because up to this point the government has refused to make any changes in the legislation despite the most strenuous objections by the co-operatives and, I understand, despite the very careful and moderate representations made in private to the government by representatives of the major co-operatives.

The president of the Saskatchewan Wheat Pool has made the position of his organization with regard to the legislation very clear. He has said that the proposed amendments will give a choice of a formula based on one-third of income or 5 per cent of capital employed. He has said:

This results in forced imputation of taxable income and is not acceptable.

In its news release the Saskatchewan Wheat Pool said:

The proposed formula of 5 per cent of capital employed compares with 3 per cent at present. It would be introduced gradually, over a ten year-period.

We feel that this formula has no basis in reason and must be discarded.

Co-operatives are prepared to pay tax at the ordinary corporate rate on any earnings retained by the co-operative. Earnings returned to the member should become part of his income.

For a taxation act to force an imputed taxable corporate income on a co-operative is to interfere with the democratic right of members to run their own business. Such a treatment is not applied to co-operatives in any other country.

I think that the members of this House, members of co-operatives and the public in general have a right to know why the government is taking such an extremely hostile approach to credit unions and co-operatives. As I said earlier this afternoon, it seems to me that the government is following the suggestions made on many occasions over a long period of years by the finance companies which are upset, as well they should be, by the rapid growth of credit unions.

Surely the government and the parliamentary secretary know that for the hundreds of thousands of people who belong to credit unions and caisses populaires there is really no alternative except the not very gentle clutches of the finance companies. Surely the parliamentary secretary does not want us to think that he wants the ordinary citizens of this country to have to go to the finance companies and pay 18 per cent or 24 per cent on the money that they must borrow? Yet this legislation will help to destroy credit unions and will boost finance companies.

Similarly, Mr. Chairman, co-operatives such as the wheat pools, which have done a tremendous job for the farmers of western Canada, have their very existence challenged by this legislation. I cannot think of anybody except the private grain companies and organizations such as the Equitable Tax Foundation who can be happy with the legislation now before the committee.

I say to the parliamentary secretary and to the Minister of Finance that deathbed repentance is better than no repentance at all. On three or more occasions the minister introduced pretty substantial amendments to the bill as originally proposed, and it is not too late for him to introduce the kind of reasonable amendments, moderate amendments which would permit credit unions and co-ops to continue the very fine work they have been doing, to give their members the kind of service which they have been giving and to give the people of Canada alternatives to the completely free enterprise, profit-oriented companies to which otherwise they must resort.

Again I say to the parliamentary secretary that it is not too late to introduce the kind of amendments which credit unions and major co-operatives have been seeking, giving them some of the equity which those of us who greeted the Carter commission recommendations with a great deal of joy hoped to see in the new tax legislation when it was finally introduced.

Mr. McGrath: Mr. Chairman, the section of the bill now before the committee affords members of the House an opportunity to speak on a very important phase of Canadian life, namely, the co-operative movement. Nowhere in Canada is the small co-op more important and nowhere does it play a more important role in the life of the community at large than in the province of Newfoundland. There is not a constituency in the province of Newfoundland that does not have more than one active co-operative. In this respect I refer specifically to my colleague, the hon. member for Grand Falls-White Bay-Labrador, who has a very active co-op movement in his constituency and has worked closely with it in relation to the amendments contained in the bill before the committee.

• (8:10 p.m.)

It is interesting, and I think worth placing on the record, that the latest statistics available to members of the committee and released by the Department of Agriculture show that at the end of 1969 there were 2,373 co-operatives in Canada, consisting of approximately 1,600,000 members. These co-ops range in size from the large, super co-operatives in western Canada to the much smaller ones scattered all over the country. The smaller ones are especially active in the Atlantic provinces and more particularly in my own province of Newfoundland.

It appears to me, Mr. Chairman, that the drafters of this bill and the subsequent amendments have forgotten the essential nature, indeed the method of operation of the co-operative, and the essential difference in the purpose of the co-operative and in its capital structure from that of an ordinary corporation. This fact has been given little or no attention and it seems to me that it is not very well understood.

This legislation is forcing co-operatives to adopt a position which is at variance with their philosophic foundation. It forces them to take a financial approach to their operation which was never intended by the co-op movement. We believe, as many co-operatives across the country do, that the fundamental distinctions in the nature of the co-operatives must be respected by the tax laws of this country. These distinctions are: first, the co-operative provides a self-help service required by its members; second, the co-operative distributes its earnings to its members in proportion to member business and on the basis of capital equity; third, the co-operative raises and services its equity capital by revolving the use to its members and, fourth, the capital contributed by a member of the co-operative is to provide him with service and not to produce a return on investment, which the government in this proposed amendment is forcing it to do.

In general, co-operatives are objecting to the provisions for taxation contained in section 135 of the bill which retain the requirement that prior to the payment of any patronage refunds, income must be allocated to the capital of co-operatives on the basis of a fixed percentage of "capital employed by the taxpayer at the commencement of the taxation year". This, according to co-operatives, interferes with their freedom and ability to distribute earnings as patronage refunds. I think that fact has been forgotten by the government.

Section 135 of Bill C-259 gives co-operatives two choices, in my view. They can pay tax on the capital employed formula or they can pay tax on the basis of one-third of their income. Both choices, according to co-operative spokesmen, result in a forced imputation of taxable income to the co-operative. This changes the whole thrust of what a co-op is supposed to be doing. The concept contained in Bill C-259 substantially reduces the amount of patronage refunds which could be paid to members on business done with members of the co-operatives.

Even with the amendments proposed by the minister, the basic, underlying principles of the taxation of co-operatives have not been changed. The tax amendments provide co-operatives with the right to elect either to pay tax

on 5 per cent—formerly 3 per cent—of members' contributions and capital existing after 1971, or to pay tax on one-third of the income before patronage dividends but after interest is given to members. This forces co-ops, if they wish to attain minimum taxation, into reorienting the whole basis of their business.

I might also add that although the taxation position of co-operatives in different countries varies considerably, in no other country is a minimum tax base or minimum earnings imputed to co-operatives by law. This legislation forces co-operatives to become oriented toward the return of earnings on investment rather than the return of savings to members.

Mr. Chairman, I realize that the parliamentary secretary has demonstrated great patience during the discussion of various amendments to this bill in committee—

Mr. Mahoney: Flexibility and understanding as well.

Mr. McGrath: —and is a little tired of this whole process. I would say the solution to this problem, however, lies within his own jurisdiction. I would suggest to him a choice which should be taken by the government, and that is to realize that the very detailed clause by clause examination of the bill should be referred to a committee of this House and should not be taking up the time of the committee of the whole House.

Mr. Reid: An excellent idea.

Mr. McGrath: I am thinking, Mr. Chairman, of the parliamentary secretary because I am concerned for his welfare. Perhaps there is no better way to illustrate what I have been trying to say than to quote from a letter which I received from a co-operative in my constituency. This is a co-op organization in Newfoundland which has grown to over 500 active members, with gross sales almost reaching $1 million. The co-op writes:

> This success has been due to a combination of a very hard working board of directors, management and staff and a dedicated membership. Our patronage dividends returned to our members (while operating on a competitive basis with other businesses)—

This is important.

> —have been 6 per cent for the past three years. This tremendous savings to our members has been a godsend in many cases. Our board of directors at the last meeting were very much concerned with Bill C-259 which will have the effect of just about wiping out savings earned by members in the form of patronage dividends, destroy all incentive in co-operatives and result in the total collapse of the co-operative movement. We strongly protest the passage of this bill in its present form and request that you do everything within your power to have the contentious sections 135 and 136 rescinded as they apply to co-operatives.

Mr. Chairman, I repeat what I said at the outset of my remarks, that co-operatives in the Atlantic provinces and particularly in the province of Newfoundland are not large. Generally speaking they are very small, but they are a very important aspect of the social life of the community. They are in fact a different form of enterprise to that which is familiar to the parliamentary secretary who comes from the great city of Calgary, Alberta. They are self-help organizations which are always Canadian and, generally speaking, always locally owned; in fact, they are owned at the community level.

They fulfil a very important function and a very important social need in the community. They are generally found in primary production areas of the country for the marketing of grain, dairy, farm and fishing products, and the merchandising carried on largely serves the industries or groups of people located in these areas as required. In many instances they require services which, if they did not initiate them or show enterprise, would be denied to the people living there. Should people be denied the right to self-help organization recognition because their attempts to cut living costs cause some profit-oriented corporations to lose some business thereby?

I can only speak from the experience of the co-operative movement in my own province of Newfoundland. In many cases the only competition to the resident merchant in a small community is the co-op. If it did not exist, he would have a monopoly on the retail business in that area. This is a fact the government has lost sight of in drafting this bill. I strongly believe that the government has lost sight of the very simple fact that the co-operative movement is a people-oriented movement designed essentially to serve people at the local level. The government should take cognizance of this fact.

• (8:20 p.m.)

I hope the parliamentary secretary, who is a dedicated member of this House and has sat in on all of the meetings of committee of the whole and patiently listened to the speeches, will take this fact into consideration. I realize that this will be very difficult for the parliamentary secretary, coming from the city of Calgary, Alberta, where I am sure the co-operative movement is not an actual fact. I would like the parliamentary secretary to leave Calgary some time and travel across this country. If he visited the small communities of eastern Canada, the Atlantic provinces and Newfoundland, he would see how important the co-operative movement is to people in our smaller communities. If he did that, he would not sit so smugly trying to defend these amendments to the bill which are, in fact, repugnant to the co-operative movement of this country.

Mr. Mahoney: I would first like to say, Mr. Chairman, that coming from the city of Calgary I am not entirely ignorant of the importance of the co-operative movement or its significance in Canadian life, economically and socially. I subscribe to a school of thought that believes that the co-operative movement does indeed fill a need socially and economically. While one of Tory persuasion might feel that the private enterprise system should do all these things, the fact is the conventional private enterprise system has not succeeded in achieving everything. People have had to organize in something less than traditional ways in order to maximize the benefits they can achieve from our economic system. In the result I regard the co-operative and credit union movements most highly.

Second, I do not wish the hon. member and others to make speeches in the House representing that the very serious points that have been brought to the government, members of Parliament and the public by co-operatives and credit unions have gone unheard. As I listen to successive speeches and hear quotations from various representations made by the credit union and co-operative movement read verbati into the record by hon. members, sometimes giving credit for them and at other times

adopting them as their own words but nevertheless paying attention to them, I cannot help but say that the representations have been heard. They have been heard by hon. members on all sides of the House. They have been heard by the government, and the government has paid attention to them.

Since first reading of the bill now before us the government has introduced substantive amendments that go a long way toward meeting the legitimate complaints that came in response to the bill as originally tabled. At this point I think it is appropriate to note that the particular areas of dispute and the intensity of dispute that has arisen regarding this tax reform measure in so far as they affect co-operatives and credit unions is a very explainable thing because these movements did not take particular exception to the philosophy of the white paper. The idea of flow through and gross up and credit was entirely in accord with their philosophy. Accordingly, we did not hear a great deal from the co-operative and credit union movement during the white paper debate that extended for almost a year from November 1969.

Subsequently, and as a result of changes made due to the input of public representations, the philosophy of the white paper was not followed through, at least in that particular area, and the credit union and co-operative movements were presented with a real problem. I know many people have been critical of these movements for not stating their views earlier and for the intensity of the type of campaign that has been mounted since then. That criticism is not justified because the white paper did not present the problems to them that the tax bill does.

I thought the hon. member for Regina-Lake Centre might be somewhat more silent tonight than usual. Perhaps his TV was on the blink last night.

Mr. Benjamin: Next year.

Mr. Mahoney: The great "next year" country. In any event, Mr. Chairman, the hon. member for Regina East and the hon. member for Grenville-Carleton raised a practical point today that perhaps certain co-operatives, because of a definition contained in Bill C-259, will be excluded from some of the provisions that are intended to apply to all co-operatives. This is not the intention of the government. I can assure members on all sides of the House that as a result of these representations we are taking a close look at that particular aspect of the bill.

I can also say that if it is indicated that amendments to the legislation, rather than an administrative ruling, are necessary to make sure that all co-operatives are treated alike under the bill, an amendment to the bill will be presented.

Some hon. Members: Hear, hear!

Mr. Mahoney: I say this in the sense that where we have had the opportunity, not only throughout the white paper debate but throughout the debate on Bill C-259 to deal with specifics, to come to grips with particular issues that are raised as a result of the policy decisions made by the government, the government is flexible. The government is willing to accommodate legitimate representations. However, I must say that general indictments of this, that or the other policy such as we have sometimes heard, not on this particular block of sections but on others, are not likely to prove fruitful.

The government has made some policy decisions. For example, it made a decision, I may remind some members of the official opposition, to tax capital gains. That is a decision for which it will account to the electorate.

Mr. McGrath: It sure will.

Mr. Mahoney: It is not a decision that is likely to be renegotiated on the floor of the House of Commons in committee of the whole. However, where people are willing to take this bill and the amendments that the government has presented to the bill and debate these in specific terms and illustrate where the bill and the amendments heretofore presented do not in fact reflect the policy declarations of the government in the budget speech of June 18, we are certainly willing to entertain and introduce amendments.

I am sorry that on occasion the hon. member for Peace River seeks to say that the government should not be introducing amendments, or says in a ridiculing way, "What, more amendments?" I am not the least bit ashamed of and I do not apologize for any amendments that the government may present as a result of representations made by interested individuals, taxpayers, organizations and by members of this House in committee of the whole.

Mr. McGrath: Mr. Chairman, I find the parliamentary secretary's contribution, if it can be classed as that, to be rather unfortunate at this stage of the debate. I make no apology whatsoever for putting forward in committee of the whole the views of the co-operative movement in Canada. Secondly, I say to the parliamentary secretary that I find his remarks to be inconsistent with the role he is charged with, that of piloting this bill through the House. I find his remarks to be inconsistent with the amendments now before the committee. I say to the parliamentary secretary that if he continues to manifest this attitude in committee of the whole we will be here for a long time on this bill.

• (8:30 p.m.)

Mr. Mahoney: Filibuster; that's it, Jim.

The Chairman: Is the hon. member for Peace River rising on a point of order?

Mr. Baldwin: Yes, Mr. Chairman. I find the parliamentary secretary is more to be pitied than anything else.

Mr. McGrath: He is losing his cool.

Mr. Baldwin: I think he is stir happy; he has been confined too long.

Mr. Gibson: You should be confined somewhere.

Mr. Baldwin: He is a prisoner of the bill. However, with respect to his observation, what we have witnessed is the most ridiculous, stupid, nonsensical thing I have ever seen in this House. Amendments to this bill were brought in on October 22—96 of them. Amendments were brought in on October 29—28 of them. Now we have eight amendments to the amendments to the amendments to the bill. This is

absolutely stupid. I know what will happen. When we go to the other place asking for royal assent, the parliamentary secretary will rush into the Senate and say to Mr. Speaker there, "I have another amendment to make."

I could go on for some time in this vein, Mr. Chairman, but I think I am slightly out of order. I think you will agree with me there. I was provoked to enter the debate, having been sitting quietly behind the curtains minding my own business. Then I was invited to come in so I made that point. In my opinion, the reason this bill has taken so long is that it is the stupid action of a stupid government.

[*Translation*]

Mr. Leblanc (Laurier): Mr. Chairman, taking part in this debate, I would like in the first place to point out my interest in this matter, since I am one of the founders of the Caisse populaire Saint-Denis in Montreal and was president of that caisse up to 1964, the year I was elected to Parliament.

As the previous speakers, I am in a position to appreciate the important social and economic role played by the caisses populaires. I am pleased to note in the galleries this evening people interested in co-operatives, credit unions and caisses populaires and I hasten to welcome them.

Evidently, it is easy for the opposition to criticize a tax bill carrying out a complete and essential tax reform which Her Majesty's loyal opposition undertook in 1962 by creating the Carter Commission. At the present time, they are criticizing several points of the bill under consideration and they have become the protectors of the widow and child. This evening more especially, they want to be the sole defenders of co-operatives, credit unions and caisses populaires. I want to put on the official record that we too, of the Liberal party, are most concerned by this subject, and, obviously, we want to make this legislation as equitable as possible.

To this purpose, we have finally managed to bring before the House a reform which may not be perfect, but, to my knowledge, no income tax act is perfect in any country. The bill before us is but an attempt to correct certain anomalies which existed previously, to fill several loopholes, and to tax certain people who, previously, did not pay any taxes.

Let us not think, Mr, Chairman, that the caisses populaires in particular are opposed to paying taxes. I think this is worth mentioning. When their representatives appeared before the Committee on Finance, Trade and Economic Affairs—of which I had the honour to be a member—we heard during the morning of Thursday, June 18, the representatives of co-operatives, and in the afternoon, those of the caisses populaires. On that occasion, I was pleased to put certain questions to them. At page 6613 of the proceedings, one can read what Mr. André Morin, Director of the research service of the Fédération des caisses populaires Desjardins de Lévis, said, and I quote:

• (8:40 p.m.)

Mr. Leblanc, if you don't mind I will try to answer your question. In the past co-operatives were not subject to taxation during the first three years. In our brief, we agree that this assisted co-operatives to begin operations. We do not have too many examples of this to give you. We agree that this exemption of three years should be eliminated—

[Mr. Baldwin.]

Regarding my suggestion that the Caisses populaires do not object to being taxed, Mr. Morin had this to say:

We agree that this exemption of three years should be eliminated for the simple reason that in practice during the first three years a co-operative does not have that much surplus.

Reference is mostly made to co-operatives as no taxes were then levied on Caisses populaires. But I know the same principle applies equally to the latter and we had the privilege, at the recent Quebec caucus, to welcome the representatives of the Caisse populaire of Lévis which is the main organization of its kind in Quebec.

We were repeatedly told that the movement was prepared to pay taxes but not according to the ways set up in Bill C-259 before the amendments were introduced. In fact, when they were submitted to the House the amendments of the minister of Finance (Mr. Benson) were not tabled in full.

Certain amendments to the bill have been tabled since that time.

And Mr. Morin went on:

In practice there would be very little tax to pay. And if it is a privilege which is granted to co-operatives only, this might give rise to political difficulties. There will be talk about the co-operatives' privileges when, in fact, this privilege brings them very little tax relief.

Of course, they are prepared to pay taxes because they have today assets which the founder of the Caisses populaires evidently never expected they would build.

In their brief which can be found on page 66:146 of the Proceedings of the Committee on Finance, Trade and Economic Affairs there is the following introduction and I quote:

INTRODUCTION

This brief was prepared by La Fédération de Québec des Unions régionales des Caisses populaires Desjardins, grouping in Quebec 1,310 Caisses populaires, owned by 2,375,000 members. As of December 1969, the total assets of these 1,310 Caisses populaires amounted to $1,854,000,000.

One must therefore admit the importance—and this is fortunate for the province of Quebec—gained by those financial institutions. In fact they render tremendous services but they no longer want to be cast aside and be denied participation in our overall economy.

One of the points raised following the introduction of Bill C-259, and which I consider most appropriate, deals with the global business ceiling set at $400,000 by this bill as the cumulative income before tax to enable corporations to qualify for the 25 per cent rate. And in a submission to the Minister of Finance dated July 1971, the representative of the caisses populaires stated the following:

The method to be used in computing the total business limit of $400,000 under section 125, calls for some explanation in the case of caisses populaires.

Now, since then, we have given some explanations to the caisses populaires. I resume the quotation:

We believe that an equitable formula to establish annually the portion of the surplus after taxes which should be used as a basis for the computation of the total business limit of the caisses populaires, would be that portion of the surplus after taxes, if any,

retained by the caisses populaires and which exceeds an annual reserve of $50,000.

As to the amendments proposed on October 28, the Minister of Finance appreciates the merits of the request made by the caisses populaires and determines that contrary to small corporations, the caisses populaires may benefit from an accumulated income after taxes, which means that if a caisse populaire or a corporation has a taxable income of $50,000, its accumulated income after eight years would reach $400,000 and would be liable to the rate applicable to other so-called public corporations, according to the definition to be found in Bill C-259.

Now, the Minister of Finance having recognized the merits of the request of the caisses populaires said this: If, by any chance, your taxable income is $50,000, you will pay $25,000 in taxes and thereafter that amount of $25,000 will be deducted from your income for the purpose of computing the business limit. This means that before reaching a total business limit of $400,000, according to the examples given and those I have in mind, a period of 16 years instead of eight would have to elapse.

Moreover, the amendments provided for the payment of tax at the rate of one tenth per year, so as to enable the Caisses populaires, the co-operatives and the credit unions to become acquainted with the new responsibilities that will automatically be theirs under the act and to enable them also to plan their finances according to the new income tax act.

We achieved something reasonable there. I believe the caisses populaires find that satisfactory in general. Of course, there is not a taxpayer who is always pleased with his lot. Our taxes are always too high and we always believe that we pay more then our neighbor.

However, I believe the government did its best. The amendments are most acceptable and I hope the caisses populaires will also accept them.

Mr. La Salle: Mr. Chairman, like many other hon. members, I would like to express my views on the sections which we are discussing tonight, and which are extremely important for the Canadian people.

Several hon. members have already asked the minister to show greater understanding towards the co-operative movement, which includes credit unions and caisses populaires.

I believe it is the duty of every member to ask the government to give special attention to co-operative movements, in view of the aims which they pursue.

I do not think it is necessary to state the origin and objectives of these movements again. Representations have been made to the government on several occasions asking them to safeguard the special nature of co-operative movements. I still believe that those representations were definitely justified. I therefore hope that few hon. members will hesitate to take part in the debate on those sections in order to sensitize the minister to the requirements of co-operative movements.

• (8:50 p.m.)

True, some corrective action has been taken following representations by those movements. Yet it seems that that action could have been still more favourable to co-operative movements, caisses populaires and credit unions.

I would like to point out particularly the objectivity of the briefs which were submitted. I have read attentively many of them, and they make one realize to what extent those movements respect the government. I am pleased to see that those organizations have not tried to run down or criticize the government, but have rather given a positive approach to their representations, and that explains already the step made by the hon. Minister of Finance (Mr. Benson) in favour of these movements. But a new and more precise orientation for the benefit of these movements still must be asked of the minister.

It is obviously important that each member does not limit his efforts in order to sensitize the government and the minister responsible so that these corrections to be made as soon as possible. If I understood him well a few moments ago, the Parliamentary Secretary to the Minister of Finance (M. Mahoney) confessed that the government is still considering the possibility of submitting new amendments if necessary. I dare believe that through the co-operation of all members who understand what a co-operative movement is, for they have some in their respective constituency, the government will meet the request of these co-operatives, account taken of the interests these movements represent. Some members from the province of Quebec will doubtless express their views on the co-operative movement in their area, but I am too familiar with the work of the caisses populaires not to make a few remarks. They have always fought for public interests, and like all co-operative movements generally, they have the right to expect the government to protect and help them, as we all should.

I ask that all members spend a few minutes and try to make the minister aware of the interest the people have in this movement, and of the consideration it deserves.

The Caisses populaires Desjardins in the province of Quebec were, in a sense, a school of thrift. They taught thousands of Quebecers the need to save, why there was a need to save and how to save. I also know that these movements have succeeded in inducing Quebecers to go into business and this through the efforts of the Caisses Desjardins which have given all kinds of assistance to low income people.

We are all aware in Quebec that the Caisses Desjardins have achieved marvels. Going through the caisses populaires' history we find that at the beginning they were not taken seriously by some businessmen who thought they were of interest to middle-class Canadians only.

Today we realize that from an economic viewpoint, the organization has been most successful in the province of Quebec and we are happy with it as with the co-operative movement which through efforts of its own is pursuing the most commendable objectives. I think the performance of our co-operative movements, of our savings funds and credit unions is of the noblest kind.

In view of the aims of those organizations, I think it is my duty as member for Joliette to ask the government to allow them to preserve their particular character and to find a way of giving them still greater assistance.

There are people who claim that the Caisses populaires today will agree to pay taxes because they are on a sound-

er financial basis, since caisses populaires, co-operative movements or some co-operatives are now enjoying a certain stability. Of course, privileges have been granted to them and I dare hope they will be maintained. I hope the government will not hesitate to support and help an organization which has the interests of the community at heart.

It is most important to give such an opportunity to these movements that enable every citizen to capitalize at a level that gives him economic strength. Every citizen wishes to control at least a good part of his savings.

Co-operatives and the Desjardins movement pursue the noble aim of seeking the participation of citizens and giving them economic guidelines for the benefit of their area.

Keeping in mind such high and commendable objectives, I urge the government to give special consideration to granting whatever assistance it can to those co-operative movements. I am convinced that not one hon. member in this House intends to object to such a policy. And even though the hon. minister knows all about the representations made by the various movements, I feel that more should be done for them.

I believe the hon. minister, who might not as yet have had the opportunity to take an active part in co-operative movements, will have heard so many opinions and claims as to appreciate the significance of this issue. I even hope that the Quebec members, of all parties, will not hesitate—

An hon. Member: Do not forget the independent members!

Mr. La Salle: Of course, the independent members are always anxious to take part in a debate over a serious matter. Thus, like other members, I am, in a very independent way, acting as the spokesman for those movements that operate in my riding. I would hope to see other members do the same and realize that it is their duty—apart from any party considerations—to fight for the interests of their co-operatives and credit unions the fruitful achievements of which are well known to us all. If we act this way, we will succeed in shedding enough light on the matter for the Minister of Finance so that it will be a pleasure, and not a duty, for him to inform these organizations that they will keep their particular character, their privileges, for the good of their operation and for the economic wellbeing of their members.

[*English*]

Mr. Gleave: Mr. Chairman, I just wish to point out two things. The parliamentary secretary said that if we on this side of the House stay with certain limits, what we say will be noted in due time. It is very nice of him to be so kind to us. He said that some representations will be fruitful and, by implication, that some will not be fruitful. When he was speaking he did not make one of the most important observations he might have made, which is whether the particular amendment before us is acceptable. He says that debate on specific terms will be accepted, and so on. This is a specific amendment.

In all kindness to the parliamentary secretary I would say the opinions and debate he is getting on the question of co-operatives should not surprise him at all, because surely before this House recessed at the end of June there had been discussion on taxation proposals with the co-operatives and how this legislation would affect them. To my knowledge, members of co-operative organizations have been coming to Ottawa and talking to the department concerned about the taxation proposals set out in this bill. They were here last summer and fall, and the minister and his parliamentary secretary have not lacked notice of the attitude of co-operatives and their members to these proposals.

• (9:00 p.m.)

The government made the basic mistake of accepting the advice and opinion of certain organizations which tried to peddle the line that co-operatives are one thing but that members of co-operatives are quite another. That reminds you of the line sometimes taken in foreign affairs. People say, "People in this other country would be very nice if only they were not represented by such objectionable leaders".

An hon. Member: As in this country.

Mr. Gleave: This government is saying that co-operatives are very nice, that the principle is fine and the only trouble is that sometimes they get big enough to do something for the people who put them together.

Some hon. Members: Hear, hear!

Mr. Gleave: I have read statements by the responsible minister—

An hon. Member: The irresponsible minister.

An hon. Member: Which one is responsible?

Mr. Gleave: —and I have never seen such nonsense. During the time I have been farming I have put money into co-operatives. I have lent them money and collected dividends. I have had dividends retained by co-operatives because they had to do certain things which were required. This legislation is saying, Mr. Chairman, "If you have a little co-operative that is all right, but don't let it get too big."

Mr. Mahoney: Is that a family co-operative?

Mr. Gleave: What was that intervention?

An hon. Member: Don't bother; it was not worth while.

Mr. Gleave: Does the parliamentary secretary think it is more important for me to have access to a co-operative store in Biggar where I can buy fuel for the farm or groceries, or to have access to a co-operative of the nature of the Saskatchewan Wheat Pool which can build a terminal at the west coast and handle my grain? Is the government really trying to peddle this line to the people of Canada and to this House?

Mr. Mahoney: You tell us which is more important.

Mr. Gleave: I will tell the parliamentary secretary. Probably the terminal at Vancouver is more important because nobody but the co-operative would build it. The government "Joe'd" the co-operative into building it. Furthermore, the government Joe'd the co-operatives to set up XCAN. I do not know whether the parliamentary

secretary knows that: I expect he does, since he moves in business circles in Calgary and he said to one member from Newfoundland that Calgary and Alberta are not without knowledge of co-operatives. We are not without knowledge of them in Saskatchewan.

I say to the government, in all seriousness, that it had better adopt a different approach and consider what co-operatives really do, what they were designed to do and what the people who put them together intended them to do. If this legislation as drawn up by the government is passed, one knows only too well what will happen. Co-operatives will have to change their structure altogether and their methods of accounting, or they will not be able to build up the reserves necessary and the money which is needed to do the various things they need to do.

I find the government's attitude somewhat amazing. A few weeks ago a little volume came to my desk, complete with a picture of a rather "beat" looking, whiskery-faced man. The volume was entitled, "Poverty in Canada." It was the report on poverty.

An hon. Member: That was not a picture of Pat Mahoney.

Mr. Gleave: No, it was not his picture. On the one hand members of the other place have been going across the country holding hearings and bringing out a report which tells us what is happening to all the poor people in Canada, and if we are to do something about poverty we should introduce the guaranteed annual income, yet on the other hand the government has come before this House with an attempt to destroy what the disadvantaged people of this country have put together from Vancouver Island to Newfoundland over the last century and a half.

Some hon. Members: Hear, hear!

Mr. Gleave: Mr. Chairman, that is what is being attempted. You can read what the Equitable Tax Foundation says—

Mr. Gibson: That is the most exaggerated statement of the year.

Mr. Gleave: Does the hon. member think so?

Mr. Gibson: Yes.

Mr. Peters: Just because Mahoney told you to say that does not mean it is true.

Mr. Gleave: The hon. member may suggest that that is a most exaggerated statement, but I tell him and others on that side of the House that the wheat pool committees, the credit unions and the local co-operatives in my constituency do not think it is exaggerated, Mr. Chairman. That applies not only to my constituency but to all constituencies across this country. I get letters from Ontario, from Alberta and from the Maritimes—and I am a Saskatchewan member. I get letters from all these places and they do not suggest that what I am saying is exaggerated.

An hon. Member: Only the Liberals think so.

Mr. Mahoney: They don't know what you are saying.

Mr. Gleave: They are all very much concerned.

Mr. Peters: The parliamentary secretary thinks that these people cannot read or listen to television.

Mr. Gleave: I do not know how the hon. member arrived at his conclusion.

Mr. Peters: They may be poor, but they are not stupid.

Mr. Gleave: Listen to what the Equitable Tax Foundation says about co-operatives and their method of building reserves:

> This device of 'paper dividends' provides all other co-operatives with a similar and completely unwarranted advantage over their investor-owned competitors.

What people do they think own these co-operatives? Do they think they are people who come from the ocean? At any rate, that is the Foundation's approach and that is the idea which is behind the proposals that have been put before this House.

Mr. Mahoney: Oh, no.

Mr. Gleave: The co-operatives have been told, according to what I have learned, "If you pay interest on what these people are talking about—that is, on the dividends that are retained—your taxes will be reduced." In other words, if they reduce the amount of money they retain, they will not pay so much tax. Mr. Chairman, it is not the business of those on the other side of the House to determine whether or not a co-operative should pay interest, or the amount of interest it should pay. That is not their business and it is not the business of the Equitable Tax Foundation. It is my business, because it is my money. And if I think I am making a satisfactory earning through its being used in the manner in which it is being used, that is my business.

• (9:10 p.m.)

Mr. Mahoney: That is screwy socialism.

Mr. Gleave: Probably the parliamentary secretary does not know anything about socialism. He probably went to one of our orthodox Canadian schools which spent a great deal of time trying to tell him how to run the standard system that we have in Canada, and not much time on teaching him how to do anything else.

Mr. Mahoney: I agree with you. I just don't know how you support David Lewis.

Mr. Gleave: Mr. Chairman, I have noticed the predelection of the parliamentary secretary, not only tonight but on previous occasions, that when he runs out of logic he starts needling the other side because of some ideology held by it or because of what some provincial government is doing. I sincerely hope that a few of the backbenchers opposite who do know something about co-ops and how important they are will take him behind the woodshed and acquaint him with the facts of life before too long, in the next few days if possible.

The government is attempting to make things more difficult for organizations that have attempted to bring some balance into the economic structure of this country and give some weight to those who are economically disadvantaged and who lack bargaining power. These organizations can retain some industry in Canadian ownership.

That is another factor which must be considered. Co-operatives are Canadian owned; they are not subject to raiding or foreign takeover.

We spent a lot of money getting a report on the price of farm machinery and spare parts. The Barber commission report was costly. I only hope that one day some minister will be able to rise in his place and tell of just one thing good that has happened to our farmers as a result of that report. The organization that is really trying to do something for farmers with respect to the price of farm machinery is Co-op Implements, but this legislation will make things more difficult for it.

An hon. Member: Come on, Alf.

Mr. Gleave: My hon. friend to my right may disagree. Perhaps I would not agree if I were in his position. But it is about time people on the government side of the House realized what this legislation is all about and what it can mean to Canadians. The government should pause to consider the matter, in light of the amount of investment that has been quoted tonight and the importance of the co-op movement across Canada.

Mr. Chairman, I do not think the co-op movement is any great threat to the multinational corporations that now control much of our industry and economy. I do not know why they are getting into such a sweat. I urge the government to consider carefully the possibility of accepting these amendments before passage of these sections of the bill.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I have studied with great interest the proposed amendments tabled by the Minister of Finance (Mr. Benson) concerning the new tax burden which co-operatives, credit unions and caisses populaires will have to bear.

My interest is all the greater as I pointed out, a short time ago, the inequity of a number of the new provisions submitted initially.

As I was giving particular attention at that time to the case of co-operatives, I had stressed the concept of "capital employed" and the new limitations which it was introducing in relation to the payment of patronage dividends to members.

I had taken the hypothetical case of a co-operative with a total capital of $800,000 made up as follows: shareholders' holdings, $500,000; long-term debt, $300,000. To substitute to the present method of computing tax that which is proposed in the bill meant for such a co-operative an increase in taxable income of some $19,000 and tax increase of between $1,500 and $6,250, that is a sharp rise of over 400 per cent.

While everyone recognizes the principle of tax equity, one must nevertheless consider that the bill, as it now reads, gives rise to an extremely sudden change which would seriously jeopardize the very existence of some co-operatives whose level of development is not such as to allow them to support a tax burden which is so much heavier.

I had emphasized at the same time that in addition to penalizing unfairly and inconsiderately the individual and collective efforts of co-operative members, the new tax provisions introduced by the Minister of Finance would have harmful effects. First, there was the danger of creating double taxation conditions, at least theoretically. Some of those co-operatives could thus be caught in a financial and inextricable deadlock, where they would find themselves unable to repay the members the shares of the social capital rightfully claimed by those wishing to withdraw from the movement. And finally, on account of that still controversial concept of capital employed and also of the necessary accumulation of minimum reserves, a co-operative could have found itself in the ridiculous situation of having to pay, for a given fiscal year, more tax than during the previous year, even if its profit for the current year might have been the same or even lower than that of the previous year.

Mr. Chairman, the amendments proposed by the Minister of Finance help however to ward off some fears or threats. In fact, we can but rejoice that, under these amendments, a co-operative may choose the lesser amount arrived at by either methods for computing taxation. At that, the government has not discarded the concept of capital employed, so much decried by the Canadian co-operative movement, but at least the co-operative can pay as patronage dividends up to two-thirds of its profits, which shows greater respect for the traditional operating rules of the co-operatives. No doubt this is an interesting compromise as compared to the rigid initial rate of 5 per cent of capital employed.

If we come back to the case of the co-operative with a total capitalization of $800,000, we can see that for a given year during which the registered profit was $60,000, the tax payable could be somewhat different according to the computation method used.

Here is an example: The employed capital method implies taxation at 5 per cent of $500,000 which results in a taxable income of $25,000 and a tax assessment of $6,250, or 25 per cent of $25,000.

On the other hand, under the amendment, the second method would be the profit volume method: With an aggregate profit of $60,000, less the portion payable as patronage dividends (or 2/3 of $60,000), profits amount to $40,000. Therefore, the taxable amount is 1/3 of profits, namely $20,000, with a tax assessment of $4,000, or 25 per cent of $20,000.

Of course, a certain latitude is given to the co-operatives which, however, are not spared the burden of the capital employed concept which puts between the co-operative and its members a taxation mechanism and, thus, government action which is contrary to the co-operative principle and interferes with the normal relations which should prevail between this institution and its member for business transactions entered into by them in a quite legitimate way. The amendment in question leaves at best a little more elbow-room, but only where the second computation method permits to alleviate the tax burden of the co-operative involved in a given taxation year.

• (9:20 p.m.)

So, I am glad to point out that this will be unavoidably the case of co-operative corporations with relatively moderate profits. I am not pleased at the thought that the profits will be limited, but I am only looking at this with the legislation in mind. We say again that this is not a

partial recognition of the particular nature of the co-operative movement.

I hoped that the Minister of Finance (Mr. Benson), in addition to introducing a progressive tax provision whereby each co-op would pay over ten years only an escalating percentage of the increase in taxes they will thereafter have to pay, would give as much consideration to my second suggestion demanding that appropriate selection provisions be included in the tax treatment of the different co-operatives. It is because, as much as the government and probably more so, I so fully support the principle of tax equity that I would like the new tax system for co-operatives to apply only to those which obviously and effectively tend to compete with other ordinary companies.

I regret very much that consideration has not been given neither to the level of development reached by individual co-operatives nor to their type of activity and other factors which would be significant indicators as to each one's ability to come under the new tax system.

I ask the government to reconsider the matter and try to understand, for example, that a small farmers' co-operative in Quebec or in the Maritimes cannot be treated on the same basis as a huge Prairies wheat pool.

The Social Crediters would be most happy if the government would set up guidelines enabling the small co-operatives to still be subject to the present tax system until such time as their growth level and development will allow them to be integrated, like the flourishing and strong co-operatives, into the proposed tax system, unless naturally the government simply gives up the notion of capital employed.

This additional mitigation which I advocate would bring at least a measure of respect and confidence towards the co-operative movement, for due to unconditional tax leveling and no longer to simple tax fairness, it would be inconsistent to lay upon small co-operatives a burden which they would not be in a position to carry.

It seems very interesting to spread the cost over a period of ten years, but it remains nevertheless that there will then be other newly-formed and little developed co-operatives which will also have to abide by the same tax regulations which will have by then come to full maturity and will simply apply with all their severity.

We must therefore state again that co-operatives are above all associations of men who pool their efforts, and are not simple aggregations of capital. It cannot be said too often, because it is imperative, to my mind, that the marked difference be recognized.

I also point out that values such as "work" and "co-operative effort" override any other essentially material consideration. Finally, it may be useful to add that the co-operative movement cannot be conceived as a dangerous industrial or commercial trust: instead, it should be considered as a wholesome extension of the current notion of enterprise, which enables our present system to be more humane, more equitable and better suited to the needs of individuals.

• (9:30 p.m.)

In closing, I should like to recall some of the positions adopted by the co-operatives after the Minister of Finance introduced his amendments.

The co-operatives did not ask, and are not asking, to be exempted from corporate taxes on voluntarily retained earnings. They merely ask not to be forced, through an arbitrary formula, to retain their earnings. In other words, they ask that their structures and their own operating rules be respected. This is what the president of the Co-operative Union of Canada had to say in his letter to hon. members:

> Patronage dividends constitute one of the main sources of funds to ensure the liquidity required to maintain a stable capital structure and to improve the services required by the members.

And he added:

> The members, by contributing to the capital of a co-operative, are not investing. Above all else, they aim to improve and extend the services they need, and receive at year end dividends in proportion to the use they made of those services.

The Finance Minister's press release of October 28 last recognizes that co-ops have special obligations because of their capital movements. The amendments introduced are no doubt a step in the right direction. I welcome them but on the other hand I would ask the minister to see if other relief measures would not be possible, especially for small or average co-ops. According to the release, discussion showed that amendments were necessary in order to take into account certains aspects and certain needs of these establishments.

I would like to add that if some progress was made, it is first due to such organizations which have succeeded in efficiently bringing forth their views and drawing them to the attention of the political power. I congratulate and encourage them to persevere so that the representatives of the people be always better informed of the needs and aspirations of the people who, on the other hand, would be able to consider Parliament and the legislative mechanism, not as the docile instrument of an omnipotent government, but as the expression of the will of the sovereign people.

This afternoon, my colleague, the hon. member for Roberval (Mr. Gauthier) dealt with the effects of Bill C-259 and particularly with sections now before us regarding caisses populaires and credit unions. I wish merely to draw the attention of the government on the fact that we must again distinguish a co-operative service organization from a profit-making one.

On October 28, as shown on page 3 of the document, the hon. Minister of Finance made the following statement about credit unions and caisses populaires:

> These corporations were exempted from taxation, but under the provisions of Bill C-259, they will be taxable generally in the same way as other financial institutions.

In my view, we should not consider the Caisses populaires as financial institutions enjoying the same benefits as chartered banks. Banking institutions enjoy privileges that are not awarded to the Caisses populaires or Credit unions. That is why I say these two types of financial institutions should not be taxed or imposed in the same manner.

It would also be perfectly logical to affirm that the credit so created by the banks, under a privilege granted to them, constitutes some sort of reserve which should be considered for taxation purposes. There is therefore a very great difference between the operations of these two types of institutions. That is why it is unfair to impose the

same tax burden on Caisses populaires and Credit Unions. From page 3 of a brief submitted to the Minister of Finance (Mr. Benson) by the Federation of "Caisses populaires" and Credit Unions, I quote the following:

> Corporation shares in a "Caisse populaire" are basically different from shares in a company. They are redeemable on demand, although subject to notice thereof according to regulations. No share certificates are issued. The "Caisse populaire" delivers instead to its member a booklet into which deposits and withdrawals from his capital account are entered, just as is done for bank savings accounts. As a general rule, a member may transfer his capital to his savings account, and vice versa.

That is, generally speaking, the practice in the caisses populaires.

I quote further:

> Both the Porter Royal Commission on banking and the Carter Royal Commission on taxation have recognized that the social capital of members is essentially made of savings ... And one must consider that if the caisses populaires would have to pay bonuses or dividends from those surpluses after tax they would be in a inequitable position as compared with other financial institutions. Indeed, the mere fact that the social capital of the caisses populaires is reimbursable on demand makes it impossible to pay bonuses or dividends in the form of shares and to establish an immobilized capital by transferring at the same time the burden of the tax and safeguarding 50 per cent of the taxable income within the business operation. That situation certainly will create a cash problem for the caisse populaire.

For my part, I believe that we must take those recommendations into better account if we want to keep the caisses populaires alive, and the co-operative movement of credit unions to preserve the impetus which has kept them going for the past 25 years. In the interest of our country's economy, we have to keep the co-operative movement alive. And if we are to keep it alive, we should not drain it of the economic blood it needs in order for its operation to remain profitable for its members.

I have here a letter, dated November 6, 1971, I received from the Toronto and Niagara Area Chapter of the *Caisses Populaires*, which seem to share the views of Quebec and Western co-operatives. I will quote only a few lines:

> Since 1900, this co-operative movement has been fighting exorbitant interest rates in Canada and working to improve the financial situation of those of our citizens who most need it.

It says so in so many words! I quote further:

> It would be unfortunate to have our Canadian government destroy the ideal means which Canadians have to help themselves, and this, only for the purpose of collecting additional revenues.

So, Mr. Chairman, as it is—

The Assistant Deputy Chairman: Order. I regret to interrupt the hon. member, but his time has expired.

[*English*]

Mr. Gibson: Mr. Chairman, I enter this debate with some humility.

[*Translation*]

Mr. Lambert (Bellechasse): Mr. Chairman, I rise on a point of order.

There is a custom, in this House, to the effect that when the time of an hon. member has expired, the Chair requests from the House leave for that member to conclude his remarks. Now, I am convinced that the Chair did not show any ill-will, but—

[Mr. Lambert (Bellechasse).]

The Assistant Deputy Chairman: Order. I understood the point of order. However, the hon. member knows the Standing Orders. He must have the unanimous consent of the House to carry on with his remarks.

Is there unanimity?

An hon. Member: No.

[*English*]

Mr. Gibson: Mr. Chairman, at the outset I would like to apologize if by chance I rose too soon. I had no intention of interrupting the interesting speech of the hon. member. I enter this debate with some humility.

• (9:40 p.m.)

[*Translation*]

The Assistant Deputy Chairman: Order. The hon. member for Laurier (Mr. Leblanc) rises on a point of order.

Mr. Leblanc (Laurier): Mr. Chairman, with regard to the point of order raised by the hon. member for Bellechasse (Mr. Lambert), I am under the impression that the House has given him unanimous consent to continue his comments. So, I cannot see why—

The Assistant Deputy Chairman: Order. If the Chair chose to recognize the hon. member for Hamilton-Wentworth (Mr. Gibson), it is because I heard some "no's".

[*English*]

Mr. Gibson: Mr. Chairman, I approach this debate with some humility as one who is not an expert on credit unions and caisses populaires.

Some hon. Members: Hear, hear!

Mr. Gibson: However, in my limited experience I have had the advantage of travelling across Canada and, as a member of the constitutional committee, heard briefs on the benefits of credit unions, caisses populaires and the like. In my respectful opinion the amendments proposed are good and are fairly courageous. I would like to see a little more life pumped into them. It is very much like a football team which in the fifty-ninth minute of the game is down to the ten-yard line. I would like the government to have the courage to support the credit unions more and increase the exemptions substantially, if possible.

I say that because it has been said by the government that allowing relief to credit unions would tend to let them compete with other financial institutions. In my respectful submission that is a healthy sign that the credit union movement has done much social good in this country, particularly when compared to some of our banking institutions.

The loan policies of credit unions, caisses populaires and the like are of social benefit to Canada. I do not want to push the government too hard on this.

• (9:40 p.m.)

An hon. Member: Why?

Mr. Gibson: Because together with bringing in the capital gains tax it would be hypocritical, as the hon. member for Saskatoon-Biggar would say. He wants the tax and he

wants complete exemption for certain groups. We cannot go too far along this line because all people in this country are supposed to be equal under the rule of law.

Mr. Thomas (Moncton): The Prime Minister doesn't believe that.

Mr. Gibson: Oh, yes, he does. He is one of the greatest believers in the rule of law. He might have made a mistake—

Some hon. Members: Oh.

Mr. Gibson: —but you will not find he makes many. The criticisms coming from the hon. member for Saskatoon-Biggar are the wild, half-baked ideas of the New Democratic Party. They would ruin our economy and drive us back to the middle ages when we were just hewers of wood and drawers of water. The ideas of the hon. member for Saskatoon-Biggar are no more than impractical dreams and visions. None of them has had any successful experience of running a business. They are hypocritical in their approach. They pretend they want the tax, and as soon as we bring in the tax they say they do not want it. There has to be some common sense and balance when taxes such as these are brought in.

Mr. Gleave: On a question of privilege, Mr. Chairman, I do not mind the hon. member taking exception to my opinions and point of view with regard to co-ops, but I think I have a legitimate question of privilege when he says I was never able to run a successful business. I am entitled to say that I have successfully operated a business, that I am perfectly competent to do so and that the hon. member is ill-informed.

The Assistant Deputy Chairman: Order. That is not a question of privilege. The hon. member for Hamilton-Wentworth has the floor.

Mr. Gibson: I am glad to hear the hon. member is a capitalist. I welcome him to this side of the House. He must be the only capitalist in that party. As for the criticism directed against my hon. friend from Calgary South who has sat here day after day conducting himself in a brilliant manner, although he is not a cabinet minister—I hope he soon will be—

Mr. Baldwin: Irrelevant and incorrect.

The Assistant Deputy Chairman: Order. The Chair is having a difficulty time following the speech of the hon. member. I wish the hon. member would direct his comments to the Chair.

Mr. Gibson: The government has stated that the co-operatives will be given ten years in which to adjust to the increase in the level of their taxes. I do not think ten years is enough.

Mr. Gleave: Not for you.

Mr. Gibson: Knowing the difficulties faced by the co-operatives, I suggest that about 18 years would be more appropriate.

Mr. Peters: What about a hundred?

Mr. Gibson: The hon. member asks, "What about a hundred?" I think that is ridiculous. It is typical of the irresponsible comments and views of the NDP. They are incapable of any really constructive approach.

I believe there should be more latitude given here. Eighteen years would give the credit unions and co-operatives a chance to adjust their operations, and I think they are entitled to it. I say this as a lawyer who has known people who have sustained an accident or suffered a calamity which has deprived them of every source of funds except those available from a credit union plan. I am a firm booster of the credit union movement and I hope the government will consider action along the lines I have suggested.

Mr. Simpson: Mr. Chairman, while the committee is dealing with amendments to sections 135, 136 and 137 of Bill C-259 I think it is opportune to mention that once again the House of Commons has been presented with an omnibus monstrosity. It is a monstrosity which only this government could dream up, a real nightmare. If ever there was legislation which should have been presented by way of several different bills, it is Bill C-259 which is one more glaring piece of evidence of the incompetence of the government.

Mr. Mahoney: You don't believe that. You are just reading that stuff they gave you.

Mr. Simpson: The parliamentary secretary has made one or two interjections this evening. I am pleased he has. Later in my speech I shall draw a comparison between remarks he has made and some of the statements the minister has made on this subject.

We have seen other examples of the way in which the government endeavours to patch up its mistakes in a piecemeal manner by introducing omnibus legislation. For example, there were the changes made to the Criminal Code and the bumbling manner in which they handled the abolition of capital punishment, to name only two instances. One thing is certain about this monstrosity, Bill C-259: some of the non-contentious items such as the removal from the tax rolls of a considerable number of low-income earners should have been presented by way of separate legislation so that the House might have dealt with them expeditiously, thereby assuring to this group of people relief from an unjustifiable tax burden. We repeatedly asked the government to do this, and I am sure every member of the House is in favour of such a move, but the government has said no. As a result, we are obliged to deal with this 707-page monstrosity into which some 95 or 100 amendments have already been injected by the government itself—

Mr. Mahoney: One hundred and forty-five.

Mr. Simpson: —not counting numerous amendments to be put forward by the opposition. Then the government says, "If you don't pass the bill quickly you will be preventing several hundred thousand low wage earners from receiving tax relief."

Mr. Mahoney: Actually, 5½ million.

Mr. Simpson: First, the government produced a white paper which it indicated was the plan. Then after a deluge

of protests from groups and individuals representing all segments of the economy the government made it known there would be some backtracking as far as some of the resource industries were concerned. Then came the bill itself, a massive piece of ill-conceived legislation, proven so by the large number of government amendments already proposed. No doubt there are more to come. Only a few weeks ago the Minister of Finance introduced further measures adding more changes to an already obscure picture.

Let us consider some of the provisions which particularly affect co-operatives and the credit union movement. There appears no room for doubt that the government is determined to penalize these two organizations which have proven extremely helpful to hundreds of thousands of Canadians. I am quite certain that the Consumers Co-operative which functions in the city in which I live has been a strong factor in keeping prices reasonably in line. A very admirable service has also been provided by the local credit union.

• (9:50 p.m.)

My seatmate, the hon. member for Wellington, has already put on the record this afternoon the structure of credit unions and caisses populaires in Canada and the services they provide, so there is no need for me to repeat it. I think this will probably meet with the favour of the hon. member for Calgary South, who as I have said was earlier on his feet telling members of the opposition they are being too repetitious and that the government does not need to hear the same thing over and over again. What I am attempting to do in the short period of time available to me this evening is to re-emphasize some of the things the government has been told but about which they have obviously done nothing.

The co-ops and credit unions were extremely concerned by indications in Bill C-259 that their future was undoubtedly very bleak. However, after meetings with the minister and representations made by members of the opposition the co-ops and credit unions were told that the implications in the bill would be reviewed by the government. Amendments have been proposed to the sections relating to co-ops and credit unions but the damage that will be done to these organizations is still very apparent.

As far as the co-ops are concerned, the use of capital employed as a base for taxation is entirely wrong and discriminatory, and although the government has come forth with amendments to sections 135, 136 and 137 of the bill I do want to impress upon the minister, through his parliamentary secretary, that the measures the government originally introduced might quite easily have sounded the death-knell of many co-operatives. Certainly the amendments proposed by the government are unsatisfactory from the point of view of these organizations.

I suggest to the government that co-operatives be allowed to continue to distribute annual savings in a form which would enable members to continue their investment in the co-operative. It would also make it possible for co-operatives to carry on with the essential policy of retirement of equity of those members who no longer use the co-operative.

Since the disclosure in June that credit unions will be very much affected by the tax reform legislation they

[Mr. Simpson.]

have been exceedingly concerned with the threat that the tax proposals constitute for them. If enacted, the proposals will severely undermine the definitive characteristics of credit unions and will surely place them at a disadvantage in the competitive business market. Bill C-259 reveals a very basic misunderstanding of the nature of credit unions, and although some amendments have been introduced by the government, the proposals still project a tax formula that is inequitable.

May I also point out to the minister that these amendments do not meet the objections of the co-operatives, who insist that the fundamental distinctions in their nature be respected by the taxation statute. These distinctions are as follows: First, the co-operative provides primarily a self-help service that is required by its members. Second, the co-operative distributes its earnings to its members in proportion to member business. Third, it raises and services its equity capital by revolving the same in relation to the use of the co-operative by its members. Finally, the capital contributed by a member of a co-operative provides the member with services and does not produce for him a return on investment.

As all of us know, the members of co-operatives have strenuously objected to the "capital employed" concept contained in Bill C-259 which substantially reduces the amount of patronage refunds which could be paid to members on business done with themselves. Reducing patronage refunds hits at the economic existence of co-operatives. These refunds are part of the investment required to enable the co-operative to continue to exist.

Members usually invest some of these refunds in their co-operative which provides a substantial portion of the capital required for the operation and growth of the co-operative, and especially for the revolving of member capital to keep the ownership of the co-operative in the hands of the user of the co-operative. I am pleased that the minister has been convinced of the error of his original ideas in respect of co-ops and credit unions. However, again I assure him that the members of these organizations are still far from satisfied.

In conclusion, I say to the parliamentary secretary from Calgary South, who a short while ago gave the committee a lecture on what he called the repetitiveness of the speeches by members of the opposition, that it appears quite obvious from a letter that all Members of Parliament received this afternoon from the Co-operative Union of Canada, signed by its president, that this government needs to be told things many, many times before it gets the message. I quote part of this letter which reads as follows:

> Co-operatives have recently received a letter from the hon. Minister of Finance, the final paragraph of which reads:
>
> "The government considers that the proposed new tax bill, as amended, will result in a fairer distribution of the tax burden while helping co-operatives in the transition from exempt to taxable status".

This illustrates very well that the government has to be told these things time and time again since the co-operatives are not presently exempt from taxation.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

FISHERIES—ASSERTION BY CANADA OF MANAGEMENT JURISDICTION OVER CONTINENTAL SHELF

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, on October 13 I asked the Minister of the Environment and Fisheries (Mr. Davis) this question:

In the wake of last week's conference over which the minister presided, is the government now giving serious consideration to asserting Canada's jurisdiction over the continental shelf in so far as fisheries management is concerned and, if so, when may an announcement be expected?

The minister gave this reply:

Mr. Speaker, our primary concern is for sound conservation out over our continental shelf, and we require the co-operation of other nations to bring that about.

The minister is always very precise in his replies. It was once said of an official of this House years and years ago that while he may never have lacked conviction, he was sometimes a little short on accuracy. I remember a matter raised by my colleague from St. John's East who had noted that in an official publication of the House the minister was designated only as Minister of the Environment. I note that the parliamentary secretary is listed in *Hansard* as the Parliamentary Secretary to the Minister of the Environment, not to the Minister of the Environment and Fisheries, so I take it he has not troubled to make that correction. While it was not in the designation, what I think is far more important is whether or not the fisheries aspect is in the consideration of the man in charge of the portfolio.

• (10:00 p.m.)

It is interesting that at this time when our country is troubled about the state of its secondary industries, when we are in great travail over those industries, our basic or primary industries are at their nadir. No one has to talk about wheat, no one has to mention mining; certainly no one has to talk about what is happening to the great pulp and paper industry, or what happened long before "Nixonomics." We have watched with great anxiety what is happening to the most ancient of our industries, namely, fisheries.

There is a serious story in so far as the east coast is concerned. Stocks are being depleted and many important fish are in very serious short supply. There is overfishing. There is foreign intrusion with dangerously sophisticated equipment. All sorts of fish are being swept up from the bottom of our seas. This constitutes a grave challenge. I am afraid there is not sufficiently high priority for the fishing industry of Canada.

In my province—I think this is unique to that province—the government has managed to elude, evade or escape its proper and constitutional responsibility for fishing centres, the fishing industry and, more important, the harbours in this precarious industry. According to the British North America Act, section 91, subsections 9, 10 and 12, special responsibilities are set out in respect of beacons, buoys and lighthouses. These are clearly the responsibility of the federal government. In the province of Prince Edward Island, under the device of designated ports some ports get the attention of the federal government through the Department of Public Works and these are designated not by the federal government, which has the responsibility, but by the provincial government. So there is a clear evasion of responsibility. But on October 13 I was particularly interested in what was being done on the international front in respect of our dangerously depleted fisheries.

As one looks at this problem one is concerned about the contradistinction which is being made by the government, that the vigorous unilateralism in the Arctic is not reproduced in reference to the Atlantic. In reference to the issue of the 12-mile limit I remember when the former Secretary of State for External Affairs, now government leader of the Senate, came to the External Affairs Committee and proclaimed the 12-mile limit. My colleague, the hon. member for Oxford (Mr. Nesbitt), said there were so many officials there that there must be some announcement no less important or world shattering than a declaration of war. Then we had the appearance of the Vice-Chairman of the Council of Ministers of the Soviet Union. I am not one of those who deplore that or one who fears or criticizes it, but I say in reference to that visit that through all the current exercises in summitry we must ask the question: What is the concrete result thereof?

In the communiqué which followed the exchange of pleasantries at the time of the visit of the distinguished leader of the Soviet Union to our country, there was no place or priority for fisheries. I had hoped that that occasion would have served as an opportunity to express our concern about our fishery and the control of the continental shelf. I have attended many international gatherings and I know that when you have the Soviet bloc you have quite a bloc: they are fairly numerous and extremely cohesive. But, Mr. Speaker, after all the tumult and shouting about coexistence had died down, and after the captains and kings had departed, what was there left for the east coast fisherman? Did we move one inch forward in our claim to management of fisheries resources over our continental shelf? Did we get the support of the Soviet Union? Did we gain their assistance for any future international conclave?

Now comes the question that the minister must answer and that his parliamentary secretary, who is here tonight, must answer. Are we trying hard enough to safeguard the livelihood of the men who are engaged in this most perilous of industries? I would profoundly, happily and joyously welcome some indication to show that apart from our interesting talk about controlling the environment and advancing on many esoteric grounds, some serious attention has been given to this much assaulted industry and that action has been taken.

Mr. Eymard Corbin (Parliamentary Secretary to Minister of Fisheries): Mr. Speaker, I would be a fool if I were to disagree with the hon. member who has just spoken and suggest that there is not a serious depletion of our fisheries resources on the east coast particularly. This is a recognized fact. The government is conscious of it and is conscious also of its responsibilities as a coastal state. The government knows that the sea must be managed more intelligently in the future. As I say, the government knows

this. It is determined to do everything in its power to prevent destruction by pollution and overfishing as well as by undue exploitation the life-giving resources of our coastal seas.

On the other hand, the government is also aware of its responsibilities as a member of the international fishing community. It is anxious to achieve its objectives in a spirit of co-operation with its neighbours wherever possible. During the past two years, as the hon. member himself just outlined, the government has taken various steps to correct some of the wrongdoings which have taken place in the past, as well as some of the mismanagements of the past in the hope of arriving at better international agreements regarding the management of the fisheries.

The government of Canada has drawn base lines from headland to headland, has established a 12-mile territorial sea limit and has established closing lines to close off large bodies of water such as the Gulf of St. Lawrence and the Bay of Fundy for the exclusive use of Canadian fishermen. All this was done on Canada's own initiative. The government at present is also in the process of phasing out from our exclusive fishing areas countries which have had traditional fishing practices there. Also, it has initiated a series of negotiations which should bear fruit in the very near future.

Hon. members will recall that the Secretary of State for External Affairs (Mr. Sharp) stated in the House on September 27 that we are making very rapid and satisfactory progress on a treaty with the French government which will cover a number of these matters. The government further intends to discuss with fishing countries the question of the management of this resource on the whole of our continental shelf and the practices necessary for a sustained yield harvesting of the fisheries resource. The minister announced recently that he hoped to convene next year a meeting of all international fishing nations of the world in order to discuss this very important subject.

Finally, Mr. Speaker, the hon. member referred to the recent visit of the Premier of the Soviet Union and the role that Canada played at that time to bring to the attention of our neighbour to the north our great concern about the overfishing of the fisheries. Answering a question put to him in the House by the hon. member for South Shore (Mr. Crouse), the minister said that we have not failed to reach an understanding with the U.S.S.R., that we have made various submissions and that we hope we will be able to carry out our points and get the U.S.S.R. to agree to our proposals.

• (10:10 p.m.)

GRAIN—LIFT PROGRAM—REPAYMENT REQUESTS TO FARMERS—REFERENCE TO LEGAL OFFICERS OF GOVERNMENT

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I raise this question this evening because I have not been able to obtain satisfactory information. On October 13 I asked a question of the minister in charge of the Wheat Board (Mr. Lang) in regard to certain letters sent to farmers demanding repayment of moneys which they were paid under the Lift program. On November 1, I again asked a question with regard to the legal aspects of the matter. I asked whether the individual cases of farmers were examined by counsel in the Department of Justice or in any other department of government before repayment was demanded by letter. I would like the answers tonight.

I would like to know how many letters were sent out by the department demanding repayment. I would like to know how much money in total has been demanded from farmers. I would like to know how much research was undertaken in each case before letters were written demanding money. From time to time I return to my constituency. Last weekend I attended a meeting where I met a number of farmers. Some came to me saying, "I have been asked for so much money. I have received a letter demanding repayment. What shall I do?" They do not know the basis upon which they are asked for repayment.

I am sorry that the minister is not in the chamber tonight. The Lift program was hastily put together. We know that through necessity the government may have hired people who were inexperienced and asked them to undertake supervision of the program. But to demand from a farmer that he repay money on the basis of an aerial photograph, showing this or that in regard to his farm, is just not right.

To demand repayment from a farmer because in the opinion of the people concerned in the department he had not cut a cover crop as of a given day, even though extensions had been publicly granted that summer, is not right. To demand money from a person under these circumstances is not right. It is not right to send a letter to such an individual asking him to sign what in effect is a promissory note to undertake eventual payment of the amount demanded.

The minister responsible should rise in this House on motions and explain what is happening. We should be given answers, but we are not getting them. The hon. member for Meadow Lake (Mr. Cadieu) also asked for answers on this subject. I do not know what he got but I know what I got. I sincerely hope that this evening we will receive some worth-while answers.

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, a few days ago on behalf of the minister I provided some information that was requested by the hon. member for Meadow Lake (Mr. Cadieu). The hon. member who has just spoken has asked for more information. I regret that I am not in a position to give him a complete answer right now but I would say to him that one of the main aims of Operation Lift was quickly to provide co-operating prairie farmers with some much needed cash. To achieve this, cheques covering an initial payment were sent out to producers following a quick examination of their applications. Later, a more detailed examination was carried out, and in those cases where it was evident that an overpayment had been made the producer was advised of the discrepancy and a return of the overpayment was requested.

It was originally estimated that about 4,168 overpayments had been made, and to date more than 888 producers have replied to the request. Of these, more than 528 have returned the overpayment and more than 360 have provided further explanation which has justified their original payment.

As I pointed out in the original reply to the hon. member, each individual case was not examined by the Department of Justice. However, the Department of Justice has endeavoured to classify the reasons for overpayment into a number of categories: for example, a change of facts since the original submission, a change of residence, etc., with a view to determining what course of action should be taken with respect to each category. Our department is still awaiting a reply from the Department of Justice. We are also awaiting a reply from some farmers who have been asked to reimburse the money. As I pointed out, some of them have complied with the request and others who feel they should not reimburse the department have given satisfactory explanations and things are settled. I suppose among those cases which remain to be settled there will be many more farmers who will give a proper explanation that will settle the matter. We hope this will be the case.

* * *

[*Translation*]

TRADE

MEASURES TO ALLEVIATE WORLD MARKET COMPETITION

Mr. Henry Latulippe (Compton): Mr. Speaker, on September 28 I did put a question that was considered too general in scope to call for an immediate answer. I will quote the question I then put to the hon. Minister of Industry, Trade and Commerce:

> What policy does the government plan to implement in view of the re-organization of trade blocks in the world, and how will the Canadian economy subsist in the next few years if it tolerates cost increases such as those we experienced in the last few years while being able to meet the competition on world markets?

Mr. Speaker, we already have to face the European Common Market the members of which can certainly produce cheaper than we can even if their economy differs from ours. Our economy is one of increase in taxes, interest rates, salaries, cost of living and, consequently, in products. The more we progress, the more we experience such a situation. The more prices and costs increase, the more difficult it is to compete with other countries.

I was asking the government what kind of solution it had to suggest to cope with the serious economic conditions which we are experiencing.

I would term that, Mr. Speaker, an unfair economic advantage, an economic unbalance. This unbalance is obvious, because we will witness in the near future a considerable decrease in Canadian exports, such as we have known and are experiencing at the present time. These decreasing exports are due to the high interest rates which the industry, as well as ourselves, has to pay to obtain the necessary capital to carry on in business. This condition is also ascribable to exorbitant federal, provincial, municipal and school taxes which still raise the cost of all products. Thus in all those sectors it becomes more and more difficult to compete with other countries.

We can expect in future even worse conditions than the present ones. I was asking the government whether it could not give us satisfactory answers and tell us, for instance, what is being done now to remedy this situation, to find other means of financing our industries at lower interest rates and to improve the situation with regard to bonds and loans.

• (10:20 p.m.)

Consider the case of debentures. When manufacturers have to issue debentures on the market, they do so because they have enormous bills to pay and carry tremendous overhead expenses. Even the cost of insurance is too high for manufacturers. The financing of production and warehousing is also too costly. Formula 88, as put out by the banks and financial institutions, entails a 12. per cent interest rate.

Those are as many factors that contribute to increasing prices, to creating problems for the Canadians, to restricting our imports, for prices are endlessly going up.

Therefore, Mr. Speaker, I ask the government whether it could not find some technical formula such as a compensated discount to reduce prices. We must absolutely establish a price reduction policy in order to control all factors of increase. That is why I am asking the government what kind of policy it can offer the Canadian people and our industries in that regard.

[*English*]

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): Mr. Speaker, the hon. member for Compton (Mr. Latulippe) has raised an interesting question this evening because Canada is indeed concerned about its trade problems around the world. Canada has a reputation of being the highest per capita trader in the world. Of course, we are particularly concerned because of developments in the trading world such as the enlargement of the European Economic Community.

I caution the hon. member against taking too pessimistic a view because of the situation. Temporary adjustments will be necessary. I advise him to look at the opportunities that exist in the enlarged economic community in Europe. The large market that exists there is growing every year. Their average tariff level is very reasonable. There are many opportunities for Canada as a great trading nation.

We have been very conscious of the problems that exist in making those adjustments. We carried on discussions with the British as they considered their entry into the Common Market. We were able to make special arrangements with the British, which they carried into the market on behalf of Canada, with regard to special products of great concern to Canadian trade. We are doing other things as well. We are promoting the development of multilateral trading negotiations within the OECD. We believe that real progress in advancing Canada's interest in international trade will be made when there is a new round of trading negotiations. This will lead to freer trade in the world.

The hon. member referred to the problem of keeping costs in line in order that we may maintain our trading advantages in the world. We should remind ourselves over and over again that Canada has the lowest cost of living increase of any of the western nations. The figures published by the OECD last year showed that Canada had a

cost of living increase of 3.4 per cent. This is the lowest of any of the OECD countries.

I would remind the hon. member that the OECD countries include the great trading nations of the western world, the nations with which we do business, so we have not done too badly in this regard. Everyone in the country should, of course, be concerned about increases in costs. The government has been extremely concerned, and we shall continue to be concerned, about this important ingredient in maintaining our trading position. But we have experienced a notable increase in our world trade despite difficulties in the world trading picture. Last year there was a record merchandise trading surplus of $3 billion, the largest we have ever known—

The Acting Speaker (Mr. Boulanger): Order.

Motion agreed to and the House adjourned at 10.28 p.m.

HOUSE OF COMMONS

Friday, November 19, 1971

The House met at 11 a.m.

ROUTINE PROCEEDINGS

SUPPLEMENTARY ESTIMATES (A), 1971-72

A message from the Honourable Deputy to His Excellency The Governor General transmitting Supplementary Estimates (A) for the financial year ending March 31, 1972, was presented by Hon. C. M. Drury (President of the Treasury Board) and read by Mr. Speaker to the House.

REFERENCE TO STANDING COMMITTEE ON MISCELLANEOUS ESTIMATES

Hon. Donald S. MacDonald (Minister of National Defence): Mr. Speaker, I should like to move, seconded by the President of the Treasury Board (Mr. Drury):

That the Supplementary Estimates (A), 1971-1972, tabled this day, be referred to the Standing Committee on Miscellaneous Estimates.

Motion agreed to.

* * *

TRANSPORT

TABLING OF REPORT ON SNOWMOBILE SAFETY

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, last week I indicated to the House in answer to a question from the hon. member for Edmonton Centre (Mr. Paproski) that I would table a study carried out for my department on the matter of snowmobile safety. Therefore, in accordance with Standing Order 41(2) I wish to table in the two official languages a report entitled "An Evaluation of Snowmobile Safety", prepared by Hovey and Associates Limited, of Ottawa.

• (11:10 a.m.)

ORAL QUESTION PERIOD

THE CANADIAN ECONOMY

PROVISION OF SHORT-RANGE ECONOMIC FORECASTING ORGANIZATION AND INFORMATION ON GOVERNMENT PROJECTIONS—GREATER PARLIAMENTARY INVOLVEMENT IN POLICY FORMATION

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, in view of the recommendation contained in the report of the Senate Committee on National Finance regarding growth, employment and price stability, I should like to ask the Prime Minister whether the government is now prepared to set up an independent commission for economic analysis charged with the responsibility of producing short-term forecasts and short-term analyses of economic performance as I requested on December 4, 1970, and on May 5 and May 17 of this year?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, as the hon. member knows, the report was only tabled and made public yesterday and I have not had a chance to study the argument. I will do so and consider the case made for the establishment of a short-term body.

Mr. Stanfield: Mr. Speaker, I appreciate that the right hon. gentleman has not had an opportunity to study the report in detail, but I had hoped he would have had an opportunity to give certain matters of principle some consideration. I should like to ask whether he is prepared to accept in principle the recommendation of the Senate committee that there should be a new openness in the process of formation of economic policy in Canada and, at the very least, whether the government will report to Parliament and through Parliament to the Canadian people its own specific projections in respect of the performance of the economy and employment in the coming months? Is the right hon. gentleman prepared to accept the principle of the need for more openness and, if so, is he prepared to have the government give this kind of projection?

Mr. Trudeau: Mr. Speaker, we report to Parliament on our views in respect of the present and future state of the economy. We have occasion to do this in our budgetary speeches and we do it sometimes as often as two or three times a year. I do not know whether the recommendations of the committee go farther than that. As I say, the report was only made public yesterday and I have not read it.

As to new openness, I am not sure what the Leader of the Opposition has in mind. Perhaps he could ask a supplementary and say what he means by "new openness". Does he mean that we should make the budget public before announcing it to the House of Commons, or some other alternative? I do not know what the report recommends.

Mr. Stanfield: Mr. Speaker, in response to the request of the Prime Minister for further enlightenment I should like to ask whether he is prepared to involve the House of Commons and Parliament more actively in the formation of economic policy as recommended by the Senate committee, specifically, for example, by establishing a short-term forecasting commission, as I have recommended, and having the report of that commission as well as the report of the Economic Council of Canada referred to a standing committee adequately strengthened with

resource personnel? Is the right hon. gentleman prepared to adopt that kind of openness in the formation of economic policy in this country?

Mr. Trudeau: Certainly if committees of the House want to study in more detail the report of the Economic Council of Canada the government sees absolutely no objection. There is no lack of openness in the possibilities offered to the opposition parties and the people of Canada generally to state their views on the economy and what should be done. I have noticed no lack of interest in the opposition ranks in stating their views on the economy. Therefore this is all open. I am not clear, once again, what the Leader of the Opposition desires in terms of the eventual decisions which have to be taken on budgetary measures. Does he suggest these should be discussed in the open?

Mr. Speaker: Order, please. Obviously at this point we are engaging in a debate. The Chair will allow the Leader of the Opposition to ask a supplementary question in a moment, but we are getting involved in debate when the right hon. Prime Minister suggests that a supplementary question might be asked and the Leader of the Opposition asks a supplementary. This is more in the form of a conversation and exchange of views between the hon. gentlemen. I would not think that is in keeping with the spirit of the question period.

Mr. Stanfield: I agree, Mr. Speaker, but I am simply trying to carry out my usual policy of co-operating with the right hon. gentleman at every opportunity. I would simply commend to him the reading of these recommendations by the Senate committee.

• (11:15 a.m.)

STATEMENT BY MINISTER OF JUSTICE RESPECTING UNEMPLOYMENT AND NEED FOR MORE COMPREHENSIVE ECONOMIC POLICY—GOVERNMENT POSITION

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Prime Minister. Was the Minister of Justice stating government policy in his address yesterday to the Empire Club of Toronto when he said that Canada's rate of unemployment is totally unacceptable and that the situation calls for a more comprehensive government economic policy?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, this is hardly a question of policy; it is a statement of fact. It is a fact that we have recognized in government ranks that we would like to see the unemployment rate lowered. If it is a policy, it is certainly a multilateral policy which we all share.

Mr. Knowles (Winnipeg North Centre): What steps is the government taking to implement the policy called for by the minister, a more comprehensive approach to the whole problem of economic growth?

Mr. Trudeau: That is what the Minister of Justice and the other ministers have been engaged in in the past few years, trying to reach a more comprehensive approach.

[Mr. Stanfield.]

INVOLVEMENT OF PROVINCES AND INDUSTRY IN FORMULATION OF POLICY TO ACHIEVE GREATER INDEPENDENCE

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I have a supplementary on a matter closer to home and more recent. Was the Minister of Justice stating government policy when he said that an economic policy to give us more independence and international muscle must involve closer federal-provincial liaison and a closer relationship between government and industry? Is this now becoming government policy and when will the government in fact be moving toward this new type of policy?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I am glad this excellent speech has attracted so much commendation from the opposition ranks and that they now have begun to realize the direction in which the government is moving.

FULL EMPLOYMENT GOAL

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, I have a question on unemployment for the Prime Minister. Can the Prime Minister say whether or not the government endorses and will adopt the recommendation of the Special Senate Committee on Poverty that Canada must have a goal of full employment?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker.

* * *

PENSIONS

OLD AGE SECURITY—FULL COST OF LIVING INCREASE ADJUSTMENT MECHANISM

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is addressed to the Prime Minister. As recommended by the Senate committee report, is the government considering putting a full adjustment mechanism in old age security pensions as the cost of living rises and, if so, when will legislative action be taken?

Right Hon. P. E. Trudeau (Prime Minister): When the Senate forms the government, Mr. Speaker.

* * *

[Translation]

REGIONAL ECONOMIC EXPANSION

SUGGESTED REVISION OF POLICIES AND INTRODUCTION OF NEW PROGRAMS

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I wanted to put my question to the hon. Minister of Regional Economic Expansion but, since he is away, I will put it to the right hon. Prime Minister. Following an accusation made yesterday by Quebec Premier Bourassa against the federal government to the effect that it did not meet its electoral promises of three years ago in order to eliminate regional disparities and faced with this obvious failure noted by the premiers of Quebec and of the other prov-

inces, does not the present government think that its regional development policies should be revised without delay and new programs developed after consultation with the provinces?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I do not accept the premises of the question. I should be very surprised if the Quebec premier had said anything like that.

With regard to the regional economic expansion program, Quebec got far more out of it than any other province in Canada, and I would be very surprised if the Quebec premier expressed dissatisfaction with the funds invested in his province as a result of the program implemented by the Minister of Regional Economic Expansion.

Mr. Valade: Mr. Speaker, I should like to put a supplementary to the right hon. Prime Minister and ask him if he has read the article published in the *Globe and Mail* this morning. Can he tell us whether what was published about Mr. Bourassa reflects the policy of the government? I quote:

[*English*]

... it is normal that people question the general effect of these policies, the justification for these policies.

[*Translation*]

Mr. Speaker: Order. The Prime Minister can obviously answer the question, but I would hope that the questions asked during the question period were not based on newspaper reports especially not when they are quoted as the hon. member did.

Anyhow, I recognize the importance of the question and the Prime Minister can obviously answer.

Mr. Trudeau: As you seem to admit it, Mr. Speaker, Mr. Bourassa does not usually communicate with me through the *Globe and Mail*. When he wishes to speak to me, he does it viva voce. When he wants to speak about regional economic expansion, he communicates with the responsible minister. Moreover, we are frequently in touch. Mr. Bourassa has never spoken to me in the terms referred to by the member.

• (11:20 a.m.)

Mr. Valade: To clarify the situation, I should like to ask the Prime Minister whether, in fact, he and his Quebec counterpart have discussed a review of the regional development policy. Could he assure the provinces that they Lwwiill be consulted before any new program is developed?

Mr. Trudeau: Mr. Speaker, the Premier of Quebec did not raise this question when we met recently.

* * *

[*English*]

NATIONAL ANTHEM

SUGGESTED CANCELLATION OF RIGHT TO CHARGE COPYRIGHT FEE FOR PLAYING OF "O CANADA"

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I ask the Prime Minister to give consideration to a problem that has arisen as a result of the royalties being collected by the Authors, Publishers and Composers Association of Canada for the use of "O Canada" when played at any time by any organization which charges admission. Up to the present time "God Save the Queen" and "O Canada" have been accepted as national anthems. This organization, this all-powerful behemoth of art, have a copyright on "O Canada". Will the Prime Minister give consideration to bringing before Parliament the necessary legislation to cancel the copyright as such a preposterous anachronism whereby Canadians have to pay for the privilege of having "O Canada" played?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, it is our stated intention to bring in legislation on this matter. It will not be possible at this session, but we intend doing so as soon as we find time in Parliament.

Mr. Speaker: The right hon. member for Prince Albert.

Mr. Gibson: A supplementary question.

Some hon. Members: Sit down.

Mr. Speaker: Order, please. The Chair will recognize the hon. member in a moment but at this moment I have recognized the right hon. member for Prince Albert on a supplementary.

Mr. Diefenbaker: I do not want to intrude on the hon. member. I always put him first. In the meantime, will the Prime Minister use his good offices to get in touch with this group and point out that what is being done is not acceptable to this government, this Parliament or the people of Canada.

Some hon. Members: Hear, hear!

Mr. Trudeau: I certainly welcome the suggestion by the right hon. member. I will ensure that someone from my good offices will get that message across.

Mr. Colin D. Gibson (Hamilton-Wentworth): I have a supplementary question. Is it possible for the Prime Minister to prevail on the right hon. member of the Conservative party to prevail on his colleagues to support an amendment to the Dominion Day Act to change the name to Canada Day?

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

* * *

NATIONAL DEFENCE

U.S.-CANADA PRODUCTION-SHARING AGREEMENT—POSSIBLE BROADENING TO PERMIT SIMILAR AGREEMENTS WITH OTHER COUNTRIES

Mr. Doug Rowland (Selkirk): Mr. Speaker, my question arises out of a line of questioning yesterday by the right hon. member for Prince Albert concerning the possible dangers to Canada inherent in the American desire for changes in the defence production-sharing agreement. I ask the Minister of National Defence whether, in view of the point made in the version of the Gray report contained in *The Canadian Forum* that the present arrangement "has made it difficult to develop similar defence produc-

tion arrangements with other countries", the government is suggesting a broadening of the arrangement to the United States in its discussions so that similar agreements may be made with other countries, or has the government attempted to enter into any defence production-sharing arrangements with other countries?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I regret to say I have not read *The Canadian Forum*, but if it is a question of trade policy I suggest that the hon. member might direct it to my colleague, the Minister of Industry, Trade and Commerce.

Mr. Rowland: Mr. Speaker, it is not a question of trade policy as much as of the defence production-sharing agreement for which the Minister of National Defence has some responsibility.

Mr. Macdonald (Rosedale): Mr. Speaker, it falls under the responsibilities of my colleague, the Minister of Industry, Trade and Commerce.

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POST OFFICE

POSSIBLE STRIKE BY LETTER CARRIERS—AVOIDANCE OF DISRUPTION OF CHRISTMAS MAIL DELIVERY

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, my question is directed to the Postmaster General. We welcome him back to the House after being lost in the mails while engaged in important negotiations. Can he assure the House that on the basis of these negotiations there will be no serious disruption of the Christmas mail service?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, the discussions that we have held have not been that long. In fact, I do not know yet what decisions the members of the executive will take when they gather on Monday. But if they decide to vote for a strike, they will have to bear the consequences.

[*English*]

Mr. Dinsdale: Mr. Speaker, based on the letter edged in black that we received from the minister this morning the main issue in contention seems to be the hiring of casuals to avoid paying overtime to the regular employees. Is the minister pursuing this point of contention so that a successful solution will be found for all concerned?

[*Translation*]

Mr. Côté: Mr. Speaker, we are not afraid to discuss with them the measures that the department might consider with regard to a new method of work allocation in the case of unmanned routes. We are ready to discuss this matter and, if possible, to affect members of the bargaining unit to mail delivery in case of continuing need, but the department cannot undertake not to hire casual workers, because it could not then hire the 60,000 normally needed during the Christmas season.

[Mr. Rowland.]

[*English*]

POSSIBLE STRIKE BY LETTER CARRIERS—ACTION TO ENSURE DELIVERY OF OLD AGE PENSIONERS' AND VETERANS' CHEQUES

Mr. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, I wish to ask the Postmaster General a supplementary question. In case there is a walkout toward the end of the month, would the minister do something to assure that old age pension cheques and veterans' cheques are delivered to those needy people?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, that is a hypothetical question.

[*English*]

LETTER CARRIERS—POSSIBLE REMOVAL OF RIGHT TO STRIKE

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I wish to direct a supplementary question to the Minister of Labour. I understand that in a speech last night the Minister of Labour indicated that it may be necessary to remove the right to strike in order to protect the public interest and maintain public services. Was he thinking of the letter carriers in this instance?

Mr. Speaker: Order, please. I have some hesitation about allowing the question in those terms. The hon. member knows it is not quite regular to ask questions of ministers in relation to speeches made outside the House. Perhaps we can assume that the question has been asked directly and the minister might be allowed to reply.

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, what I did say was that in the case of disputes where it has become evident that the dispute must be brought to an end in the best interests of the public, I would have no hesitation introducing legislation removing the right to strike from the union in question and providing ways and means of settling that dispute. In the case of the postal workers I would suggest to them that their collective agreement and the Public Service Act provide a legal method for settling honest differences of opinion on any particular clause in the agreement, and any premature walkout or strike on Monday next would make it very difficult for those people who understand the labour movement to agree with their action. In other words, through irresponsible actions they make it very difficult for their friends to help them. I hope they understand precisely what I am talking about, Mr. Speaker.

• (11:30 a.m.)

* * *

INDIAN AFFAIRS

FUTURE OF MOHAWK INSTITUTE

Mr. Derek Blackburn (Brant): I have a question for the Minister of Indian Affairs and Northern Development. When the minister visits the Mohawk Institute in Brantford on November 27 will he be prepared to present at

that time any recommendations for the future of that institute?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, this matter has been looked into by the Indians themselves and they are the ones who have to make recommendations to us. I must admit that I have not yet received any.

* * *

[*English*]

THE CANADIAN ECONOMY

FOREIGN INVESTMENT—SPECIAL TALKS AND JOINT RESEARCH WITH PROVINCES

Mr. Jack Murta (Lisgar): I should like to direct my question to the Prime Minister as soon as I can get his attention. It has been reported that the government has further agreed to consult the provinces on foreign investment. I should like to ask whether the government is prepared to hold special talks and undertake joint research with the provinces on this very important matter?

Right Hon. P. E. Trudeau (Prime Minister): If they so desire, Mr. Speaker, we can have joint talks and research, but our intention now would be to consult them one by one. It would be a more harmonious conversation, I believe, if we heard their opinions singly rather than together.

* * *

[*Translation*]

UNEMPLOYMENT INSURANCE

DISCUSSIONS WITH UNITED STATES GOVERNMENT RESPECTING BENEFIT PARITY

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I would like to direct a question to the Minister of Labour.

Could he tell the House if other talks have been held with the U.S. government regarding unemployment benefits? Since American benefits are lower than Canadian ones could the minister tell us if negotiations have been entered into in order to establish benefit parity?

Hon. Bryce Mackasey (Minister of Labour): Yes, Mr. Speaker, such talks are being held today and will continue next week.

* * *

[*English*]

EXTERNAL AFFAIRS

REPORTED ATMOSPHERIC NUCLEAR EXPLOSION BY PEOPLE'S REPUBLIC OF CHINA—CANADIAN PROTEST

Mr. Heath Macquarrie (Hillsborough): I have a question for the right hon. Prime Minister. Can he indicate whether the government was advised by the government of the People's Republic of China regarding that country's recent atmospheric nuclear explosion, and can he advise what channels the government will be using to protest against this further proliferation of pollution?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, we are trying to verify whether this explosion actually took place.

Some Hon. Members: Oh, oh!

Mr. Trudeau: We have heard that such a likelihood is possible. If it is confirmed that there has been a nuclear explosion we will express our protest to the government of China through the usual channels, our embassy in Peking, as we did express to them our opposition after the House of Commons adopted the resolution condemning nuclear tests. The position of the Canadian government is that we are against all nuclear testing of all kinds everywhere.

Mr. Macquarrie: For clarification, Mr. Speaker, is the Prime Minister advising that our government has no information that an explosion took place yesterday?

An hon. Member: No leak there yet.

Mr. Trudeau: Mr. Speaker, my information is that we are trying to confirm the accuracy of the report. This should be a relatively simple matter.

Mr. Bell: Then he is going to protest.

* * *

OIL

PROPOSED MACKENZIE VALLEY PIPELINE—AFFIRMATION OF GOVERNMENT SUPPORT—ENVIRONMENTAL AND SOCIAL STUDIES

Mr. R. J. Orange (Northwest Territories): I have a question for the Minister of Indian Affairs and Northern Development. Would the minister please advise whether statements are correct which are attributed in the press to Secretary Morton of the United States to the effect that the Canadian alternative oil pipeline route is not being considered because it does not appear to have the support of the Canadian government?

Mr. Speaker: Order, please. I am sure the hon. member knows that a question cannot be asked in those terms. Would the hon. member resume his seat. The hon. member is asking the government to confirm a report in the newspapers. I do not think that a question asked in those terms is in order. The hon. member could rephrase the question.

Mr. Orange: Can the minister say whether the suggested alternative oil pipeline down the Mackenzie Valley still has the support of the Canadian government?

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I should like to advise and confirm to the House the continuing interest and willingness of the government of Canada to examine and discuss any proposals relating to the transport of Alaskan petroleum resources through Canada to market in the United States. Together with the Minister of

Energy, Mines and Resources I announced guidelines to northern pipelines on August 13, 1970.

Some hon. Members: Oh, oh!

Mr. Chrétien: Those guidelines—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The minister knows that if he wants to make a statement in the House he should be prepared to do so on motions.

An hon. Member: What a smuggling job!

Mr. Chrétien: Mr. Speaker, I have only one more line.

Mr. Speaker: Order, please. If the Minister has only one more line he might be allowed to finish.

Mr. Chrétien: I should like to thank members who have given me the opportunity to practise my English. Those guidelines made it clear that, in principle, oil and gas pipelines were acceptable to the government of Canada but on the conditions stated in the guidelines.

Mr. Orange: Can the minister indicate the degree of priority which has now been given by the government to the environmental and social studies necessary before such pipelines are constructed?

Mr. Chrétien: Mr. Speaker, the House knows very well that the government has given the highest priority to the environmental and social studies on which we have spent millions of dollars. We have made a lot of progress and are ready to entertain any application.

PROPOSED MACKENZIE VALLEY PIPELINE—RESULTS OF ENVIRONMENTAL STUDIES

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to ask the Minister of Indian Affairs and Northern Development whether the studies have now been completed with regard to environmental protection and environmental risk resulting from such a pipeline through the Canadian north and, if so, is the minister prepared to be open with the House and the country and indicate the results of this research?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I cannot certify that all studies are completed. I said earlier that we made considerable progress in that regard and that we could examine any application we would receive. Then decisions would probably be taken after completion of the studies.

[*English*]

PROPOSED MACKENZIE VALLEY PIPELINE—DISCUSSION WITH INDIANS ON SETTLEMENT OF LAND CLAIMS

Mr. Erik Nielsen (Yukon): I have a supplementary question for the minister since he seems to be so well prepared to answer these questions today. Has he yet had any consultations with the Indian people whose lands, which any proposed route must traverse, are involved with respect to settling their land claims? If he has not had such discussions, when does he intend to commence them?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, the hon. member should know that Indians have had their own committee to study their rights and treaties for two years already and that they are examining that problem while Commissioner Barber is doing the same work for the government.

[*English*]

Mr. Nielsen: Since the minister did not answer my question I can only assume that he did not hear it. Has the minister had any discussions with the Indian people concerning their land rights in these areas of the north and, if not, when does the government intend to commence them?

Mr. Chrétien: Mr. Speaker, I have explained to the House that there is a mechanism in place. Probably the hon. member was not aware of it.

Mr. Nielsen: That is still no answer.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for New Westminster for a last supplementary on this subject. We will soon be running short of time and I have to seek the co-operation of hon. members to limit the number of supplementaries.

PROPOSED MACKENZIE VALLEY PIPELINE—CONSTRUCTION BY GOVERNMENT WITH CANADIAN FUNDS

Mr. Douglas A. Hogarth (New Westminster): I should like to ask the minister whether the government will give consideration to the possibility of the construction of such a pipeline by the Canadian government with Canadian funds?

Some hon. Members: Hear, hear!

An hon. Member: You are in the wrong party, Doug.

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, the matter of Canadian participation in the construction of the pipeline was dealt with in statements made in August 1970. In fact, we would be happy that Canadians take part in it to the greatest extent possible.

* * *

[*English*]

AIR TRANSPORT

USE OF FRENCH LANGUAGE BY TRAFFIC CONTROLLERS IN QUEBEC

Mr. Cliff Downey (Battle River): Mr. Speaker, about two weeks ago I asked a question of the Acting Prime Minister at that time concerning difficulties in air traffic control towers which could have caused accidents in the province of Quebec. It was indicated at that time that indeed a

serious situation did exist. I should like to ask the Minister of Transport if investigations are going on, if they are completed in any respect, and if he has anything to report to the House in regard to this matter?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, first, investigations have been carried out. Second, I am satisfied there is no danger involved in any of the practices to which the hon. member refers. Third, I am meeting with CATA, the air transport association representative group, on Thursday for further discussions on this matter.

Mr. Erik Nielsen (Yukon): With respect to the stated government intention of establishing French unilingual speaking controllers in certain areas in the province of Quebec, and having regard to the recommendation of CATA and the necessity for maintaining high standards of safety in the control of aircraft, will the minister assure the House that, in keeping with the maintenance of these high standards of safety in the operation of control activities, English will be the language spoken by controllers in these areas?

• (11:40 a.m.)

Mr. Jamieson: Mr. Speaker, the hon. member knows that not only in those areas but throughout the world English is the acknowledged language for air controllers. I can assure him that nothing will be done with regard to Canadian policy that will compromise the safety that is implicit in that arrangement.

Mr. Speaker: The hon. member for Surrey-White Rock.

Mr. Mather: Mr. Speaker, both the questions I wanted to ask have been asked.

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AIRPORTS

ALLEGED SELECTION OF PETERS CORNERS AS SITE FOR SECOND TORONTO INTERNATIONAL AIRPORT

Mr. John Gilbert (Broadview): Mr. Speaker, my question is directed to the Minister of Transport. In view of the government's decision to build the second Toronto international airport at Peters Corners just northwest of Hamilton, may I ask when construction will commence on that secondary airport?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, the hon. member must be talking about some kind of toy outfit to operate the kind of toy aircraft that he will have, because I do not know anything about such an arrangement.

An hon. Member: The hon. member was toying with the truth.

Mr. Gilbert: Mr. Speaker, I was just revealing another government leak and I thought the minister might like to confirm it.

[*Later*]

Mr. Lincoln M. Alexander (Hamilton West): I should like to clear up a shaded area left by the answer the Minister of Transport gave to the hon. member for Broadview. Has a decision in fact been taken with respect to the site of the new airport for Toronto? If not, how soon does the hon. gentleman expect a decision to be reached so that it may be announced in the House?

An hon. Member: Or late.

Mr. Jamieson: No decision has been made. The Minister of Transport for Ontario has been enjoying a somewhat well-earned rest, I understand, after his hectic activities in October. I believe he is due back shortly or may be back now. I am ready to see him whenever he is ready. That should be some time next week.

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NATURAL RESOURCES

ATLANTIC SEABOARD—SUGGESTED RECONSIDERATION OF GOVERNMENT POSITION ON OFFSHORE MINERAL ROYALTIES

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct my question to the Prime Minister. In view of the statement made by the chairman of Mobil Oil Corporation to the New York Security Analysts Society to the effect that restrictive regulations out of all proportion to the problems they are intended to solve as well as continuing hassles about offshore development are handicapping operations in many promising areas on the Atlantic seaboard, will the Prime Minister reconsider his arbitrary 50-50 stand on offshore mineral royalties so that orderly development of the oil and gas potential off the Atlantic seaboard may be carried out?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the offer we made to the provinces more than two years ago was not an arbitrary one. At the time, as I recall, no opposition member suggested a better formula. They just sat back to wait and see how the wind was going to blow.

Mr. Crouse: In view of the statement by the chairman of Mobil Oil that if exploration and development can be proceeded with it will be a matter for political and not industry decision, will the Prime Minister meet with the premiers of the Atlantic provinces in order to stop the present impasse? Let me also give him another suggestion. We in Atlantic Canada believe in a formula that will give the Atlantic provinces 100 per cent of all offshore royalties.

Some hon. Members: Hear, hear!

Mr. Speaker: Order, please.

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CANADA LABOUR CODE

RETENTION OF PROVISIONS IN BILL RESPECTING TECHNOLOGICAL CHANGE

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Minister of Labour. Is the minister now in a position to confirm to the House that when Bill C-253 is brought forward even if at

the next session under another number, it will still contain the provisions that are in it now respecting technological change?

Hon. Bryce Mackasey (Minister of Labour): Mr. Speaker, when the bill comes back the philosophy of that section will remain but it probably will be amended and improved upon. That will depend not on the volume of mail but on the quality of briefs and representations made to me in the interval and to the standing committee of Labour, Manpower and Immigration of which the hon. member is a member.

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MANPOWER

CO-OPERATIVE FEDERAL-PROVINCIAL APPROACH TO SOLVE UNEMPLOYMENT PROBLEM

Mr. R. N. Thompson (Red Deer): Mr. Speaker, my question is for the Prime Minister. In view of the continuing problem of unemployment and in view of the failure of the federal-provincial conference to come to grips with that problem, does the government have any plans for a more co-operative approach on the part of the provincial governments and the federal government in regard to manpower, particularly in view of the consortium approach being developed in Alberta?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I am not clear as to what—

Mr. MacInnis: Read Turner's speech.

Mr. Trudeau: I will.

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HOUSING

STABILIZATION OF INFLATIONARY FORCES—DISCUSSION WITH PROVINCES AND INDUSTRY

Mr. Walter C. Carter (St. John's West): Mr. Speaker, my question is for the Minister of State for Urban Affairs. In light of last month's .7 increase in prices in the housing sector and predictions by experts in this sector that stop and start federal housing policies are leading to a new round of inflation in housing, is the government going to discuss with the provinces and the housing industry ways to stabilize inflationary forces in the house building industry? If so, when will such talks be held?

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, the stop and start aspect of the matter in my opinion has no validity now because there has been a sustained supply of mortgage funds for almost three years at an unprecedented rate in this country. In fact, we will exceed the target of 220,000 housing starts set for this year by a considerable margin. With regard to other factors causing increased housing costs, we are constantly seeking solutions in consultation with the provinces. Actually there has been a considerable degree of encouragement in getting a mandate to pursue better consultative mechanisms, flowing from the federal-provincial conference held earlier this week.

Mr. Speaker: Order, please. I believe the hon. member for Gander-Twillingate has a supplementary to a previous question.

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TRANSPORT

RECOMMENDED CLASSIFICATION OF OFFSHORE DRILLING RIGS AS CANADIAN PORTS—AMENDMENT OF CANADA SHIPPING ACT

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, my question is directed to the Minister of Transport and is supplementary to an earlier question by the hon. member for South Shore. Can the minister say whether the recommendation of the Darling report that offshore drilling rigs be classified as Canadian ports will be accepted, and will there be an amendment to the Canada Shipping Act to accommodate that recommendation?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I cannot give a categorical answer because, as the hon. member is aware, I have asked for representations from all the affected parties. A great many have been received and there is quite a diversity of views on this subject. In a general way I think I can answer by saying it is my position, and I believe I reflect the government's position, that we want as much Canadian involvement as possible in this offshore drilling and, hopefully, our actions will reflect that desire.

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• (11:50 a.m.)

NATIONAL DEFENCE

SALE OF YUKON AIRCRAFT—ESTIMATED LIFE—CERTIFICATES OF AIRWORTHINESS

Hon. D. S. Harkness (Calgary Centre): Mr. Speaker, my question is for the Minister of National Defence and relates to the 11 Yukon aircraft which, according to reports this morning, have been sold for $100,000 each. What was the estimated life of these aircraft? In other words, how long were they still good for and did they all carry certificates of airworthiness?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, the aircraft do not have certificates of airworthiness and it was for that reason that we had difficulty in disposing of them at a favourable price. The arrangement for sale involves placing one of the aircraft with Canadair for purposes of refitting and trials to see if it can be brought up to airworthiness standards. Therefore it is difficult to say at the moment what length of life remains for these aircraft. Of course, from now on that will remain the problem of the purchaser and not of the Department of National Defence.

POLLUTION

POSSIBLE WATERFRONT CESSPOOL IN HAMILTON BEACH AREA

Mr. Colin D. Gibson (Hamilton-Wentworth): Mr. Speaker, my question is for the Minister of Transport. Will the minister attempt to prevent a possible pollution crisis in the nature of a waterfront cesspool which could arise, as alleged by Alderman Custeau in yesterday's Hamilton *Spectator*, as a result of the exchange of lands by the city of Hamilton and the Hamilton Harbour Board in the Hamilton beach area?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I think I can flatly and unequivocally say that I have come out strongly against cesspools, wherever they happen to be.

Mr. Baldwin: Resign, then.

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TRANSPORT

SNOWMOBILES—NOISE CAUSED BY OVERPOWERED MACHINES—STUDY OF THREAT TO ECOLOGY AND MAN

Mr. W. C. Scott (Victoria-Haliburton): Mr. Speaker, my question is for the Minister of Transport and arises out of the recent conference on snowmobiles and all-terrain vehicles. Is the minister's department planning to undertake a study of the charges made at the recent conference concerning the threat to the ecology and to humans by noisy and overpowered machines?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, may I call the hon. member's attention to the fact that the report of the first study on snowmobile safety, conducted under the auspices of the Department of Transport, was tabled this morning. It contains some references to the matter which the hon. member has commented upon and perhaps may provide him with some of the answers.

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GOVERNMENT ADMINISTRATION

EQUITABLE DISTRIBUTION OF GOVERNMENT PURCHASING AMONG PROVINCES

Mr. Thomas M. Bell (Saint John-Lancaster): Mr. Speaker, my question is for the President of the Treasury Board. Is the government reviewing its over-all purchasing activities, as recommended in the Senate committee report, to make certain that the cards are not stacked in favour of central Canada? If so, will someone be making a statement about the government's intentions in this regard?

Hon. C. M. Drury (President of the Treasury Board): Mr. Speaker, I am not sure that I accept the premise that the cards are stacked, in government purchasing, in favour of any particular part of Canada. There is, of course, a continuing review of our contracting and procurement procedures. This will be continued in the light of the recommendation of the Senate committee.

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TRANSPORT

TRANSPORTATION FACILITIES FOR GRAIN—MEETING WITH RAILWAYS

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, my question is directed to the Minister of Transport and follows on questions asked previously by my colleague, the hon. member for Saskatoon-Biggar. Can the minister say whether he or his department has arranged a meeting respecting the movement of grain?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I have been in touch with both railways and Canadian National and Canadian Pacific will have representatives here next Thursday immediately following the question period, I believe. We will arrange to circulate information as to the time and place of this meeting to all interested members before then.

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THE CANADIAN ECONOMY

SUSPENSION OF CONSIDERATION OF INCOME TAX BILL TO DEAL WITH UNITED STATES ECONOMIC MEASURES

Mr. Steven E. Paproski (Edmonton-Centre): My question is for the Prime Minister, Mr. Speaker. Is the government considering dropping the tax bill and starting a new session this year, as suggested by the Parliamentary Secretary to the Minister of National Revenue, to deal specifically with DISC and other United States economic threats to the Canadian economy?

Right Hon. P. E. Trudeau (Prime Minister): There would have to be DISC legislation before we would want to announce our decision on that.

Mr. Paproski: Will the government outline its contingency plans in connection with DISC and its policy on foreign investment before the Christmas recess and in time for parliamentary discussion this year?

Mr. Trudeau: I do not see the advantage of outlining a contingency plan relative to a contingency which has not yet arisen.

Mr. Gray: On a brief question of privilege, Mr. Speaker, I think I should inform the House that contrary to the suggestion of the hon. member I do not have a parliamentary secretary.

Some hon. Members: Oh, oh!

Mr. Baldwin: You need a dozen.

Mr. Peters: How about Steve Paproski?

Mr. Speaker: Order, please. Orders of the day.

• (12 noon)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Thursday, November 18, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

On Clause 1—Section 135: *Deduction in Computing Income.*

The Chairman: Order. When the committee rose last evening section 135 of clause 1 was under consideration with an amendment proposed by the Minister of National Revenue and a subamendment proposed by the hon. member for Regina East. Sections 135, 136 and 137 were grouped for debate.

Shall the subamendment carry?

Mr. Downey: I should like to ask the parliamentary secretary whether he would clear up several areas of doubt which are in my mind, and in the minds of those who have presented briefs to hon. members and also, I assume, to the Minister of Finance, on the question of possible double taxation of co-operatives under the proposals contained in the bill before us.

Mr. Mahoney: On a point of order, Mr. Chairman. The hon. member's microphone does not appear to be effective. I wonder if he realizes he is not bound to sit in his own seat, in committee I should like to hear his question and I am finding difficulty with the transmission from his present location.

Mr. Downey: Is it working, now?

Mr. Mahoney: That is fine.

Mr. Downey: I have some questions with regard to the taxation of co-operatives. Many representations have been made to us on this subject and the possibility of double taxation keeps cropping up. It appears to some of those who are interested in this subject that dividends flowing from co-operatives might be taxed both in the hands of the co-operative and in the hands of individuals who receive them. Would the parliamentary secretary fully explain to us which aspects of double taxation are involved with regard to the system proposed, and whether there are any provisions in the amendments before us which would materially change the position as it stands at present under the existing act?

Mr. Mahoney: First, there is no material change proposed in the law in that respect as far as I am aware. Corporate dividends received by a co-operative would be received tax-free. Patronage dividends paid out by a co-operative are deductible from its income for taxation purposes down to the floor indicated in the bill. So, there is no tax paid by the co-operative on earnings paid out as patronage dividends.

Whether these are taxable in the hands of recipients is, of course, the question. They are in some cases. In the case of consumer co-operatives it amounts really to a reduction in the purchase price of the commodities the party concerned is buying. I cannot, myself, identify any area where double taxation would be a matter of particular concern to the co-operatives.

Mr. Downey: Do I understand, then, that the incidence of double taxation is no worse under the new bill than under the present act?

Mr. Mahoney: I suppose a case of double taxation could arise if the co-operative were to choose to distribute patronage dividends to an extent which brought its retention below 5 per cent of the capital or one-third of earnings. Once it got into that area there could be some element of double taxation. So I suppose the change from 3 per cent to 5 per cent would create an area where there might be a greater possibility of double taxation arising. I am not aware whether co-operatives would ordinarily make distributions down to the point at which the difficulty would actually be encountered.

Mr. Downey: Mr. Chairman, there has been a great deal of concern expressed by credit unions over the special status of their reserve accounts, especially since it is mandatory that these be maintained at a certain level, much in the same way as deposit reserves with the chartered banks. I would ask the parliamentary secretary, in view of the representations that have been made, whether he would explain to us the changes he has made giving additional recognition to the special status that reserve accounts have with credit unions as opposed to the reserve accounts in ordinary co-operatives, for example.

Mr. Mahoney: Mr. Chairman, the problem we have is that the reserve requirements are established by provincial governments and vary from province to province. The suggestion that the reserve allowance provided in Bill C-259 should correspond to provincial reserve requirements just is not valid. Indeed, in the case of other financial institutions such as banks, insurance companies and so on, their reserve requirements, which are governed by the laws applicable to them, vary considerably compared with the reserves permitted them by the Income Tax Act.

It is possible that provincial law would require that a credit union maintain its reserves at a level higher than would be allowed for tax purposes by the Income Tax Act. However, we have not seen any way of solving this problem in view of the great diversity of provincial policy in this regard. In some provinces the question of reserves is, in a practical sense, left much to the discretion of directors or managers of credit unions. I do not think we could agree that they should have discretion to establish their own tax situation in this regard.

Mr. Downey: I should like to ask the parliamentary secretary if the provinces were consulted in the drafting of this legislation in view of the implications of the special arrangements provinces make with credit unions.

Mr. Mahoney: Mr. Chairman, the provincial requirements are based, of course, on ensuring solvency of credit unions. There were extensive consultations with the provinces about the whole formulation of the policy contained within Bill C-259. As to whether this particular item was a

matter of intense discussion, I cannot answer because I was personally not a party to the negotiations.

Mr. Downey: Mr. Chairman, as a final question I should just like to read a paragraph from a letter that the Minister of Finance sent to one of the pools and perhaps the parliamentary secretary could explain or clarify it. It reads as follows:

> The impact of this new formula could have been severe for some co-operatives because of the way in which the capital of a co-operative revolves. Co-operatives typically raise capital through patronage dividends which are reinvested in shares, and they redeem the shares as members die, retire or give up farming. This requirement for an annual redemption of capital is one which the investor-owned corporation does not face. Where the earnings of a co-operative are relatively low, the proposed limit on patronage dividends could have caused financial difficulty for the co-operative. Accordingly, under an amendment tabled October 13, an alternative limit will permit patronage dividends to be fully deducted to the extent of two-thirds of the income of the co-operative before patronage dividends.

In the case of the wheat pools, the particular group in question here, how would the amendment that was made on that date to provide an alternative limit appreciably improve their position in this regard?

• (12:10 p.m.)

Mr. Mahoney: Mr. Chairman, I have no more access than the hon. member or anybody else to individual tax returns, so I am not able to answer questions regarding specific taxpayers. The amendment does not exactly permit an option though it is an either or situation; it is either the lesser of 5 per cent of the capital employed or one-third of the taxable income for the year before allowed deductions. However, on a gross basis, and as far as the co-operative movement is concerned, the taxation will be approximately one-third of what it would have been but for the amendment. This assumes, of course, the full application of the amendment ten years hence; it will be much less during the intervening period as the particular provision is being phased in.

Mr. Downey: Mr. Chairman, that is the extent of my questions at this time and I thank the parliamentary secretary for his answers.

Mr. Whelan: Mr. Chairman, I have not taken much part in this debate, indeed any at all, since the matter has come before the House though I have listened to a lot of comments made about co-operatives and credit unions, some of which have been very appropriate. It is obvious to me that some people who have talked about co-ops and credit unions think there may be some political advantage in talking about them. I want to make it clear that I, as a Liberal member, and as what I call a real Liberal, am a strong supporter of co-ops and credit unions and always have been.

I might add that the first time I became active in public life was in the co-operative movement with my local co-operative, the Harrow Farmers Co-operative. This was when I was 17 years of age and wanted an advance so that I could buy a farm tractor. The banks would not give me the money I required. No one wanted to lend this poor farm boy money, and so I went to see the local manager of my co-operative in Amherstburg, who was a Scotsman by the name of MacDonald, and he gave me an advance which enabled me to enter the agricultural industry.

My local co-op has also helped many other young people, as well as older people and new Canadians in the area. Some of them owe their very existence today to their local co-operative. However, this co-op, as is the case with others in Canada today, is finding it very difficult to stay alive, let alone be a threat to big business. As a farmer I have always felt that my co-op was just another machine which did a necessary job and enabled me to carry on my farming operations. I felt that I owned just a little piece of that machine along with about 700 other farmers. I later became president of this co-operative which was and is mainly a farm supply co-operative, along with a large grain business owning probably three of the most modern grain elevators in the country. I might say to western members that from what I know of their elevators, having visited them, ours are even more modern than those in western Canada. The co-operative also has grain dryers and a large storage space which was built in recent years.

Being a member of this co-operative I later became a director of the United Co-Operatives of Ontario which, by the way, elects its directors by a vote of the delegates that are sent to its conventions by the local co-operatives. The procedure is not the same as in some of the big companies which pick their directors from among members of the other place, or in some manner such as that. In the co-operative movement, the directors are elected. This way it is a truly democratic organization and you must take your chances on being elected. I might say that I was a delegate at large and when I ran for a directorship, I was elected by the delegates from all Ontario, not just by those from my own area. I repeat, the directors are not appointed. The United Co-Operatives of Ontario is owned by all the other co-operatives in Ontario. It is mainly a wholesale house for the locals all over Ontario. Some have stated that co-operatives have not being paying their fair share of taxes. Co-operatives have not been paying taxes for many years. Here in Ottawa United Co-Operatives and organizations on which I have had the privilege of serving as a board member, this year provided $350,000 for payment of income taxes, and last year this amount was over $300,000. We hardly consider this to be in the exempt class. If the minister considers this to be exempt, no wonder co-operatives are concerned when they think of what their taxable status might be.

Another point I should like to make, and this is very confusing to me, is that on the one hand the government appeared to be encouraging co-operatives and self-help programs, particularly for Indian and Eskimo housing, and so on. I can remember when the united co-operatives sent one of its personnel skilled in organizing co-operatives to help the Eskimos organize a co-operative. Why then is this government, through its proposed tax legislation, trying to kill established co-operatives, because that is what this will do. Why does the government keep insisting that co-operatives have preferential tax treatment? We do not have such treatment.

The government is concerned about the consumer and keeps a watchful eye on prices and price increases. This is as it should be. I was a member of the consumer affairs committee and I thought this was something we should have been doing years ago. Members of the consumer

co-operatives have long been aware of the high prices people have to pay for goods and services. So, on their own initiative they tried to do something about it by forming their own organization, the object being to obtain goods and services at as low a price as possible through an organization under their control. Technically any overcharge is returned to the member as a patronage dividend. The same effect could be obtained by lowering the purchase price in the first instance. Some co-operatives do this now. The direct charge co-operative here in Ottawa offers its members groceries at cost prices and charges them a fee to cover the costs of operation such as rent, staff costs, lights, heat and water. No matter what the method, the principle is the same. The object is to reduce costs and improve the economic well-being of the participants. Why does the government accept the principle in one case and reject it in another through the application of the tax reform bill?

Why does the government insist on taxing co-operatives on the basis of imputed income? Where else in the world has such a concept ever been applied? If such a concept were applied to normal commercial enterprises they would face chaos and disorder. Why then force co-operatives to pay tax on capital employed? Would it not be more practical and make more sense to follow the recommendations of the co-operative people to have a withholding tax or some other method that is at least related to fundamental tax principles?

The principle of double taxation has generally been avoided by the government. In this legislation it is proposed that taxes be imposed on the commercial level, whereas the earnings are also taxable in the hands of the co-operative members when distributed as patronage dividends. I say to the parliamentary secretary that any farmer who does receive a patronage dividend this year from his co-operative is damned lucky because costs are higher and co-operatives are working on lower margins and the farmers are receiving low prices for their grain. For instance, if a farmer receives a patronage dividend as a result of the purchase of fertilizer, that reduces his cost and increases his taxable income. He pays tax on that at his rate. Why should there be double taxation?

The unfairness and inconsistency of the legislation is again shown by the tax on capital employed. In the definition of capital, reserves are included. If a co-operative places taxable earnings in reserves, and then those reserves are used as the basis for the imposition of a further tax that is unfair. This amount which is in reserve could compound itself until it strangled the co-operative. No wonder members of these co-operatives feel they are not receiving equitable treatment under this legislation.

I should refer again to our concern for principle as members of the co-operative movement. I am still a member of a co-operative. If patronage dividends reduce the costs of goods and services in a co-operative or in any other business, why should there be any restriction on this procedure? What recommendations put forward by the co-operatives were unreasonable? This is something I have never understood or been told. Why can we not be told what is wrong with the demand of the co-operatives?

I say to the parliamentary secretary, through you, Mr. Chairman, that I do not know who the minister's advisers are. I know a lot of people but I do not know those who are really advising him on this matter. This is much like writing unsigned letters to the daily newspaper. I have recommended on occasion in letters to the minister that some of his top advisers be fired, with little result.

Some hon. Members: Hear, hear!

Mr. Whelan: I say through you, Mr. Chairman, that if the minister's top adviser on credit unions and co-operatives is the person to whom I just referred, I again recommend that he be fired. If the advice is coming from some of the subordinates I do not know, I recommend that they be fired also.

An hon. Member: Fire the lot of them.

Mr. Whelan: It is more difficult to get rid of a civil servant than a backbencher, because top civil servants are here forever and backbenchers come and go like the wind. If we pass this legislation in its present form, when this backbencher goes he will go in the damndest storm you ever saw.

I also want to say that Carter and all those other so-called smart people can make all the recommendations and reports they want. I remember who appointed Carter to make this report. However, the Members of Parliament are the ones who are elected to run this country, and I know that the majority of the Members of Parliament are not in favour of taxation for co-operatives and credit unions in the manner presently suggested.

Some hon. Members: Hear, hear!

• (12.20 p.m.)

Mr. Peters: Mr. Chairman, I have been very interested in the remarks made by the Liberal backbencher from Essex on this matter.

An hon. Member: An outstanding member.

Mr. Knowles (Winnipeg North Centre): He should be on the front bench.

Mr. Peters: It seems to me he has pointed out the problem which faces us without becoming involved in all the detail and the complex arguments which have been made by the parliamentary secretary. After listening to him, I am impelled to ask the parliamentary secretary what we have done about the churches. Have we decided to tax the income of all churches? I remember when I was a small child my father spent a good deal of his time organizing the co-operative movement all across northern Ontario. He organized one for the government of Ontario which was very much like to a religious organization. He believed the people should get together and should work together in a specific field to set up a co-op. He established a creamery co-op in an area where there was no market for the producer's cream. He established a co-op for a group of farmers in the Kapuskasing area. He organized a number of co-operatives for people pretty much in the manner the hon. member for Essex described. He believed people should be able to help themselves. He believed they could help themselves if they were provided with certain background material that would allow them to organize together and to work together to help themselves. No co-operative was ever established for the pur-

pose of making money. Co-operatives are established only for the purpose of helping their members.

Some hon. Members: Hear, hear!

Mr. Peters: It has always been necessary for a co-operative to establish a limited amount of capital, sometimes in order to buy equipment. A little co-op was started in Ottawa which probably is a good example. A group of people decided to get together and donate their time. They did so and established a grocery co-op. They did not have a paid cashier or paid manager. No one was to be paid. This co-op obtained a small building, went to a wholesaler and purchased the material for the co-op. Then, these people started distributing the commodities in the store to themselves. One person volunteered to work today, another volunteered to work the next day and so on. No money was involved. Pretty soon, however, it was found that there was a certain amount of breakage and, I suppose there were losses in other ways. It was found a charge of about 1 per cent was necessary in order to cover these losses.

Then, this group found they needed a refrigerator and the problem was, how to get a refrigerator. Do you go to the Salvation Army and ask for a charitable donation? They wanted to do things themselves, so they had to raise a little capital to buy a refrigerator. In addition, it was decided it would be advantageous to add to the equipment in the store. This was a very basic co-op. In the beginning, as I say, a number of people got together and decided to serve their own ends. In some cases this necessitates the accumulation of capital and the investment of it.

If this government is honest, which is not likely, perhaps it will tell us what it is doing in respect of the churches. Some church organizations might own perhaps 1,000 houses in a city, the income from which is plowed back into the church operation. Are these churches taxed? No. The government does not have the guts to tax the churches. The municipalities do not have the guts to tax the churches. Some people may also say that the organized religions of this country have been able to buy churches because most people in this country have decided they have the right to organize themselves for their own purpose, not in a manner that would hurt anyone else, not a competitive manner, but only to serve their own ends. In many cases these churches have amassed, over a very long period of time, a very large amount of capital, and because of circumstances have a very rich portfolio of real estate.

The co-op is in the same position. It does not pay patronage dividends to someone who is not a member. I am not paid any dividends, although I belong to several co-ops. I have shares in a co-operative but because I do not deal there I am not paid any dividends. I do not deal there simply because this is a farmer's co-op and I do not have any reason to buy food for cattle or wire for fencing. I really have no reason to be dealing with that co-op and therefore do not receive any dividends. That is the way it should be. The people who deal in that co-op, and are members of it, have combined together to produce for themselves an amount of capital that will supply them with a service.

If co-operatives were competitive, and if over the years they had been given an advantage, why would Coldpac not have been able to deal with Canada Packers and Swifts as well as others. Coldpac was in Barrie for a number of years, but because of the structure it had and its inability to build up capital assets it went broke. This happens much too often in the co-operative movement. I know of no co-operative that has been able to amass a very large amount of money. If there are dividends in the operation, whether it be farming, a grocery store or whatever, those dividends in the hands of the person receiving them represent income on which he would pay a tax, because obviously he would have other income as well.

I should like to ask the parliamentary secretary why the government is picking on the co-ops which all his backbenchers will tell him are self-help organizations. Why has the government picked on them if it is not doing the same thing in respect of the churches, which in many cases are in the real estate business. We have churches in Ottawa having a congregation of 15 or 20 people which own property worth $2 million or $3 million. There must be a certain amount of return from that eventually. The municipality does not impose any taxes on these churches, and if it did such a small group of people would not be able to pay the taxes. They are not taxed municipally, they are not taxed provincially and they are not taxed federally. Another self-help organization, the co-operative movement, has been taxed over the years municipally, provincially and federally. What we are suggesting is that if one self-help organization is to be taxed the other agencies, as Carter would have suggested, should be taxed because a buck is a buck. Are the churches being subjected to the same type of taxes as the other self-help organization, such as the co-operative movement?

I intend to obtain an answer in this regard from the parliamentary secretary, so he might as well answer now. As you know, Mr. Chairman, as long as there is an intervening speaker we have the right to speak as often as we are recognized by the Chair, so if I do not receive an answer before this debate is over I shall probably participate a number of times because I would like an answer.

• (12:30 p.m.)

[*Translation*]

Mr. LeBlanc (Rimouski): Mr. Chairman, I welcome the opportunity of expressing my views and above all calling for clarification of the provisions of the bill to amend the Income Tax Act affecting credit unions and co-operatives.

The legislation deeply concerns my constituents in the riding of Rimouski, as indeed it concerns all other Canadians.

Far be it from me, Mr. Chairman, to claim I can deal with the subject as an expert. I must humbly confess that as a layman in this field I must rely on assumptions.

The provisions of the Income Tax Act now before us and, for that matter, many others, are rather complex in the view of the ordinary citizen. Only insiders, experts or bookkeepers in the department or in private enterprise or economists can with any authority deal with this matter. In any event, I am sure that on the whole, a great number of people need a lot of explanations.

The success of Caisses populaires and cooperatives is of great concern to me. I am wondering like many other hon. members where this legislation will lead us, although

some amendments have recently been introduced to improve it in the area of co-operation.

One of my friends, a manager of a Caisse populaire, got in touch with me recently, and said: "I am happy to find that Bill C-259 has been somewhat improved, and I have no doubt that it is due to the information given to every Member of Parliament by the co-operative movement."

However, during a longer talk he gave me his views on the whole problem. As we all know, ever since the introduction of Bill C-259 in the House, general dissatisfaction has been shown by our friends in the Caisses populaires and co-operatives. The changes announced on October 28 by the minister met their wishes in part.

At the beginning, the co-operatives were apparently not happy because they feared they would have to pay too much taxes. Of course, as an hon. member stated yesterday, nobody is happy when it comes to paying taxes. We all agree that taxes are too high.

But if, because of too heavy taxes the disappearance of co-operatives or Caisses populaires can be anticipated, that is another story. It might be said that not only the Caisses populaires but also their members will be penalized. They feel that is not progress but rather a backward step.

When the amendments were announced some expressed their satisfaction. Improvements have been made. For example, I think of the period of 16 years instead of eight allowed to reach the $400,000 limit. Thus a lesser amount of money is required from the Caisses populaires than under the initial proposals and more heed is paid to the provincial legislation requiring a certain level of reserves, namely for Caisses populaires.

From what I have been able to conclude from this conversation there is still a certain amount of dissatisfaction and concern. The Caisses populaires are not against paying taxes but they want to keep on going. That is the reason for their concern. They are said to compete with large business and should bear a fair tax burden. I wonder whether this competition is so serious since it is said that the major Caisses populaires, at least in my single region, have assets of $20 million. On the other hand, as regards the assets of certain banks, we note that those of the Provincial Bank of Canada, for instance, would amount to $1 billion, which is a lot compared to $20 million and it seems there is no possible comparison between what could be called the Caisses' income, as it is said that, theoretically, they have no income, and that of the banks.

In a way one may say that the Caisses are not doing big business. The people they do business with are middle class people and also poor people, farmers, people we wish to help by every possible means. Indirectly, we should take care not to inconvenience the farmers or the poor by hampering the growth of the Caisses populaires and co-operatives.

For instance the big companies we need in Canada, like ALCAN and the CPR, do not do business with the Caisses populaires. On the other hand, one must admit that the deposits of the Caisses' members do not go to the banks.

One could also add that trusts are much more important than caisses populaires.

[Mr. LeBlanc (Rimouski).]

I am wondering if the question of competition is not debatable. I would add that in theory caisses populaires should operate on a cost basis to be logical since they are said to be non-profit organizations and I think that from a practical point of view that would be impossible because of the unforeseeable elements involved. The fact remains that banks operate to bring profits to their shareholders, and that is quite normal. I am not against profits.

Finally, I think the federal legislation should fully recognize the requirements of provincial legislation with regard to statutory reserves because it seems to me that those statutory reserves do not belong to the co-ops or the caisses populaires as would be the case for ordinary public corporations but rather to the shareholders who are themselves subject to taxation.

The problems which co-ops and caisses populaires are faced with are very similar. Theoretically, instead of having those tax measures applied immediately, according to what I was told recently by co-op members, they will be applied gradually in the course of a ten-year period. It is like storing the virus they fear for ten years and freeing it after that period of time. Will the evil that is being hidden today not come back in ten years?

Co-ops and caisses populaires are prepared to pay but they fear that the methods used could mean their destruction. They have no objection against paying taxes but just as to the methods used.

To a certain extent, as I said a while ago, the money in the hands of the co-ops belongs to the middle class, to the small people, to the poor and it is being fed back to them. And we want to protect the poor.

I can hardly understand, when comparing the non-profit corporations, that also have a non-taxable capital employed which, I do believe, should not be taxed, to the co-operatives and the caisses populaires, why the latter, being also non-profit organizations, should be taxed. For that matter, they should be treated with great consideration for income tax purposes. We must consider the help they have given to middle class people, and especially to the poor, as well as their contribution to the economic progress of Canada. For that reason, I join with the co-operative members, those who are active in the caisses populaires movement and hon. members who have pleaded their cause, to ask the government to listen carefully to our requests so that the caisses pooulaires and co-operatives will not be placed before insoluble problems, but allowed to pursue their development, for the good of their members and that of Canada as a whole.

• (12:40 p.m.)

[*English*]

Mr. Macquarrie: Mr. Chairman, this is my first intervention in this long debate on this bill. I have been reluctant to move into the discussion on this immense bill. I spent a good many years in the study of economics but no one ever assigned me a document so challenging, so confusing, and so overwhelming as this bill. Hence my trepidation in speaking about it. It also struck me that this was the ideal type of legislation for a standing committee rather than for the committee of the whole.

I thought the hon. member for Essex was a bit unworthy when he began his speech by suggesting that

some people were making remarks because they thought it might be to their political advantage to talk about co-operatives. I thought that was a bit unworthy, but he improved towards the end of his speech when he called for the resignation of everybody from the Minister of Finance and the parliamentary secretary on down. Whether I can be so unkind as to go along totally with that, I do not know. I cannot speak too authoritatively on the question which the hon. member for Timiskaming raised so powerfully because I do not belong to one of those churches which is so well off. My usual communication from my church is a regular appeal for a little more help to keep them out of the sheriff's maw, so to speak.

I cannot refrain from saying a word about this particular section because I come from a part of the country in which the co-operative movement and the credit union movement have had a glorious history. Not long ago in South Rustico, Prince Edward Island, there was dedicated by the Historic Sites and Monuments Board the building which housed the first credit union in North America. That little community in South Rustico has had a wonderful history of co-operatives and credit unions. There are many of these all over the Atlantic provinces. One of the great men, I suppose, in the whole range of Canadian history would be Monseigneur Coady, the founder of the Coady Institute at St. Francis Xavier University in Antigonish, who initiated and inspired a series of community betterment programs which probably did more to improve the lives of people in the Maritime provinces, especially in Cape Breton, than any piece of legislation that any group of legislators ever passed.

The co-operative movement has done great things for the fishermen, for the farmers and for others. I was always impressed by what could properly be called the social value of the co-operatives, especially the many small co-operatives which have literally helped the little communities in the Maritime provinces pull themselves up by their boot straps.

As I was preparing for this debate I ran across a memorandum which I thought very succinctly set the co-operatives in their proper perspective, a part of which reads:

> Co-operatives are different forms of enterprise, primarily because of their objectives. They are "self-help" organizations (incidentally always Canadian and locally owned) that are generally found in primary production areas, viz grain, dairy, farm products, fishing industry and the merchandizing carried on largely serves these industries although some co-ops are found in urban centres that serve city people . . .
>
> Co-operatives usually serve members whose income level is below average. This should be sufficient reason to encourage their self-help efforts.

On that point of view, I note that others have a similar reaction.

The amendments that have been brought forward to this bill and on these sections—and it takes time to count them, let alone read them or understand them—have had some ameliorating effects and to that extent they are welcome. However, I cannot accept any changes in the taxation structure which will make it harder for the co-operatives and credit unions to function in those roles and in the manner in which they have been carrying on over these many years. I do not belong to any co-operative; I never did. I do not belong to a credit union, but I do not want to be a willing pallbearer for any type of funeral arranged for them through this legislation.

My colleagues have made some helpful and useful contributions. I do not believe in any debate, and certainly not in this kind of debate, in repeating what someone else has said just as well as I could have said it. The hon. member for Moncton made a most excellent speech yesterday as the first spokesman for our party on these sections. He is a very fine economist. His economics training showed extremely well yesterday. Something else showed, too, and that is that he knows the practical problems of practical people living out their daily lives in the Atlantic region and in the rest of Canada. I commend his speech, especially to all who are interested in this particular aspect of the bill.

I have always been impressed, apart from their social value, about the whole matter of Canadian content of co-operatives, and I think that requires more emphasis than it has been accorded so far. Here we are in paroxysms of uncertainty, if nothing worse, about foreign ownership, but here is a viable, useful segment of our economy which is excluded from this aspect of foreign ownership of our economy. I repeat that this is at a time of anxiety over that particular question, and yet there is no reason we should be concerned about it. I ask that the good suggestions that have been made by my colleagues, with their expertise in this field, be taken into consideration.

I want to commend the co-operatives. Someone said that we get pressure from the co-operatives and that they have become a pressure group. I have the highest regard for the manner in which co-operatives and credit unions have marshalled their arguments, and I may say that the arguments which I receive from the co-operative organizations of Canada, from the Maritimes, from Prince Edward Island, surpass in comprehension the bill itself and all the amendments introduced by the minister. I knew exactly what they meant. They made their case abundantly clear and I think they made a very good case. I believe that is what the public bodies should be doing, presenting their case clearly. It is not iniquitous lobbying and it is not unfair pressure. In my opinion, it is the very finest form of enlightenment on a difficult matter. These are the people who know the situation and they share their knowledge with the Members of Parliament. I cannot recall any argument which they put forward which looked as if they were seeking special treatment. I think co-ops have done a very fine job in presenting their case.

• (12:50 p.m.)

I congratulate my colleagues who have spoken so eloquently on this matter and I join with them. Since I am a laconic man of few words, I will rest my case at this moment.

[*Translation*]

Mr. Latulippe: Mr. Chairman, I am pleased to have the opportunity of stating my party's views and of commenting on the kind of treatment we wish to be applied to Caisses populaires and credit unions. I would like to draw a picture of the exact situation of credit unions and large corporations and to prove, by means of supporting tables

and statistics, that the large organizations and corporations accumulate huge profits by comparison with Caisses populaires.

Mr. Chairman, I wish to state my point of view on the precise aim of this legislation and its possible consequences in the years to come on the development of Caisses populaires in Canada, and particularly in Québec, where these organizations play a most important part for the benefit of a large section of the population.

Mr. Chairman, before taxing caisses populaires, which are considered non-profit institutions since their shareholders never enjoy the invested capital as compared with that invested in banks or other financial or industrial institutions, it has to be shown that it will not be done to prejudice their development or to punish them, because they can compete with banks and other financial institutions of a capitalistic nature whose aim is profit for itself.

The primary objective of caisses populaires is to provide service to their members, not earnings from invested capital. That is the basic distinction one must consider before imposing the same taxes on co-operatives and caisses populaires as on companies, banks and other institutions whose responsibility is limited but whose profits are limitless, whose capitalization is also limitless through numerous legal formulas that have become their exclusive privileges, which privileges are not accessible to co-operatives and caisses populaires which deal only with their members or in restricted areas, whether parochial or municipal, while the large capitalistic corporations can operate on a provincial, national and international basis.

Does that situation not warrant special consideration, special evaluation when time comes to take away the meagre profits required by caisses populaires and co-operatives to guarantee their proper and prosperous administration and forcing them to operate in the red through tax measures both annoying and detrimental?

I love Canada, my country. Far from me the idea of criticizing at random or without rhyme or reason. Throughout my lifetime, I have resorted to the services of banks and credit unions, services which both kinds of thriving organizations offer to all citizens at different levels of economic activity. I am proud of the good understanding between both co-operative and capitalistic institutions under the supreme authority of the governments and which are also conservative as regards certain utilitarian operations for various classes of society.

May I point out, Mr. Chairman, that it is one o'clock?

[*English*]

The Chairman: Would there be agreement in committee that we might call it one o'clock?

Some hon. Members: Agreed.

The Chairman: It being one o'clock, I do now leave the chair.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2 p.m.

[Mr. Latulippe.]

[*Translation*]

Mr. Latulippe: Mr. Chairman, as I was saying before lunch, I grant that good will and guarantees of success and growth should be maintained as regards these two categories of institutions, but if this must be, tax reforms should not reduce profit opportunities for the caisses populaires. They are far from enjoying the same latitude as chartered banks concerning competition related to services which they provide to people.

In this regard, Mr. Chairman, one should see how the capitalization of chartered banks and caisses populaires has increased from 1900 to 1934 and from 1967 to 1971. If 1900 marks the beginning of this century and of the caisses populaires, 1934 marks that of the Bank of Canada at the top of the whole banking system. It was in 1967 that the latest changes were made to the chartered banks, the caisses populaires and the near banks, insofar as their relations with the federal government are concerned.

I do not want to be too long, but one should remember, Mr. Chairman, that the money supply increased from $24 billion to over $36 billion from 1968 to 1971. This is no joking matter, Mr. Chairman, an increase of $12 billion in the money supply, in our banking system, in the last four years; the increase was of $24 billion during the years that followed the establishment of our banking system and of $12 billion—that is over 50 per cent—from 1968 to 1971 inclusively. That is that as far as the money supply, bank deposits and money in circulation are concerned.

What was the small share of the caisses populaires in the last four years? Not even an increase of half a billion dollars. So that the caisses populaires may continue to be of service to the people, we must not tax them further nor must we reduce further their chances of making reasonable, appropriate and sufficient profits to at least remain in operation. Besides co-operatives we have large companies, big financial establishments and chartered banks which have a lot more opportunities to grow, to make profits and build reserves as well as to increase their capitalization while paying their taxes and making money for their shareholders. Whatever his position in society, the individual must learn to live with royal commissions of inquiry, with the famous white papers, with a 707-page bill like the one now before the House. And what about the 599 pages of amendments and supplementary explanations and the Carter report with its 2600 pages? If the Canadian citizen wishes for a just society in a united Canada I earnestly urge hon. members, before they complete the study on banks and Caisses populaires taxation, to read the tables shown on pages 1234 and 1239 of the 1970-71 Canada Yearbook, dealing with chartered banks and Caisses Populaires.

It contains the following figures. Caisses populaires have an equity capital of $1,328 million and chartered banks of $303,758,000. Caisses Populaires and chartered banks have reserves amounting respectively to $185 million and $1,189,126,000. Caisses Populaires have $4.64 billion in capital assets and chartered banks, $42,578,338,000.

Mr. Chairman, caisses populaires have accumulated $4 billion in capital assets and reserves of $185 million on $1,328 million invested capital. Banks have accumulated capital assets of $42,578 million and reserves of $1,189 million on $303 million invested capital. Banks assets

increased 140 times while those of the caisses populaires increased only 3 times.

This is very important. It shows that our Caisses Populaires have not made as much money because they do not have the same organization. They do not enjoy the same advantages as the chartered banks do. Caisses Populaires shares are worth about $5, yield 6 per cent interest per year and retain their nominal value. Chartered banks shares are all worth $2, but they yield dividends of about 70 per cent a year while they are worth between $14 and $28 each on the Montreal, Toronto or Vancouver stock exchanges.

Therefore, we can see the difference that exists between Caisses Populaires and banks, between co-operatives and capitalist corporations. Should they be treated in the same manner for income tax purposes? We have noticed that banks are making greater and quicker progress as far as their total assets are concerned since the last review in 1967 of the Bank Act, following the Porter inquiry. Their assets now come close to $52 billion, which is an increase of some $10 billion over the past two years.

• (2:10 p.m.)

In one year only, bank assets increased by over $5 billion and that one annual increase absorbs at one fell swoop the whole $4 billion accumulated since 1900 by Caisses populaires and credit unions.

Even though Canada admittedly is a country which belongs in the capitalistic group, its duty is to protect the orthodox banking system. These few notes and remarks clearly show that the progress of caisses populaires does not and should not raise any fears among the defenders and protectors of the Canadian banking system. If we recognize that banks and caisses play a necessary and complementary role for the people of our prosperous country who benefit from both systems, it is up to us, as members of the House and ministers, to see that the caisses populaires are allowed to continue to play their meaningful role with the support of the federal government.

Since we have realized the difference between large and small financial interests, I think that it would be advisable for us to stop one moment before concluding too quickly the consideration of Bill C-259. It is necessary to examine the general situation of our Canadian economy which has widened since the last war the gap between the rich who become richer and the poor who become poorer.

If we are all conscious of the great lack of economic balance which prevails in Canada on account of inflation, unemployment, poverty, insecurity, continuing increases in taxation, debts and interests on capital borrowed to finance provincial governments, municipalities, Hydro-Quebec, Ontario-Hydro, or other Crown corporations, why not solve the tax problem by a complete restoration of the economic balance between all the constituent elements of our national heritage, between all capitalistic and co-operative institutions, between the industrial and commercial institutions of free enterprise and small industries, small businesses and small enterprise?

Every member knows that tax reform alone will not solve all the problems nor get our economy out of its present confused state. The more the government's revenues increase, the more the government's budget grows and the more the taxpayer's budget decreases. Therefore the result of the government's budget is to diminish that of the small taxpayers. Many of them have no more money; they depend on social welfare. This is the same as robbing Peter to pay Paul.

There is no practical solution to it. Overall taxation reforms like those before us now will not solve the problem. In order to solve it and give our economy a new logical and proper balance, we should reduce taxes, lighten the taxpayer's burden so as to give him more power through caisses populaires and those institutions serving the people.

I have shown that caisses populaires do not make any profit, but the banks do: 46.6 times more.

Mr. Chairman, it is therefore logical in these circomstances that our leaders step in and that all hon. members speak out. When public institutions have to be protected, nothing is neglected. Institutions such as our caisses populaires deserve our protection and all possible measures likely to help them, since they serve the poor people, the middle class, those unable to obtain chartered bank loans.

Mr. Chairman, the caisses populaires were created because the larger institutions would not serve ordinary people. Such people were refused the services they needed and the caisses populaires intervened to provide those services to them.

• (2:20 p.m.)

[*English*]

Mr. Nowlan: Mr. Chairman, without discussing in specific ways apples or plums today, this section of the income tax bill deals with co-operatives and provides some of the lemons the Minister of Finance is going to offer the whole co-operative movement if the sections of this bill pass unamended. Since we are talking about different varieties of fruit—co-operatives in my area of Nova Scotia have a lot to do with fruit—we have the opportunity to speak on the question of co-operatives.

I am not going to discuss in very much detail the problems of credit unions; other members have done this. Some of the amendments the minister has brought forward have softened the impact of the proposals affecting credit unions. The minister is also to be given some credit for having brought forward further amendments to soften even more the impact of the proposals relating to co-operatives. But the first amendments still do not come to grips with the basic problem these proposals create.

In the area of Nova Scotia where I come from co-operatives have contributed in a most constructive way to the life of the community, and it is all too easy to appreciate the concern of those directly engaged in the co-operative movement and those vicariously involved in or with co-operatives at the problems that may be created by these proposals. Many members in this chamber during the committee hearings these last days, when we have been talking about co-operatives have philosophized about the basis of the co-operative movement. Some have said it is a step on the road to socialism. Others have said it is like a business and should be taxed as such. That is what the minister's proposals are doing; co-operatives are being treated as a corporate entity.

Without getting into the semantics of political philosophy, I do believe the co-operative movement is a form of capitalism in the widest sense which allows average Canadians in their own communities to own something that ordinarily they could not afford, namely to own a share in a co-operative so the co-operative can provide a service to them and others, thus enhancing community life. It seems rather paradoxical to me that a minister should, with no stated justification or apparent reason, bring in fundamental changes to the operation of the co-operative movement, which has been flourishing in Canada since the forties, thus adversely affecting, in the minds of those in the co-operative movement, a segment of society which is perhaps the most bona fide, true-blue part of Canadian society that we have.

Many members of this House have been talking about economic nationalism. Newspaper editorials also put the case for and against economic nationalism. In the co-operative movement Canadians who own a significant part of Canada are working in the best interests of Canada, and they fear that these proposals are going, if not to completely suffocate, at least to stifle the operations of co-operatives. These Canadians in local communities are participating in a meaningful way, exercising some initiative, using the incentive of the patronage dividend, knowing they are part of an entity that they own, yet being faced with proposals that adversely affect the co-operative movement.

We have heard tales in other days during this debate about capital gains taxes. We have heard how the corporate tax field will be plugged up. We are going to discuss on Monday aspects of international income and the revison of arrangements in this tax field with other countries. On this matter there have been some explanations from the ministry. One can agree with them or disagree, but at least there have been some stated objectives and usually facts to back up the objectives. But as far as this section dealing with the co-operative movement in Canada is concerned, we have not had any cogent reasons given by the minister as to why he is upsetting a very large segment of what I say is likely the truest, bluest form of Canadian society from the entrepreneurial point of view that we have in Canada. Unless there is some justification from the minister on this matter, I do not see why members should give the minister what is almost a blank cheque to makes the changes proposed in this section.

Other members at other times have talked about the irrelevancy of parts of the bill that have gone through a ten year gestation period, from the days of the Carter commission, the studies, papers, briefs and documents that flooded therefrom, to their inclusion in Bill C-259 today. But if there is any part of the bill to which the argument of irrelevancy should apply, I suggest most sincerely it is to the co-operatives phase of the bill, in regard to which there have been no explanations, facts or figures of reasons given by the minister to justify the changes.

Some might infer that he is trying to plug up our tax laws because of the way co-operatives allegedly play around with patronage dividends or the capital they use, but there are those who feel apprehensive that the purpose of the change is to destroy the co-operative movement in Canada. If that is the case, then again I do not think members should accept without some further explanations such a fundamental disaster that will befall the co-operative movement in Canada.

If anyone has been misled into believing that co-operatives themselves are completely against taxation, this is not so. Obviously no one wants to be taxed. Everyone likes to avoid tax. In fact, avoidance of tax is quite permissible under the Income Tax Act regulations. It is when you try to evade taxes that you get into trouble. The co-operatives themselves know they have a social responsibility to be taxed and they are quite prepared to be taxed. This "mythology" that this is a privileged group that does want to be exposed to the pain of taxation I suggest is false and misleading, for they themselves have advanced a proposal under which they will be taxed. This proposal, I am informed, was advanced to the ministry by The Co-operative Union of Canada on October 29. The co-operatives proposed that their members receive the annual earnings resulting from business done with the members, with any earnings retained in the hands of the co-operatives taxed at the corporate rate. This proposal is a very definite and real form of taxation and was, as I say, advanced by the co-operative union to the ministry.

They also put forward some restrictions and conditions which were outlined in the proposal and which I propose to repeat here. The proposal was subject to the following restrictions and conditions:

• (2:30 p.m.)

1) That there be paid by the co-operative a withholding tax on all distributions made by way of a patronage refund.

2) That the withholding tax paid in respect to patronage refunds be creditable toward the recipient's personal tax. If the recipient is not taxable for some reason, the withholding tax will be refundable upon filing the usual tax return.

3) That the payment of patronage refunds be limited to the extent of income derived from member business and that any income derived from non-member business be taxed at the appropriate corporate rate, unless patronage refunds are paid to both members and non-members.

4) Any surplus remaining in the co-operative after making distributions by the co-operative, shall be taxed in the hands of the co-operative at an appropriate rate of corporate tax.

In their own submission to the minister, they were quite ready to advance a proposal through which they would be subject to a very meaningful tax. Certainly, if there is not a positive response to this proposal, and at the moment I gather there has not been such a response, then we, in the committee of the whole, should do nothing further than maintain the status quo. Basically we have a situation in which private business, the co-operative sector and the government have learned to live together and have worked out certain principles and terms of relationship in various areas. Without a reason being given by the minister, I do not think we should upset these relationships by these proposals presently in the tax bill.

I may receive some catcalls, I suppose, but regardless of political philosophy, I am all for change where necessity dictates change, but when the change is not indicated by necessity, fact or figure then there should not be change just for the sake of change. I believe very seriously that those who drafted these proposals did not understand the fundamental concept of the co-operative movement or what it is all about. That is one of the difficulties or

dilemmas that confront us in debating this proposal, because in the words of the hon. member for Lanark-Renfrew-Carleton, we are comparing plums and grapefruit.

We can talk about a variety of different fruits including grapefruit, lemons, apples and plums, just as we can talk about many forms of entrepreneurial enterprises. A co-operative movement is one, a corporation is another and the C.N.R. and Air Canada are another form. However, when you try to apply the same philosophical principle to Air Canada that applies to a private enterprise or corporate structure, it is like trying to find some similarity between grapefruit and lemons or apples and plums. That is just what is happening here in sections of this bill. These proposals do not distinguish fundamentally between the co-operative movement and an ordinary corporate entity.

As I said earlier, in my area of the country just about every town has a viable local co-operative of one form or another. There are many credit unions in the Annapolis Valley and throughout Nova Scotia. The hon. member for Hillsborough said this morning, there was a man called Dr. Coady at St. Xavier University who is famous for his work in the co-operative movement. He was the initiator of the famous Coady Institute. The book that outlines his history is entitled, "The Man from Margaree." He was known as a man who contributed to areas far beyond the confines of the relatively small area in which he worked, lived and died. His contribution to the co-operative movement stretched not just from coast to coast but to the international scene as well. Thus, I feel perhaps a little more emotionally involved and concerned about what is happening and what may happen to the co-operative movement after these changes than I might otherwise. I had the privilege of meeting Dr. Coady. I know others who knew him better than I did, but in view of the fact that this great Canadian did so much for so many with so few chances to make a contribution, his contributions should have been recognized even more than I think it was at the time.

While I talk about Nova Scotia and the fact that the co-operative movement has a very real history in that Atlantic area, it obviously goes far beyond that. The statistics from the Department of Agriculture for 1969 show there were 2,373 co-operatives in Canada with 1,690,000 members. That is not a mean or small group of Canadians. I believe most of the members are from the so-called rural areas of Canada, certainly small towns, villages and other rural parts of our society, but that does not mean that co-operatives do not exist in urban centres. The contribution of these co-operatives has resulted in the distribution of many products, including a lot of fruit, grain and potatoes.

When we talk about the co-operative movement we are talking about something that perhaps does not directly affect people in the city, but does directly affect people in the rural areas. The Parliamentary Secretary to the Minister of Finance sits there swinging his little hearing aid. I am glad he is doing something to show some life, because there has not been much life shown or much interest in listening to some of the constructive suggestions from members of all parties, including his own.

The hon. member for Essex had the intestinal fortitude to stand in the House and say what he thought about this bill. He sits over in the government ranks, but I do not know how close he will be to the government following his speech this morning. There are other members in the House on both sides who have said what they thought about this bill. I will not embarrass those on the government side by mentioning them, but they have strongly condemned this theoretical, unworkable and impractical suggestion which affects co-operatives, particularly as there has been no stated reason for the change. The parliamentary secretary is showing some life, and perhaps I can stir him even more by suggesting we have had three series of amendments. On October 22 we were given 96 amendments, on October 29 we were given 28 more and on November 16 we had 8 more. We now have amendments to the amendments to the amendments.

Mr. Mahoney: Mr. Chairman, I rise on a point of order. I hope as the hon. member continues his remarks he will reconcile his statement that we have not paid any attention to the serious recommendations on the one hand with his criticism of the number of amendments which have been presented as a result on the other hand.

Mr. Nowlan: The parliamentary secretary has raised a point that is at least interesting, and which I will attempt to answer. He knows as well as I do that the first batch of amendments, numbering 96, were presented the first day we started to debate this bill, long before he heard some of the reasonable suggestions from this side.

Mr. Mahoney: They have been on the table all summer.

Mr. Nowlan: There has to be some credit given. Some of the amendments affecting credit unions did go a long way towards resolving some of the dilemmas which would be created if the original legislation had gone through unamended, but the parliamentary secretary tells us that these amendments were brought in as a result of the reasonable suggestions from members of the opposition. I would like him to point out, apart from the very technical amendments, one amendment that was the result of a suggestion by the opposition. These amendments were required because of the sloppy draftsmanship to be found in the original bill. The legislation could not possibly work without the amendments. I do not want to digress any further from that point.

Mr. Mahoney: I bet you don't.

Mr. Nowlan: There have not been any substantive or meaningful amendments to this bill since this debate started.

• (2:40 p.m.)

Mr. Mahoney: Wrong.

Mr. Nowlan: If there have been, let him stand in his place and tell me. Let us get away from this digression. I hope it is not taken from my time. I know I have only 20 minutes in which to speak and many members are excited and interested in participating in this debate because it concerns the fundamental matter of the kind of society in which we want to live. The minister, unfortunately, in drafting this bill has not—

The Assistant Deputy Chairman: Order. I regret to interrupt the hon. member but his time has expired.

Some hon. Members: Carry on.

Mr. Nowlan: Mr. Chairman, perhaps I could just finish this sentence.

The Assistant Deputy Chairman: The hon. member may continue only if he has the unanimous consent of the House.

Some hon. Members: Agreed.

Mr. Nowlan: It would appear that in drafting Bill C-259 and the later amendments, the simple nature of the method of operation of a co-operative, and the essential difference in its position and capital structure from that of an ordinary corporation, has been given little or no attention or has not been understood. Considering the many objections to the government's treatment of the co-operatives, it would seem that the government has adopted an attitude in respect of the co-operatives which is almost an anti-business attitude. The government would appear to be adapting its anti-business attitude to the co-operatives. It has an anti-business and anti-co-operative attitude. This is the attitude of the government as shown by its stubborn refusal to adopt any other position in respect of the proposals in this bill. I do not want to trespass further upon the good nature of many members in this House, but I hope I shall have an opportunity to finish my speech later.

The Assistant Deputy Chairman: The hon. member for Gloucester.

[*Translation*]

Mr. Beaudoin: Mr. Chairman, I rise on a point of order. I would like to put a question to the Secretary of State (Mr. Pelletier) to get something straight in my mind.

Several hon. members have stated yesterday—

The Assistant Deputy Chairman: Order. The hon. member rose on a point of order and he cannot ask a question since the Chair has recognized the hon. member for Gloucester (Mr. Breau).

Mr. Beaudoin: Mr. Chairman, I rise on a point of order. Things are happening and I think that there is—

The Assistant Deputy Chairman: The hon. member for Richmond is rising on a point of order.

Mr. Beaudoin: Mr. Chairman, I think someone said yesterday that the amendment would grant the co-operatives a ten-year period of progressive taxation before full taxation. Could the Secretary of State tell me if this is true?

Mr. Clermont: Mr. Chairman, the Secretary of State is not in attendance. The bill is presently seen through by the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney).

The Assistant Deputy Chairman: Order. This is not a point of order but only a question. The hon. member cannot ask his question since I have already recognized the hon. member for Gloucester.

[*English*]

Mr. Breau: Mr. Chairman, first of all I should like to respond to the remarks of my friend from Annapolis Valley. At times he is very constructive, but when he says the government has not paid any attention to the objections of the co-operative organizations I do not think he is quite accurate. As a matter of fact, with the capital employed concept, I believe the government has gone a long way—

Some hon. Members: Come on.

Mr. Breau: I should like the members who say "come on" to stand up and tell me what the government has done within the capital employed concept which does not go a long way towards meeting the suggestions of the co-operatives. If they say that, then they have not spoken to the co-operatives because the co-operatives accept the fact that the government has gone very far in staying within the capital employed concept.

An hon. Member: That is the objection.

Mr. Breau: Probably some members cannot understand this concept and the mechanics of the taxation system. I would appreciate it if they would listen to my remarks which might enlighten them a little. There are two questions here. First of all, if we accept the amendment of the hon. member for Regina East, I wonder if there would be a difference in the taxable revenue to the treasury, because if there is that is one matter. The second question is the long standing one, which is not necessarily changed in this bill, that is should we or should we not in the taxation system have a capital employed mechanism for co-operatives.

I should like to know from the parliamentary secretary or the Minister of Finance if there would be a difference in the taxation revenue to the treasury if the proposal of the co-operatives, which I believe is about the same thing as the amendment of the hon. member for Regina East, were adopted. I am sure there cannot be any administrative problem because the amount of patronage dividends that would go to taxpayers on which they would have to declare income tax would be minimal. Assuming, therefore, there is not a difference in the taxation revenue, or only a slight change, it would seem to me that this debate should be on the question of whether or not there should be a capital employed concept.

To tell the truth, I never really understood the rationale a capital employed concept. It would seem to me that if we had it, it would be for two reasons. First of all, it would be because private interests or people more oriented toward private business applied political pressure to see, in cases where they compete with private businesses, that co-operatives would pay taxes in an amount equivalent to those paid by private business. The second reason could be that we simply want the co-operative to pay more taxes. I believe this is a very complicated formula. It is one which many private citizens do not understand. If there is no loss of revenue, I think we should accept the proposals of the co-operatives because I do not believe we should retain at this time a formula as complicated as the capital employed concept simply because we want to

appease big business which believes it has to compete with the co-operative movement.

Many members are involved with the problem, but we do not have the facts in front of us. I should like to know from the officials, through the parliamentary secretary, if they have calculated whether there would be a loss of revenue. It would seem to me, even with the safeguard of one third of the taxable income and the concession made concerning people who declare their patronage refunds at the end of the year, this would be quite a source of revenue to the treasury. So, if there is no difference in the taxation revenue to the treasury, there would seem to be no justifiable reason for retaining the capital employed concept. On the contrary, I think everything is against such a complicated formula because the people dealing with co-operatives are mainly private citizens who do not know very much about the taxation system. Why complicate it for them? I do not see any administrative problem, as I mentioned a while ago.

• (2:50 p.m.)

If you look at the number of taxpayers who receive patronage refunds on which they have to pay taxes, that is those who receive such refunds as a result of purchases, the number would be very small indeed. I am referring to those who receive refunds of under $100. If that is the case, all that would have to be done by national revenue would be to say to the co-operatives "you will withhold taxes. You send refunds to everybody, but only hold taxes after the patronage refunds have reached a certain limit". It must be possible to look at the statistics for the past few years and find out the percentage of taxpayers receiving patronage refunds and what amount they receive. It would be administratively simple to say "send them to everyone, but only withhold taxes after a certain amount of refunds has been reached".

I really cannot see that there will be a loss to the treasury. If there is a loss to the treasury by accepting the proposals of the co-operatives, I am ready to listen to that argument. That would change the picture. After all, somebody in this country has to pay taxes if we are to provide public services. If we went to a co-op oriented economy, co-ops would have to pay more taxes. However, I do not think that is the case. I do not think that anybody in a responsible position would say that co-ops compete unfairly with private business. I have seen how co-operatives operate. The type of competition they provide has brought about social justice as well as patronage dividends. In areas of the Maritime provinces, where there are co-ops, the price of fish is higher than in communities where there is only private business.

There is a social need for co-operatives. I do not think we should be concerned about the competition from co-ops. I believe that the competition co-ops give to business brings about more social consciousness in this country. I am a defender of the private enterprise system. As a matter of fact, I was in private business. I never had unfair competition from co-operatives. As a matter of fact, business people who support the concept of private business and not state intervention should be happy to see co-operatives because with co-operatives you also have social progress. The more progress you have, whether social, cultural or economic, the better for everyone.

I do not believe business people in this country or any member of this House would be such strong supporters of private enterprise to want private enterprise at the expense of competition. What good is society if we do not have as a basic philosophy the protection of the individual? The capital employed concept was introduced into the taxation system approximately 22 years ago. If this is the only pressure, I urge the parliamentary secretary and the Minister of Finance to change their minds on this.

Why complicate the system for co-operatives or, for that matter, for anybody? If there is a difference in revenue, that is a horse of a different colour. If there is not a difference in revenue, we should do away with the capital employed concept. We should then accept the proposals of the co-operatives and let them operate as they were intended to operate. Members who use the patronage refund as a business revenue, should pay the taxes. We should not complicate things just because big business people are afraid of competition from co-ops. Let there be no doubt about where I stand. I stand with the co-operatives.

Mr. Mahoney: Mr. Chairman, for the information of the hon. member for Richmond, the transitional provision covering the 10 year phase in does not appear in the amendments to sections 135, 136 and 137 that we are now considering. It is in part III of the bill. The hon. member will find the text of the amendment on page 9166 of the English edition of *Hansard* for October 29. I do not know what page it is in the French edition.

Mr. Harding: Mr. Chairman, I wish to take part in the discussion on the tax bill this afternoon, particularly on sections 135, 136 and 137 which deal with co-operatives and credit unions. I have a number of comments to make. I received a considerable amount of correspondence from my area on this matter. I am going to pass this information on to the parliamentary secretary because I feel that his views on this topic certainly need updating.

Yesterday and today, I listened with interest to the views of members of all parties. Almost without exception, the members are not happy with the legislation before the House. They have indicated that changes should be made. I am not thinking in terms of making some rather minor amendments. I suggest to the parliamentary secretary and the government that they should take another look at the whole approach to co-operatives and credit unions.

There is a very clear indication that large segments of the Canadian population are disturbed over the legislation currently before us. They are asking the government to make changes in it. That is the reason for the considerable amount of debate on these three sections. Frankly, I believe there will be more debate. After the debate ends today, the government would be wise to stand these sections for a day or two, take a good look at them and bring in some meaningful amendments which will not cripple either the co-operative movement or the credit union movement in the vital function they are playing in society today.

Quite frequently the government is not too happy when opposition members speak about these points. However, I would like to make this point in passing. The speaking out on the second reading of this bill, and the opposition from

individuals in committee stage, have brought about some very substantial changes to the legislation as it was proposed initially.

• (3:00 p.m.)

All we have to do is go back and look at the original white paper and legislation introduced by the government. I admit that some substantial amendments have been introduced—and they are welcome—but they do not go far enough. It would be foolish for the House to cripple the co-operative and credit union movements by leaving some of these provisions in the legislation.

Another point bothers me. As the debate goes on it becomes clearer that those responsible for this outright attack on the co-operative movement do not really understand the basic principles upon which that movement works. Members on all sides of the chamber have pointed out this fact. It is like putting a fox in charge of a chicken-coop. There is no use putting someone in charge of drafting legislation for the co-op and credit union movements unless he understands the principles upon which they operate. If one has not been a member of these movements he cannot fully realize the benefits they confer and their effect on society.

Entrenched privilege organizations have launched a major campaign against co-operatives and credit unions. That campaign did not start this year; it has been in progress for a number of years. People in the co-op movement are well aware of it. What worries me is that at long last these entrenched privilege organizations have gained the ear of the government, and that is why we are now debating this legislation.

I am a member of a credit union and of a co-operative. I know the type of service they give to the communities which I represent. It is a vital service. I well remember the desperate need which these communities had for co-operatives and credit unions. I remember when times were a lot tougher than they are today, when the average working Joe could not get a loan from a bank, and had nowhere else to go for a loan. That was back in the thirties. It was at that stage the credit union movement expanded in my area. Through it people were able to obtain credit and do things which otherwise they would not have been able to do. But when that movement reached the stage of development that entrenched privilege organizations felt their toes being stepped on slightly, they launched an attack against it.

I am going to read into the record some of the principles underlying the co-operative movement. It is said that repetition is the mother of learning, and I hope that repetition of these principles will convince the government that more changes must be made to the bill. The co-operative movement is not dodging taxation. All members of this House will admit that fact. Recently we all received copies of a letter from Mr. E. K. Turner, president of the Saskatchewan Wheat Pool, in which he made several interesting points that have already been quoted in this debate. I shall quote his letter again because these are points which should not be lost sight of during discussion on this legislation. In his letter Mr. Turner wrote:

> Co-operatives are prepared to pay tax at the ordinary corporate rate on any earnings retained by the co-operative. Earnings returned to the member should become part of his income.

[Mr. Harding.]

> For a taxation act to force an imputed taxable corporate income on a co-operative is to interfere with the democratic right of members to run their own business. Such a treatment is not applied to co-operatives in any other country, to our knowledge.
>
> . . . the taxation proposals completely ignore the basic principle of a co-operative, which is that earnings are a result of surplus on operations and belong to members. Earnings are not a return on investment.

This is something that we still have not been able to get through to the parliamentary secretary and his advisers.

> The co-operative is nothing more than an extension of the members' personal business. Any saving he is able to make in dealing with his organization is an increase in his personal income.

These points constitute the basic philosophy of the co-operative movement and should be recognized by the government. The president of the Saskatchewan Wheat Pool and the Co-operative Union of Canada, which is the voice of the co-operative unions collectively across this great country of ours, set out other fundamental distinctions in the nature of co-operatives. Again I would place these on the record because I believe they are useful to our debate. These distinctions are:

> 1. That co-operatives provide primarily a self-help service required by members.
>
> 2. That co-operatives distribute earnings to members in proportion to member business.
>
> 3. That co-operatives raise and service equity capital by revolving the same in relation to the use of the co-operative by its member.
>
> 4. That capital contributed by a member of the co-operative is to provide himself with service and not to produce a return on investment.

Somewhere behind the scenes are individuals who do not understand the functions of co-operatives and credit unions, because if they did understand, then legislation such as this would not have been introduced. Yesterday the hon. member for Regina East moved an amendment to section 135. Reading it in isolation makes it difficult to understand what he is getting at, but read in conjunction with the section it becomes crystal clear and certainly makes sense. This was his amendment:

> That the amendment to section 135 be amended by deleting all words after the words "page 356" and substituting the following:
>
> "and also by striking out lines 20 to 47 on page 357, lines 1 to 23 on page 358 and lines 33 to 40 on page 359."

• (3:10 p.m.)

This amendment, Mr. Chairman, points up the core of the whole problem. It is the key to the whole complaint which has been brought to all members in this House by co-operative groups all across Canada. The parliamentary secretary has not yet indicated whether he will accept the amendment, but I urge him to give it close scrutiny and, I trust, his full support. This could save much debate on this section of the bill.

The amendment deals with the "capital employed" concept and also with the option proposed in the government amendment. It will remove from the legislation one of the major objections of the co-operative movement. The "capital employed" concept as contained in the legislation will make it impossible for most co-ops to pay cash dividends. It involves the very existence and life of the co-op movement. Surely it is not the intention of the government to put into operation a plan which will slowly and surely

strangle the movement over the years. Mr. Chairman, I contend that if the legislation as now drafted goes forward, this is exactly what will happen to co-ops from one end of Canada to the other. Members on the government side of the House should read and discuss this legislation. If they vote for legislation that will cripple the co-operative movement across Canada, they will be in serious trouble at election time.

I should like to speak briefly—we will have an opportunity later to deal with the co-operative amendments—on section 137 which deals with credit unions. I have received a number of representations from various credit unions in my riding of Kootenay West. I have received representations from the Arrow Credit Union of Edgewood and the lower Arrow Lakes, the Castlebar Savings Credit Union, the Kootenay Savings Credit Union, the Nelson and District Credit Union, the Nakusp and District Credit Union and credit unions from the Creston area, as well as from a large number of individuals in these credit unions. They are opposing one of the provisions in section 137. I do not think I can explain it any better than by reading one of the letters which I have received. Many are similar to the one I shall read, which outlines very distinctly the apprehension felt by credit union members in our area as far as section 137 is concerned. This letter is addressed to me and is generally the type of letter I have received. It reads:

In the tax provisions for credit unions contained in Bill C-259 the most important area is the taxation of reserves which must be set aside under the provisions of provincial legislation. No amendment has yet come forward to deal with this problem.

Not only are the transfers to reserves non-discretionary but there is a legislative bar to their distribution to the members even on the winding up of the credit union. Apart from this restriction in the legislation there is a basic principle that shares in a credit union may only be redeemed at par irrespective of the amount of reserves on hand. The fact that these reserves are beyond the reach of the shareholders, removes in effect shareholder's ownership, a very cardinal quality of income as contemplated in the Income Tax Act.

Commercial corporations are in an entirely different position. Retention of corporate income will increase the value of the shares and in this way give a benefit to the shareholder. Alternatively amounts reserved may be paid out as dividends. Again, benefiting the shareholder and earning for him a tax credit on his dividend—essentially representing a rebate of the corporate tax. The effect of the provincial legislation is to deny these benefits to credit unions.

Although there is a strong legal case for tax exemption, with supporting precedents, credit unions have interpreted the white paper and the tax act as pronouncements of government policy and have from the outset agreed to pay their fair share of taxation.

Because they lack the quality of income and because these non-discretionary reserves cannot be distributed to members, credit unions find themselves trapped by the provisions of section 125 of the tax act. These reserves will be considered income in the "business limit" of $50,000 per year and in the total "business limit" of $400,000. The very fact that the credit union is statute barred from distributing these reserves means that the "total business limit" will automatically be reached in a short period of time. Aggravating this situation is the fact that transfers to the reserve must be tax paid—no provision exists permitting income taxes to be charged against the reserves. The sum of these factors means that section 125 (which provides for a reduction of tax under certain conditions) will not apply to a medium sized credit union beyond five years, after which time a transfer of $50,000 to reserve will attract a tax of $50,000.

The solution we propose is that section 137 (credit union taxation provision) be amended to provide that amounts required to be transferred to statutory reserves be excluded from the calculation of the "business limit" and the "total business limit" in the application of section 125.

The Deputy Chairman: Order, please. I regret having to interrupt the hon. member, but his time has expired.

Some hon. Members: Carry on.

The Deputy Chairman: The committee knows that this can be done only by unanimous consent. Is there unanimous consent to allow the hon. member to continue?

Some hon. Members: Agreed.

Mr. Mahoney: I agree, Mr. Chairman, but there are many hon. members waiting to participate in the debate. I am sure the hon. member would not abuse the opportunity afforded by the committee giving its consent, because he is aware that other hon. members are waiting to speak.

Mr. Harding: Mr. Chairman, may I have the privilege of finishing the letter because there are only two paragraphs which I have not quoted?

The Deputy Chairman: Does the committee agree?

Some hon. Members: Agreed.

Mr. Harding: Thank you, Mr. Chairman.

The effect of such an amendment would be that tax paid transfers to reserve would attract a tax equal to 33 per cent of the reserve requirement as opposed to a tax equal to 100 per cent of the reserve requirement.

Reserves have no advantage to the member beyond securing the principal of their investments. They can never share in them. We regard a tax equal to the amount of the annual reserve requirement as unnecessarily punitive.

I urge the parliamentary secretary to read this section 137 again and to make the necessary amendment to rectify it.

Mr. Badanai: Mr. Chairman, I wish to say a few words on this section of Bill C-259 dealing with credit unions and co-operatives. I am very appreciative of the amendments introduced by the Minister of Finance which are designed to reduce the basic tax rate contained in the bill. The history of credit unions can be summarized by the experience of one operating in my constituency. I am referring to the employees of the Abitibi Paper Company which formed a credit union some years ago. The motivation of the credit union was the principle "not for profit but for service", which I submit is the philosophy behind the movement established to encourage saving and, when in need, borrowing. It is this principle which dominates all credit unions as well as co-operatives.

The money that members put into the credit union is already taxed; every dividend they receive is taxed. Section 135 of the bill is simply designed to tax the profits that credit unions have accumulated through the use of their savings. I urge the minister to reconsider this whole question and scrap the idea behind this section of the bill.

• (3:20 p.m.)

Some hon. Members: Hear, hear!

Mr. Badanai: The Prime Minister, in a recent message to credit unions stated, "Credit unions have experienced

enormous success because they encourage both regular savings and the wise use of credit." I would also quote from his message on International Credit Union Day. The Prime Minister said:

It can also be said that credit unions encourage self-help and mutual assistance. I look upon them as more than saving banks; they are also a welcome social force in the community, and the same can be said about co-operatives which have similar objectives.

The amendment proposed by the minister on November 10, which proposes that co-operatives would leave one-third of profits as taxable, affects all the members of these organizations. In other words, the tax now falls upon the members. The crux of the whole question, Mr. Chairman, is that the credit unions and co-operatives are asking, not for exemption from taxation but for this House to consider the most equitable way of applying it so that taxation as between these organizations and their members will be just and fair.

Mr. John M. Halliman, general manager of the Ontario Credit Union League, in a letter to the Minister of Finance pointed out that credit unions are organized for service and that they are simply vehicles by which man helps his fellow man by bringing together those who have a little money to save with those needing temporary financial assistance. The credit union itself is not seeking profit but is merely an intermediary between the savers and the borrowers. To the extent that those who contribute their savings for this purpose earn dividends or interest from the loan operation, they already pay tax on such income. Taxing the interest paid on loans in the hands of the credit union and then again in the hands of its members would be, I believe, double taxation.

At page 52 of the report of the Royal Commission on Co-operatives, submitted to the House of Commons in 1945—which is known as the McDougall report—is the following description of the special assistance rendered by credit unions. This applies equally today:

(a) It provides a method whereby people in poor circumstances are encouraged to develop a habit of thrift, since by pooling their savings they can provide a source of credit for themselves in times of need;

(b) The bond of association, occupation or other community interest on which the membership of credit unions is based tends to minimize the element of risk which has to be considered by another type of lending institution when considering an application for a loan from an individual with little or no collateral security;

(c) Accordingly, it provides a service for those who are either not provided with credit services from other lending institutions at all, or only at much higher rates because of the risks involved.

(d) The tangible material and other benefits which can be derived through the credit union from of activity enable and encourage the members to solve their problems through self help rather than by relying on government aid in times of emergency or depressed conditions.

The report reads, at page 52:

Credit unions return to their members a very high proportion of their surplus earnings. In some cases, however, they are retaining amounts which appear to be larger than are required for reserves against bad loans and losses on the basis of past experience. If they were to be taxed by the methods we have recommended for co-operative associations, additions to these excess reserves would be made subject to tax. However, the individual amounts to be assessed would, in many cases, be very small. Moreover, we consider that it is not desirable to discourage the accumulation of reserves to protect the savings of members who, for the most part, receive small or very moderate incomes.

In that report, Mr. Chairman, the royal commission recommended that the income of credit unions should continue to be exempt from taxation. All this seems to indicate that the case for the credit union and co-operative is as strong today as it was in 1945. I therefore, with respect, repeat that this whole question ought to be reconsidered by the government.

Mr. Murta: Mr. Chairman, in speaking on the amendments dealing with co-operatives and credit unions I should first like to deal with co-operatives and discuss how they are being treated in the legislation, and then deal with credit unions very briefly near the end of my remarks. I say at the outset that the government has done with this legislation that which it has done with so many other pieces of legislation. It seems to have taken two giant steps forward and one step back and has told the people concerned that they have been given consideration so far as the Income Tax Act and other pieces of legislation are concerned. Nevertheless, the income tax legislation is still a step down the road to what he government considers to be tax reform. I think that this can be borne out if one reads the first draft of the bill and looks at the amendments pertaining to co-operatives and credit unions put forward by the government.

Co-operatives have for the most part their own special place within our society, having been formed mainly because groups of people felt the need to join together in order to work more efficiently. This need has been exemplified, I think, more in rural than in urban areas. The co-ops in the rural areas of Canada have become stronger, possibly because of the necessity of people having to band together and work together. The latest statistics on co-operatives published by the Department of Agriculture show that by the end of 1969 there were 2,373 co-operatives in Canada, with a membership of well over half a million. It appears that in drafting Bill C-259 and the later amendments little attention has been given to the essential nature and method of operation of a co-operative, and the essential difference between its purpose and that of an ordinary corporation has not been understood. I will not deal with the make-up of a co-operative because I believe most hon. members know how a co-operative works. Most hon. members are aware of the voting and capital structures of co-operatives.

There is no relationship between a member's investment in a co-operative and the returns to him. A member with $1 invested may receive a return of $100, or vice-versa, depending on the amount of business done with the co-operative during the period involved. Furthermore, the member with the $1 investment has the same voting right as the member with an investment of $100 or $1,000. It is an accepted principle that a member wishing to remove some or all of his investment from the co-operative, either while continuing to use its services or upon terminating his membership, will receive only the amount of his investment, with no capital gain.

• (3:30 p.m.)

In general, co-operatives are objecting to the provisions contained in section 135 of the bill which retain the

requirement that prior to any payment of patronage payments, dividend income must be allocated to the capital of co-operatives on the basis of a fixed percentage of capital employed by the taxpayer at commencement of the taxation year. This, according to co-operatives, interferes with their freedom and ability to distribute earnings as patronage refunds.

In briefs I have received from across western Canada the co-ops maintain that although section 135 applies to all corporations wishing to pay patronage refunds, the imputation of income to capital in a co-operative is not only unreasonable and illogical but is discriminatory. Co-operatives, by nature, are different from corporations and should be treated as such. They contend that the "capital employed" concept creates a cash flow problem. In most co-operatives this is accomplished by having members of the co-operative reinvest patronage refunds in the co-operative.

Such reinvestment is used to retire the equity of members who no longer use the services of the co-operative and provide facilities for additional services to members. Co-operatives maintain that no matter what is the size of the organization, ownership of shares has no attraction for the public market since the return on shares is limited, so a public sale of co-operative shares to secure additional funds is not practical.

I believe that the proposed amendment to section 135 will assist co-operative in years of low earning. The taxable income which must be retained by the co-operatives before paying patronage refunds will be lower than that used under the proposed "capital employed" formula. Basically, section 135 of Bill C-259 gives co-operatives two choices. They can pay tax on the capital employed formula, or they can pay tax on the basis of one-third of their income. Either choice, according to the co-operative spokesmen with whom I have talked, will result in a forced imputation of taxable income. The assignment of income to a co-operative using a formula based on capital employed is unique in Canada; it is a form of tax treatment of co-operatives not utilized in any other country.

I would be inclined to recommend that all tax reforms relating to co-operatives be stuck from the bill. But my recommendation now is that this ought to be done on the basis of a study made to determine a more equitable basis for the taxation of co-operatives than the one now proposed. The sections of the bill are so interwoven, however, that action along these lines could delay the legislation for many weeks while the sections were being rewritten.

If the Minister of Finance had been thinking and had recognized that co-operatives are essentially different in nature from other corporations, he would have amended Bill C-259 to satisfy co-operatives and still provide taxation for their earnings. I believe co-operatives should be permitted to distribute to their members the annual earnings resulting from business done with their members, with any earnings retained in the hands of the co-operatives taxed at the corporate rate. It seems to me, Mr. Chairman, that the way the government has handled this part of the legislation typifies their attitude toward co-operatives and credit unions.

I should like to read the following from a brief I have received from a co-operative in western Canada:

> —we have previously not felt it necessary to stress that capital employed in co-operatives must be serviced the same as capital in other investor-owned corporations. By imposing a form of double taxation which the capital-employed formula does, the co-operatives are being discriminated against in a manner which we believe is without justification.

We have heard this over and over again from members on all sides of the House during the debate. It seems to reflect my feelings as to co-operatives.

I should like to deal now with the amendments to the legislation affecting credit unions. I think it would be very hard to give an exact account of the good done to rural communities by credit unions. Credit unions have lent money in many instances when other organizations would not do so. They have played a vital role in the growth of Canada and in the expansion of our rural areas. The fact that they are another lending agency has in itself been significant for the Canadian population.

Under the proposed legislation a credit union will no longer be exempt from tax. It is proposed that it should pay tax in substantially the same manner as other private corporations. As such, it will be able to take advantage of the small business deductions to the extent permitted to private corporations. Credit unions will be taxed in a manner similar to co-operatives in that a deduction is to be allowed when computing income for payment to members pursuant to allocations in proportion to their borrowing.

I believe the government should recognize that credit unions are a form of financial partnership which receives deposits from members and provides financial services on behalf of members. The amendments which have been brought in by the government fail, in my opinion, to take into account the legitimate concern with respect to the application of section 189(b). Credit unions should be permitted to operate a full financial service for their members; the legislation should be amended to provide the right of credit unions to perform the services permitted under their incorporated status.

An example of the difficulty anticipated is that it is doubtful whether a credit union could invest in a housing development to improve the living conditions within a community. It is in these local fields that credit unions have served their most useful purpose within the past, and I for one am fearful that under the present legislation certain of their activities may be curtailed.

In conclusion, Mr. Chairman, as in the case of farmers, small family business, co-operatives and other sections of the proposed legislation there seems to be a fundamental inability to appreciate the consequences of tax legislation on society. This failure can be ascribed in part to the government's eagerness to rush headlong into any project which would be bureaucratically efficient and administratively tidy from their point of view. The government is insensitive to other considerations even when these are founded on very real human and social concerns.

Mr. Blair: Mr. Chairman, in the course of the debate yesterday afternoon the hon. member for Regina East made certain remarks which are reported at page 9681 of *Hansard*. My own observations in that connection are reported at page 9686. Questions were raised about the definition of "co-operatives" for the purpose of these sections. There have been some discussions, and I have an

amendment which I believe meets with the general approval of all who are interested in this problem.

• (3:40 p.m.)

I might offer one or two words of explanation. Yesterday concern was expressed about the position of co-operatives whose operations are conducted on what is called a delegate system of voting. The consensus reached after further study was that the section now in the bill does not in any way affect the operation of that type of co-operative, which is covered by the present definition.

However, there are other important co-operatives that might be described as federations. Their members consist of other co-operative organizations. On close examination it was considered that this type of co-operative, the federated co-operative, is not covered by the existing definition in the bill. Accordingly, in order to eliminate any possibility of doubt and uncertainty, I move the following amendment to section 136:

That section 136 as set forth in clause 1 of the said bill be further amended by striking out lines 33 to 35 on page 360 and substituting the following:

"(b) none of its members (except other co-operative corporations) have more than one vote in the conduct of the affairs of the corporation, and"

Mr. Peters: Mr. Chairman, would the hon. member who has moved the amendment be kind enough to explain what the effect of the amendment will be?

Mr. Blair: I would be glad to do that, Mr. Chairman. I am sorry my previous explanation was not clear. The amendment simply inserts four words into the previous section which have reference to co-operatives whose members are other co-operatives. In this way it is considered that any difficulty that might have existed under the previously stated section will be eliminated. The fear was that if co-operatives, in order to qualify under this statute, had to meet the literal test of one member, one vote, some federated type co-operatives might not be able to do so. They have different methods of voting and sometimes votes are weighted in accordance with the business that the different member co-operative do with them.

I think I can say with propriety, but without binding anyone, that the co-operative organizations most concerned that this statute be properly worded have been consulted and I believe the amendment that has been proposed meets their requirements.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, on a point of order I should like to say that I understand that my colleague from Regina East was a party to the discussions that led to this amendment and that it is one that we would be prepared to accept. However, since we have already before us an amendment and a subamendment to section 135, perhaps this should stand until we have first dealt with the amendment to section 135.

Mr. Mahoney: Just to clarify the situation, Mr. Chairman, in suggesting that the amendment stand, the hon. member is referring to the vote on it. He is not suggesting that it has not been moved and accepted by the Chair.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, the parliamentary secretary is quite correct. The amendment has been moved and it is before us. However, I suggest that the voting on it be delayed till we have disposed of section 135, hopefully as amended.

The Deputy Chairman: Does the committee agree to the proposal made by the hon. member for Winnipeg North Centre?

Some hon. Members: Agreed.

Mr. Lundrigan: Mr. Chairman, there is hardly any need for me to add my support for the statements already made by my colleagues who represent various parts of Canada. The parliamentary secretary must be convinced by now that there is almost unanimous consent in the committee at least to have the sections dealing with co-operatives amended, if not stricken altogether from the record, so we can get back to a discussion of other parts of the bill. I do not have a great deal of background in the co-operative movement, though I can claim to have been a member of the Gander Consumers Co-operative for a number of years while I was living in that beautiful town, the home of one of the biggest international airports in the world.

If I may give the parliamentary secretary, who I trust will bear with me, an indication of the kind of response that I have received from a riding where the co-operative movement has not fully blossomed but is in the process of blossoming, and in the interests of allowing some of my constituents to express their views, I should like to follow the example of other members and place on record the opinions of consumer co-operatives that have written to me about this bill. This is the kind of evidence that I hope will convince the parliamentary secretary and the government that they should accede to the demands of consumer co-operatives across Canada as well as of members on both sides of the House that the position of the co-operatives be restored to the status quo.

I have before me a letter from a Mr. Dan Roberts who is the secretary of the Fogo Island Shipbuilding Producers Co-operative Society Limited. Fogo Island is an island community of about 5,000 people and is situated approximately 12 miles off the east cost of Newfoundland. It is an island community that some four years ago was on the verge of economic collapse and was facing the prospect of having its population relocated in other parts of the province.

Mr. Roberts and other individuals in that area began to revitalize the island community, which is comprised of a number of scattered small communities. Some of the members of this House travelled with me 2½ years ago to the island to see the results of the efforts of the community to improve its economy. The consumers co-operative to which I refer has had a very substantial impact upon the economy of the island to the point where governments, both provincial and federal, have responded with programs offering certain types of assistance in the construction of marine facilities. This co-operative, which is the backbone of economic development on the island, writes to me as follows:

Dear John:

The white paper on tax reform will have an adverse effect on co-operatives.

1. The taxable income will be raised from 3 to 5 per cent of employed capital.

2. Withdrawal of the three-year tax holiday for new co-operatives.

3. The further limiting of patronage refunds because of number one above.

The letter goes on to give certain examples and implores the federal Members of Parliament to place their plea on the public record. From the same community I have received a letter from Mr. A. Cull, manager of the Snap Rock Consumers Co-operative Society Limited. He writes as follows:

• (3:50 p.m.)

I am writing to you on behalf of the board of directors of Snap Rock Cons. Co-Op Soc. Ltd. at Joe Batts Arm to ask you, as our representative, to protest sections 135 and 136 of Bill C-259 which is going to be considered this month in Parliament.

If this bill is allowed to pass it will have a very serious effect on co-operatives in Canada. The bill as it stands goes against the principles of co-operatives and if passed could very well mean the closing of co-operatives.

I have another letter from a Mr. Reginald Eveleigh, secretary of the Atlantic Credit Co-operative Society which reads:

The white paper on tax reform issued by the finance minister Benson during June of 1971 stating tax raise from 3 per cent to 5 per cent will definitely affect co-operatives across this province. The paper ignores the very principle of co-op and will limit patronage refund to members.

We the members of Atlantic Credit Co-op Society of Joe Batts Arm, do strongly recommend that you do everything in your power to try to get this legislation changed before it becomes law.

I have another letter from an adjacent riding, from Mr. Lloyd George, secretary of the Clarenville Area Consumers Co-operative Society Ltd. in which he points out in some detail the effect of this piece of legislation as it stands with regard to newly formed co-operatives. The letter reads:

Our co-operative (a supermarket) opened for business just over three years ago. At that time it was our hope that we would get approximately 200 members. However, the people throughout this area really accepted the idea and under the direction of a very competent and enthusiastic board of directors our registered membership has grown to over 500 active members. Our gross sales this year will exceed 3/4 million dollars which is ample proof that our co-operative is a most successful one.

This success has been due to a combination of a very hard working board of directors, management and staff and a dedicated membership. Our patronage dividends returned to our members (while operating on a competitive basis with other businesses) have been 6 per cent for the past three years! This tremendous savings to our members have been a Godsend in many cases.

Our board of directors at the last meeting were very much concerned with Bill C-259 which will have the effect of just about wiping out savings earned by members in the form of patronage dividends, destroy all incentive in co-operatives and result in the total collapse of the co-operative movement.

He goes to express in graphic terms the opinion of the membership. Let me read now from a letter from Mr. Robert Hellier of the Gander Consumers Co-operative Society Limited, Gander, Newfoundland. It reads:

The Gander Consumers Co-operative Society Limited earnestly requests your support in its efforts to change Bill C-259, (federal) which if allowed to pass in its present form threatens the very existence of co-operatives.

He goes on to make the following proposals:

1. Consumer patronage dividends remain exempt in so far as they can be distributed.

2. Patronage dividends for production goods remain as income.

3. Three year exemption for new co-operatives removed with no compensating provisions. Mining companies which had this exemption will have until 1973 before it is removed and then generous other concessions are given in lieu of it.

4. Capital employed principle drastically changed. The formula for calculating capital employed has been changed and now includes essentially only member equity, i.e. shares, loans and general reserves, and the rate has been increased to 5 per cent. The only deduction is the interest paid on on member loans.

Mr. Hillier represents several hundred members of this consumers co-operative and expresses as well his concern for the future of the co-operative movement. The parliamentary secretary seems somewhat amused by my presentation. I hope he recognizes that this is not my usual style of style of presentation to the House of Commons, but I want him and the government of this country to realize the extent of concern and frustration felt by average individuals. These are not wheat pools or organizations with thousands of members; these are small, individual organizations, associations and co-operative mouvements trying to do a worth-while job in a relatively small community.

I have a letter from the Eastport Consumers Co-op Society Limited. Mr. Edwin Moore, the president, writes about his concern for the co-operative movement and says that if Bill C-259 is allowed to apss he has fear for the future existence of the co-operative movement. He writes:

After study it appears that should this bill be allowed to pass in its present form co-operatives will definitely soon be things of the past.

I have another letter from Beaumont, an island community in the district of N.D. Bay on the east coast of Newfoundland. This is a relatively small island community. The letter is from Ford Paddock, secretary of the Long Island Consumers Society. He writes:

The Long Island Consumers Society Ltd. have recently asked me to contact you, expressing our concern regarding proposed changes in taxation of co-ops as proposed by sections 135-136 of Bill C-259. We are soliciting your support and would appreciate any advice you could offer us on this matter. As we are experiencing difficulties at the present and last fiscal years our little business though at times weak has been practically the only source of fishing supplies available on Long Island.

I have, as well, a letter from the Newfoundland Co-operative Services signed by Mr. W. E. Benedict who writes on behalf of that co-operative as well as those throughout the province. I have another letter from the Newfoundland Teachers Association Co-operative, and others I could read. Let me point out that we are not making a humble suggestion or request; we are demanding that these representatives of co-operatives from all parts of Canada in every province be considered. We demand that the changes we have recommended be brought about. These sections of the bill if passed as they stand, will destroy the co-operative movement in Canada, and they must be eliminated.

Mr. Chairman, I should like to call it four o'clock.

Progress reported.

The Acting Speaker (Mr. Laniel): It being four o'clock p.m. the House will now proceed to the consideration of

private members' business as listed on today's order paper, namely, notices of motions, public bills and private bills.

PRIVATE MEMBERS' MOTIONS

HOUSE OF COMMONS

SUGGESTED IMPROVEMENTS TO COMMITTEES SYSTEM

Mr. Doug Rowland (Selkirk) moved:

That, in the opinion of this House, there should be further improvements made in the operation of the committee system in order to enhance the influence of the House of Commons upon the policy-making process and in order to reduce the information gap between private members and cabinet ministers and to that end that the following subject-matters be referred to the Standing Committee on Procedure and Organization for the purpose of study and the making of recommendations (*a*) the possibility of establishing a means whereby committees could take the initiative in recommending to the House matters which should be referred to them by the House; (*b*) adequate staff support for committees; (*c*) the advisability of making it mandatory for each committee to prepare at the end of each Session a running record of recommendations it has made to the government and government action taken on its recommendations; (*d*) making it mandatory for a motion of concurrence to be moved in connection with all committee reports and discovering a means by which debate on such motions could be kept to a reasonable level, specifically the possibility of increasing the number of assigned days, the increase in number to be allocated to the discussion of committee reports, the reports to be considered to be determined by opposition parties; (*e*) making it possible for minority reports to be tabled together with majority reports from committees; (*f*) allowing Standing Committees to be constituted as committees of inquiry.

• (4:00 p.m.)

He said: Mr. Speaker, traditionally Parliament serves three separate but related functions in discharging its ultimate responsibility to the elector. Those are, the formulation of policy, the implementation of policy through legislation, and the collection and allocation of funds necessary for the effective operation of legislation. Parliament, of course, performs many other functions but all, in theory at least, are ancillary to the three I have mentioned.

In Canada the right of Parliament to formulate policy and to legislate for the implementation of policy was established with the passage of the Rebellion Losses Bill and the according of responsible government in 1848. The principle of parliamentary control of finance was established at the same time. The only remaining practical exceptions to the full implementation of the principle were removed in 1849 and 1851 with the repeal of the English navigation laws by Westminster and the passage of Sir Francis Hinck's new tariff laws, respectively.

After a relatively brief period in which parliamentary control over policy, legislation and finance was consolidated there began a gradual erosion of that control which first became apparent after the turn of the century and which became a cause for active concern following World War II. Gradually Parliament came to exercise control over policy, legislation and finances in name only. The real power, the real control was in the hands of the cabinet and the bureaucracy which served it. In recent years there has been a further pyramiding of power in these three crucial areas with the full cabinet being eclipsed by an inner circle of ministers and, more recently, by the Prime Minister's office.

[The Acting Speaker (Mr. Laniel).]

It is only slightly overdrawing the case to say that in 125 years we have gone full circle from legislatures being relatively weak advisers to and opposition for the government, to full legislative control and responsibility and back again to a situation in which the legislature is in fact of only peripheral importance in the governing of the nation. Parliament stands in danger of becoming, as has the monarchy, a largely honorific element in the constitution.

I make these remarks in no partisan sense. What has happened in Canada is happening throughout the world. The decline of the power of Parliament in relation to the cabinet and the first minister has been allowed to proceed as far as it has in part because the process was neither the result of stated policy nor, for the most part, of conscious effort. The change is, rather, the result of innumerable individual decisions made on a pragmatic basis over a long period of time and as a consequence of two major developments—the growth in the scope of responsibility of the modern state and the marked strengthening of party discipline which has taken place since confederation.

Whatever the reasons for the change, whatever the reasons for the phenomenon of the decline in power of the legislative arm of government in relation to the executive arm, it is absolutely necessary for us to use every means at our disposal to attempt to halt the trend, if not reverse it. I make this assertion not because of some antiquarian concern for the dignity of the House but, rather, because the more power becomes concentrated, the less responsive is the government to the felt needs of the people. I have no doubt that this very concentration of power is producing the current, entirely legitimate demands for "people power" in democratic states, if I may use that term to describe the phenomenon, and is producing as well some of the less savoury aspects of that movement.

It is within this context that I wish to discuss my suggestions for change in our current committee system, for I see the committee system as having the greatest immediate potential for beginning the process of re-establishing, in fact, the control of the executive by the legislature or, to put it another way, ensuring the responsibility and accountability of the cabinet to Parliament.

Our present committee system, which was first set up in 1965 on a trial basis and was given formal approval by the House in December, 1968, was designed to fulfil a number of functions most of which have relevance to the question of adequate controls on the executive. The committee system was designed, first to save the time of the House and to streamline its operation by reducing the amount of time spent in committee of the whole in clause by clause study of legislation and in examination of the estimates; second, to provide government backbenchers especially with a means of becoming involved in the work of government in a meaningful way; third, to provide for the careful scrutiny of legislation; fourth, to provide for detailed and more comprehensive examination of proposals for departmental expenditures through referral of the estimates; fifth, to provide forums for enquiry not only for

existing or proposed government legislation but also with respect to possible new policy directions for government in important issue areas; sixth, to provide individuals and groups within the community with a more direct influence upon policy through the calling of witnesses; seventh, to provide for the development within Parliament of cadres of experts in each of the major areas of government concern.

I hope hon. members will forgive me if because of time limitation I simply state, without documenting the position, that the committee system has not worked quite as we had hoped it would. I believe most members could find many arguments to support this contention. In establishing the committee system, Parliament gave up a number of its more effective controls of executive powers, such as the study of estimates in committee of the whole at which time grievances could be raised with the government with some effect. We have lost that control and the committee system has not replaced it with another.

The last five functions which I mentioned of the committee system as established have particular relevance to the problem of controlling the executive. The seventh point I mentioned, the creation of cadres of experts in this House, has the greatest impact of all since it has the effect of reducing the information gap which exists between the private Member of Parliament and the cabinet minister. Parliament's power to supervise has declined because of the increasing demands being made on its time and because its members are representative men and women best equipped to deal with general principles, broad objectives and fundamental issues. It is not a technical body. In any given subject area in relation to the expertise of a civil servant, the average member is ill-equipped and ill-informed.

Moreover, the same is true of the average member in relation to the cabinet minister. Cabinet ministers can draw upon the talents and resources of the legions of public service experts, which the cabinet controls, for necessary information in any field. With rare exceptions, such as the audit office, Parliament can call upon no such able assistants. The result is that the debates in the House are rather unequal. The ability of Parliament to adequately assess and scrutinize every government action is severely reduced.

• (4:10 p.m.)

The committees would have the potential to remedy this situation if their membership were more stable—in other words, in Members of Parliament remained on a given committee for a longer period of time, were not shuffled about so frequently and if there were periodic adjournments of the House for the purpose of enabling committees to do their work. A number of different systems have been suggested with regard to the latter point. I will not go into them here but will content myself by saying that the Standing Committee on Procedure and Organization should be instructed to seek the most satisfactory means of providing committees with the time they need to do their work properly without interference of duties in the house.

It is with the same end in view, that of enhancing the ability of committees to reduce the information gap between Parliament and the government, that I have recommended in my resolution that committees be provided with adequate staff support. I refer especially to research staff who would possess the expert knowledge necessary to assist Members of Parliament in preparing themselves adequately for their various committee duties. The value of such staff has been made manifestly obvious by the work Mr. Peter Dobel and the Parliamentary Research Centre have done in connection with the Standing Committee on External Affairs and National Defence.

There is a problem in deciding whether such staff should be permanent or rotating, assigned to a single committee or moved from committee to committee as required. I tend to opt for a permanent staff, but the point that able research staffs of some description are urgently required by committees is what I want to establish at this time.

A related suggestion which I have made in the resolution is that the standing committee be permitted as a matter of course to act as a committee of inquiry. I regret that my wording of this recommendation and, more particularly, my failure to note that the words "Committees of Inquiry" were capitalized on the order paper may have led to some confusion on the part of hon. members about my intention. All I mean to suggest is that the Standing Committee on Finance, Trade and Economic Affairs, for example, in the situation now confronting the nation should consider it to be a normal part of its duties to inquire into the relationship between inflation and unemployment or into the possible effects of the American DISC program upon our economy and, accordingly, make appropriate policy recommendations in these fields. Such a development would have the two major beneficial effects of better equipping Parliament to assess government policy decisions in these areas and perhaps even giving Parliament an important role in shaping eventual government policies.

Another group of recommendations contained in this resolution is designed to give committee recommendations more importance and to create a system in which it would be difficult for a government to ignore the recommendations of a committee. There has been no attempt to get away from the concept of cabinet responsibility or to give power to the committees to initiate legislation but, rather, simply to ensure that the cabinet would have to seriously examine committee proposals. Whether the government would act on the basis of committee recommendations would remain its decision. I want to ensure that the government would have to examine committee proposals seriously.

Hence I have suggested that it be made mandatory for a motion of concurrence to be moved in connection with all committee reports and that such a motion be deemed debatable. This would provide two salutary effects: first, the recommendations of the committee would be aired in public; second, if concurrence was granted the government would be forced to explain its reasons for failing to act upon a recommendation of the committee. It would have to pay more attention to what the committees did.

Obviously, this suggestion poses problems with regard to the time of the House. As I note in the resolution, a means would have to be discovered for limiting debate. Perhaps a Standing Order could provide that only a certain number of reports could be debated in a session or,

more likely, an over-all time limit for such debates could be established and the opposition given the choice of which reports to debate within that time. Perhaps more allotted days could be granted with the express purpose of such debates in mind. Once again, the actual procedure decided upon does not concern me at this stage as much as the principle.

I have also suggested in the resolution, in an effort to strengthen the impact of committee reports, that committees be required to prepare at the end of each session a running record, covering previous sessions as well, of the recommendations it has made to the government and the action the government has taken on them. Such a report could be a powerful weapon in the hands of individual Members of Parliament determined to make the government take some account of the work done in committees.

If, for example, over a period a committee made 27 recommendations and the government did not do anything about them, this could be devastating ammunition in the hands of a member such as the right hon. member for Prince Albert (Mr. Diefenbaker). The idea is not original. It is derived from the practice of the British public accounts committee which each year prepares an epitome of proposals. The suggestion is not exactly parallel to the British experience because our committees do not operate in the same way. It is an adaptation of a system that works successfully in another jurisdiction. It is one at which we should look.

I have also suggested that minority reports be allowed to be tabled along with majority reports. It seems to me that democracy not only means majority rule but also respect for minority opinions. It is simply not good enough to say that a member can always issue a press release or express his opinion in the House if he does not agree with a report that he has assisted in drawing up. Such ventures do not have equal weight with a formal written document and tend to be transitory rather than a part of the permanent written record.

Finally, I have suggested that committees be granted a greater degree of independence of government control and that they be allowed an initiative in matters referred to them by the House. I have in mind that committees be allowed to present a resolution to the House suggesting subject matter for them to examine rather than being forced to wait upon the government to take action, as is frequently the case. I think this procedure would overcome the argument that such initiative on the part of committees would tend to obscure the fact that they are and should be subordinate to the House because the House would determine the fate of their requests. The House could always turn down a committee. Moreover, a government need not be unduly worried about what action the committee would take if given this power, because the government would always have the majority on a committee.

The current committee system has been in operation, in roughly its present form, for almost six years. I think it is time its operations were assessed and evaluated by the Standing Committee on Procedure and Organization and, ultimately, by this chamber. This resolution suggests a number of areas for examination. Many more could be mentioned, such as how committee chairmen are selected and assigned. Should we adopt the British system, where they areappointed from either the opposition or the government? Should we have a panel of chairmen who would move from committee to committee, members who are schooled in the rules so that committees operate more effectively and efficiently under trained chairmen? These are other considerations which should possibly be looked at by the Standing Committee on Procedure and Organization. I could mention many more.

The important thing is that the examination take place as quickly as possible. The issues involved are too important to be pushed under the rug.

• (4:20 p.m.)

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): Mr. Speaker, this is a very interesting notice of motion dealing with a subject that is very close to all hon. members. I know that several members are anxious to contribute to the debate and I know their contributions will be very valuable. I know that the hon. member for Saint John-Lancaster (Mr. Bell) wants to participate in the debate.

This is a tribute to the hon. member for Selkirk (Mr. Rowland) who drafted this motion very carefully. It is consistent with his excellent background in politics and his performance in this House. I know, as well, that no less a student of politics, one who has had considerable experience in the committee system as chairman and as member, the hon. member for Kenora-Rainy River (Mr. Reid), is anxious to contribute, so I propose not to keep the floor for any longer than necessary.

There are a number of things that should be said relevant to the functioning of the committee system and to specific recommendations put forward in the notice of motion. As background, reference has already been made to the changes in the rules in the functioning of the committee system that came into force in 1965. To me, Mr. Speaker, the whole story of the committee system is one of conflicts of interest or of tensions, as it were, between opposing points of view. It is no coincidence, I am sure, that one faction in the House of Commons was adamant that the changes made in 1965, and the further changes made in the rules in 1969, went a long way to increase the emphasis on committees and therefore received the encouragement of all those who would support this notice of motion put forward by the hon. member. On the other hand, there has been a considerable body of opinion in this House that the effect of those changes, while they increase the emphasis on the committee system, had a devastating effect in downgrading the importance of this chamber. So the whole story beings with a serious conflict of interest in that regard. There is a good deal of merit in both points of view.

You can carry the conflict further by looking at the point of view of the government of the day, on the one hand, and the point of view of the opposition of the day on the other hand. Indeed, the interest of the one in the functioning of the committee system is considerably different from the interest of the other, it being obviously in the interest of the government that the committee be as efficient and as functional as possible but that it keep its disruption of the government's program to a minimum.

Of course, while the opposition has no ingrained opposition to the idea of efficiency or to the functional nature of

the committee system, it takes a much opposing point of view as to the disruptive nature or effect that it should have on the government's legislative program. If one wanted to take a lot of time, this argument leads us down the path to the whole question of time allocation, not only in the chamber itself but in the committees, which is another subject all of us would like to debate at some length and which will continually raise its head as we study the committee system, particularly in its legislative functioning.

One can carry on the conflict by examining the desires of the cabinet on the one hand and of the backbenchers on the other, even of the backbenchers within the government party. Indeed, there is the desire of the minister responsible for legislation that his legislation pass as smoothly as possible. That is well understood. And there is the desire, even of government backbenchers, that if they have not managed, as so frequently happens, to get a real piece of the action in the House they be entitled to become extremely active and aggressive in the committees. Accordingly, the committees provide an excellent opportunity for those who have not had an opportunity to contribute formally to House debates on legislation to get into action in the committees, and not only make recommendations but propose and make amendments. Again, there is a serious conflict over whether it is much more important for the government to accommodate the views of all those who want to participate in debate or to get on with the legislative program that it has introduced to serve the country.

However, perhaps the most interesting conflict of all is between theorists who endorse the parliamentary system as we know it and those who endorse the congressional system, or a more congressional system than we have here. In this context I do not want, as many people do, to see the word "congressional" used as a synonym for anything that is American because there is, of course, a great deal more to a congressional approach to our work here than simply an imitation of what takes place in the United States. But let us assume that which tends to compartmentalize the legislative function and that which tends to create the separate bodies of the legislative organization and set them up independently with statutory authority of their own, which is the more congressional of the two systems, as opposed to the parliamentary system as we know it, where cabinet responsibility extends throughout the system.

The cornerstone of the parliamentary system is that the cabinet, as the executive, must remain responsible to Parliament and to the country at all times for its decisions and actions. It can be accepted, therefore, as an ingrained attitude of the executive that it tends to guard, sometimes to ridiculous lengths, the sanctity of its legislation in committee, which is explained away by virtue of the fact that a defeat on a major issue in committee reflects badly on the cabinet.

Let us go to the extreme of indicating that committees should be able to take a totally independent position in this regard but this does not conform to the parliamentary system as we know it, this is a most interesting conflict and, hopefully, may be resolved by a continuing attitude that activities in committee which appear to be detrimental to features of legislation should not be considered by Parliament to be in the vein of a serious defeat that would prejudicially affect the stability of the government. How does one achieve that kind of spirit without changing the rules to constitute an independent system, which I do not think would be a better system on its own than the system we have now, when one takes into account all the features of the present system?

One can go on to deal with the view of the public as opposed to the view of political scientists. The public does not understand all the technical language that we use here, all the rules and regulations. The public senses that Parliament takes a long time to get things done. The public desires action and wants to know why it is that a bill, once drafted, has to be guarded against change by the cabinet. The public wonders why it is that changes cannot be made. And if independent members have views that they want to put forward, the public wants to know why amendments cannot be made without the result reflecting on the government, possibly leading to its defeat. The public has one interest, an interest in action, the kind of action that the hon. member is seeking through his notice of motion.

The political scientists, on the other hand, recognize that any departure from the rules that set up the parliamentary system, as we know it, can lead us into dangerous areas, can get us away from parliamentary democracy and into some new kind of system, into something requiring a new set of rules and regulations.

Mention was made of the possibility of moving toward the establishment of a panel of chairmen of committees, a feature that would be borrowed from the United Kingdom system. Indeed, much can be said against the current system of carrying a government majority and government chairman on almost all committees. Admittedly, it could be an improvement to see an independent panel of chairmen, perhaps assigned by the Speaker, representing the proportionate strengths in the House of Commons, with individual responsibilities assigned by the Speaker. But, again, how does one compensate for the fact that if the government majority does not carry on a committee, and if the chairman is an opposition chairman—which in many cases could be an excellent feature—a serious defeat of government legislation in committee reflects badly on the government itself and, under our traditional system, may cause its resignation?

• (4:30 p.m.)

These conflicts exist in every aspect of the committee system that one discusses. When one gets into discussion of the functions of the committee as we know it, doing the legislative function primarily and the examination of the estimates—a separate function, again—the question becomes: Can the committee carry on and take that independent step to become a committee of inquiry? I do not mean within the scope of the Inquiries Act, but inquiring into parliamentary business and affairs and, logically following from that, making recommendations that are not initiated by Parliament, that are not an order of reference from Parliament to the committee on a specific aspect but that are of independent origin within the committee itself.

It follows logically, if one supports that view, that the motion for concurrence of such committee reports

becomes an automatic feature. Here again immediately we get into an automatic motion for concurrence; we are thrust right back into the House of Commons and the whole question of government majority. Indeed, if the committee's report contains minority features or in fact goes further and contains recommendations against government policy, then what is the position of the government in face of a motion for concurrence which, even if it is not debated, has to be voted upon?

The sum and substance is that whatever questions are set, if we are to have a parliamentary system the government majority pervades that system. If we were to attempt to remove that feature of government majority from the parliamentary system we would have something different that has to be constituted by a new set of rules for the Parliament pertaining to the life of the government—an element of defeat. I am not suggesting this is all bad. I have held to the view for a long time that the country would be better off with a complete parliamentary system if elections were held at fixed periods.

Some hon. Members: Hear, hear!

Mr. Jerome: That is just one feature that could be introduced which I think would go a long way toward achieving the objective without going entirely to the congressional system.

Lastly, Mr. Speaker, I want to say a word about the facilities of the committees because this is very important. I say it in this vein: when we examine the questions before us, which has the greater priority—to enact further changes in the committee system, or to ensure that we have taken from the existing committee system all the benefits that are there? I think at the present time we have not derived all the benefits that exist in the committee system. To a great extent this is because of lack of proper facilities, lack of proper staff, lack of funds that might be looked at as research assistance, and staff for the committee system as such.

I can see that we could go to well established physical committee facilities where offices and a secretariat would be maintained to support that committee regardless of its chairman, whichever party he belonged to, and the chairman could occupy an office containing the files of the committee, continuing its work, giving it some longevity and continuity. I would consider that priority to be higher than further substantive changes, because we have come to live with the changes we made last time around. I would consider it a higher priority to try to improve the facilities we have at the present time and make the existing committee system more functional than it is before introducing further substantive changes.

It would be impossible, in my opinion, for any government worthy of the name to exist and to maintain that it was not examining and continuing a study of the committee system. I advocate, and will continue to advocate, that any Parliament must examine not only its committee system but must examine it on a constant basis, not intermittently or by special order of reference or the rules of the House. The mechanics for doing this, when we agree that it should be done, then raise the question of power.

I submit the Committee on Procedure and organization should have the continuing power to review any ruling or proceeding of this House, including the committee system, and it should have the right at any time to request that that committee review a specific rule or a group of rules pertaining to a particular practice or procedure of the House, and that the committee be required within a reasonable time to return to the House its recommendations and that machinery be developed to take action on them. As it is now, the Committee on Procedure and Organization cannot consider procedure or organization unless the House gives it a specific order of reference. That is not as it should be.

I wish to assure the hon. member at least of my personal interest, and I am sure I divulge no secrets when I say it is in the interest of the government as a whole to continue to examine the functioning of our committee system and all our practices and procedures. This government is doing that, and I am sure will continue to do it in an effort to make sure that we maximize the return from the committee system as it exists and endeavour to implement any sensible and intelligent recommendation for substantive change, however great it may be, if it would be an improvement which would make the role of the member more efficient in all his functions in this House.

Mr. Thomas M. Bell (Saint John-Lancaster): I will be brief, Mr. Speaker, in the hope that others who are active in committee work can speak on this matter. I think this is a good motion and it has my wholehearted support. It is the type of motion that could well be considered by committee in detail. The parliamentary secretary has outlined quite well the comparison between our system and the American system as far as committee work is concerned. Those of us who were in Washington last week noted the differences when we saw a joint committee in operation there.

As the parliamentary secretary said, we appreciate the everyday problems that we have if we follow their type of committee system and then have to superimpose on the results two entirely different systems of government. But we have nothing to be ashamed of, in my opinion, Mr. Speaker. I think we have made very great strides in the last six years, but this does not mean that we have not a long way to go.

There is one point that I want to mention which might come under section (b) of the motion, "adequate staff support for committees". I feel that in our facilities a tremendous duplication of research is growing. I am pleased that we have the research facilities available to different parties which are doing a good job and are increasingly becoming more efficient. We have a giant research staff in our library, which of course is non-political. Now everybody is in the process of acquiring a second secretary who may be used in the proper way for research in that sense.

I think we have overreacted to research. I am not saying it should be the end of research for everybody, but I suggest that we might take one of these bodies, probably the research facilities connected with the parliamentary library, and detail them in a particular way to the committee work. In this way we would use them to great advantage. We would take out any fears they might have of being partisan if they had direction from the committees. This would add something to the resolution before us.

There are many other suggestions one could make about our committee work, Mr. Speaker. I think we need to specialize more than ever. We should be sitting more regularly and a great deal of attention should be paid to the conflicts that occur in committee sittings. Sometimes committees get going, there is a good chairman and a good group of members—a good rapport—and then they start to look into everything. They should, in my opinion, provide a priority for their work from season to season.

• (4:40 p.m.)

Some ministers pay a great deal of attention to committee work and others do not even know where the committee rooms are. I think that if a minister goes regularly before committees for passage of his estimates and passage of legislation as well as other important matters, the importance of the committees will be enhanced. A minister should not send his parliamentary secretary to deal with these matters, since a parliamentary secretary, with all due respect, has no way of answering some of the political questions that come up.

I feel that there is one important matter that was referred to by the parliamentary secretary. The committee system developed fairly quickly, and the government held the line—I do not criticize them for this—on amendments proposed in committee. Very reluctant was the government to accept any amendments. I think our committee system would be improved if the government accepted amendments moved in committee by opposition as well as government members. That would avoid the sort of clashes we have seen in the House. The other night we saw a parliamentary secretary standing up and moving amendments in the House. Now that the government has assessed the work of the committees, that would be one way it could add to the strength of the committee system.

I hope that this notice of motion is given good attention. I hope it will not be talked out, because it is a good notice of motion and the hon. member for Selkirk (Mr. Rowland) deserves credit for bringing it forward. We will work, keeping in mind what he has suggested, to make our committee system better. In this day of communication, involvement and credibility it is important for the committees to be a strong arm of government and to create the right impression with the people. It is important for us to produce results that will make this a better nation.

Mr. John M. Reid (Kenora-Rainy River): Mr. Speaker, I join other hon. members in congratulating the hon. member for Selkirk (Mr. Rowland) for bringing forward this notice of motion. As the parliamentary secretary indicated, the government at the present moment is looking at the committee system with a view to discovering exactly how it has worked and what its successes and failures have been. We hope there will be an opportunity for the Standing Committee on Procedure and Organization to discuss this question with the minister before any report or suggested changes are made to the House.

I think, when we examine the committee system, that it will be important to look, first, at the question of how it has affected the backbencher, the ordinary member of the House of Commons. I think that many of the high hopes the government and members of the opposition had for the committee system when it was first introduced in its present form back in 1964 have not been justified. The reason is quite simple. Basically, Members of Parliament have not participated in committee work to the extent possible. They have not prepared themselves for committee work to the extent that they might or for debate in the House of Commons. The reason is not hard to find. Members of the House of Commons are more accustomed to speaking in the House and their experience has ill-prepared them for the kind of work which must be done in committees.

According to our concepts, the House of Commons was to be the forum for policy debates and for the discussion of broad, general principles and great issues. Committees, on the other hand, would be the forum for discussion of details of legislation. The actual things to be done were to be discussed in committee. The discussion was on a different plane. Whereas Members of Parliament had found it easier to speak in the House of Commons without preparation, since they could get away with statements that were not entirely accurate, they found in committee, for the first time, that their facts and interpretations could be challenged by experts. Consequently, their lack of preparation was not found compatible with the needs of committee work. The committee system brought parliamentarians, for the first time face to face with civil servants and ministers in a way which enabled meaningful dialogue to be undertaken.

Unfortunately, it has struck me from personal observation that Members of Parliament have not yet met that challenge. They have not met it, not because research facilities are not available to them but because they have not utilized to the full research facilities such as the Library of Parliament and other facilities which are available to them through their parties. I had high hopes for the committee system when it was first brought in, and I speak as chairman of a committee. Those high hopes have not been realized. I submit that the members of the House of Commons will need to revise the way in which they go about their work in committee.

One thing bothers me, and this has been alluded to by the parliamentary secretary. The whole concept of what the House of Commons is and how it should operate needs to be clarified. Mr. Speaker, I am a fervent believer in responsible government. That is to say, I am a fervent believer in the system under which parties are responsible for their actions. Personally, I sympathize with some views brought forward from time to time which suggest that individual members should be given much more freedom to express their opinions. However, the point is that we operate under a responsible system of government and if in the eyes of the electorate the government does wrong, the electorate has the opportunity to kick the government out at the next election. Therefore, responsibility is clearly defined.

If the government extends its jurisdiction beyond the House of Commons, so to speak, to the committees, it will need to face its responsibilities in those other jurisdictions, in committees, in the same way as it faces its responsibilities in the House. Such matters then become a question of confidence and a matter of importance to the government. The country would not be well served by a system in which responsibility is diffused over a wide

range of agencies of the House of Commons. Personally, I would be unhappy if such a system were introduced. It is bad enough now. We are proliferating independent, quasi-judicial agencies more quickly than our ability to keep track of them. Indeed, the responsibility of government is diffused, and responsibilities under the political part of our system are being diffused through this delegation of responsibility.

In considering any reform of the House of Commons I would be inclined to stick strictly to a system involving the government's being accountable and responsible for its activities. Here we come to the question of allocation of time in debates of the House of Commons. Speaking as a backbencher, I have been extremely frustrated in that I have not had the opportunity to speak in debates in the House, largely because the House has not been subject to an allocation of time rule. This applies to committee proceedings as well. Backbenchers, who are part of our responsible system of government, are always under pressure by government to co-operate and to ensure that legislation is passed. We are only given opportunities to speak when there is an allocation of time agreed to formally or informally.

If hon. members want proof of this they should look at the debate that has been going on today on the subject of co-operatives and credit unions. In this debate an allocation of time was agreed on. They should also look at budget debates, at the Throne Speech debate and at debates on opposition days. On those occasions the whip on the government side has to fight off members who want to speak, because they so seldom have an opportunity in the ordinary course of House business. This factor must be taken into consideration. We cannot consider the committee system and its reform without considering the entire operations of the House of Commons and the way in which the House operates.

May I now turn to the facilities which are made available to committees. I agree with the hon. member for Selkirk. A great deal more could be done to facilitate committee work if the facilities were available. One of our problems in the House of Commons is that we have run out of space. With the fantastic growth of the administration, with the increased number of cabinet ministers and parliamentary secretaries, the result has been that almost no space is available for backbenchers on all sides of the House. We require a substantial increase of space to bring us back to the position we occupied in 1963. This means that there soon must be initiatives taken by the government. Members cannot be effective in the House or in committee if they do not have adequate facilities, adequate space and adequate staff.

• (4:50 p.m.)

One of the duties I perform for caucus is as co-ordinator of the parliamentary intern program. Members have turned down the opportunity to take interns because of a lack of space in their offices. As the hon. member for Saint John-Lancaster (Mr. Bell) pointed out, we are now taking on a second secretary. Many members do not even have enough room in their offices, according to federal civil service regulations, for one secretary and themselves.

This is an indication of how badly the government has bungled its responsibility of providing space on Parliament Hill for Members of Parliament. We attempted to get the government to move on this. They have so far been unwilling to do so. The only suggestion they made results in shoving backbenchers off to the Confederation Building and turning the centre block and the west block into a haven for ministers and their flunkeys. This solution is entirely unsatisfactory and would only go further to widen the gap between the government and the backbenchers of all parties. It seems to me that one of the things opposition members could do with their control over opposition days is to bring this very important matter up as a full two-day vote of confidence. If they did that, I can assure hon. members opposite there would be a large number of government members on this side who would be prepared to vote against the government on that subject.

Mr. Walker: Would the hon. member permit a question? Can he say whether he felt this way when he was the executive assistant to a minister?

Some hon. Members: Oh, oh!

Mr. Reid: In those days, Mr. Speaker, we only had two offices, one for the minister and one for the secretary. The executive assistant in those days was lodged somewhere in the departmental offices. But I must say that as a backbencher I have far less space available than I ever did as an executive assistant. If Members of Parliament were treated as well as executive assistants, there would be no criticisms and no difficulties from any backbenchers in this House.

Some hon. Members: Hear, hear!

Mr. Reid: The last point I want to make, Mr. Speaker, concerns the proposal made to bring committee reports to the floor of the House of Commons. I think, in general, this is a good idea. Committee reports do not yet get the attention they deserve in the House of Commons. However, to make time for this the opposition will have to give up something. This brings me again to questions of allocation of time. In a responsible system of government, it seems to me the government should have reasonable assurances from the opposition that a program laid out at the beginning of a session should have a reasonable chance of being implemented. At the present time, the government does not have that assurance and is faced with the problem of providing extra time for almost any motion. This is extremely difficult to find simply because there is no guarantee that its legislation will get through, and if there are allocation of time agreements they are always made after the end of a fairly substantial debate.

There are other alternatives available to opposition members—not, unfortunately, to government backbenchers. Opposition members have opposition days available to them. Such opportunities allow them, in a variety of motions, to pinpoint areas of public concern. Why not use these days for the discussion of committee reports? The opportunity is there. Why not use it? Surely the government could have no objection if an opposition member rose in his place and moved that, say, the report of the broadcasting committee of such and such a day be accepted. This would at least force a vote. If the government did not want to do this, and since those reports are generally a

question of consensus between majority and minority it would be a very interesting exercise indeed if the opposition were to use it.

One more point I would like to make about the committee system is in terms of the time made available to it. At the present time we have a system where the estimates are brought down and guaranteed to remain for about 2½ or three months in committee. Unfortunately, this means that some 20 committees all receive their estimates at the same time and all rush to hold as many committee meetings as they can, leading to a great deal of congestion, inefficient use of time and competition among them. The result is that the committee structure in terms of the investigation of estimates, leaving out the inefficiency of the backbenchers themselves, leaves a great deal to be desired, although it is incomparably better than it ever was in the days when the estimates where brought before committee of the whole in the House of Commons.

The suggestion has been made many times by backbenchers that the government should to create a system in which so many committees would receive their estimates at varying times of the year. There are approximately 20 committees. Why not divide them into thirds and have a third of the committees take their estimates in the fall term, then the next could come in the spring term and the balance could be discussed in what is known as the summer term. In that way a great deal of the congestion would be reduced. The government, knowing what legislation it was likely to have and, hopefully, under some form of allocation of time formula, would have agreement with the opposition parties as to when they might expect legislation to be passed. It would be possible to work out a schedule that while still tentative would be a lot better than the ad hoc system under which we are operating.

Even though the government has attempted to put more planning into the presentation of its legislation, because there is no agreement on the disposition of such legislation there can therefore be no real planning for the activities of committees. I think this is another frustration which members develop, and which could be eased with a little co-operation across the floor of the House. As I say, if you accept the concept of a responsible government, of a responsible Parliament, then you must move into these new directions quickly.

The hon. member for Selkirk in his opening remarks made the point that many citizen groups are objecting to the concentration of power which is now found in the hands of governments at all levels. One of the reasons for this is that not only is there a centralizing tendency going on at all levels of government, each government stretching out to obtain as much authority and power as it can in order to enhance itself, to blow itself up into a greater whole than it was designed to be, but also that in the exercise of that power governments have not been exactly wholesome, not particularly well-advised and they have made a tremendous number of blunders.

One of the reasons this has come to pass is that Members of Parliament have failed to arm themselves with the weapons which are available to them, have not exploited them properly and have wasted too much of their time in what seems to be competition for political Brownie points and, unfortunately, have not made the committee system the effective, efficient weapon it might be in the hands of all backbenchers.

Mr. Lundrigan: On a point of order, Mr. Speaker, a number of hon. members, including the hon. member for York Centre (Mr. Walker), the hon. member for Pembina (Mr. Bigg) and myself wished to take part in this debate. I understand that according to discussions which have taken place in the last few minutes there is a general feeling that the motion might be permitted to stand in its present place of priority on the order paper. I believe the leader of the House is in agreement with that proposition.

Mr. Walker: On the point of order, Mr. Speaker, this is probably one of the most most important subjects we have had before us for a long time. Many of us would like to have an opportunity to speak. There is precedent for a motion such as this to retain its position on the order paper with the consent of the House. I hope this debate can be carried on the next time notices of motion are before us.

The Acting Speaker (Mr. Laniel): Hon. members know, of course, that this can only be done by unanimous consent. Does the House consent to the motion of the hon. member for Selkirk (Mr. Rowland) to retaining its present place on the order paper?

Some hon. Members: Agreed.

The Acting Speaker (Mr. Laniel): It is so ordered.

[*Translation*]

The Acting Speaker (Mr. Laniel): Order. The hour assigned to the consideration of private members' business has now expired. It being five o'clock, this House stands adjourned till two o'clock Monday afternoon.

At five o'clock the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Monday, November 22, 1971

The House met at 2 p.m.

NEW MEMBER

Mr. Speaker: I have the honour to inform the House that the Clerk of the House has received from the Chief Electoral Officer a certificate of the election and return of William Knight, Esquire, member for the electoral district of Assiniboia.

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NEW MEMBER INTRODUCED

William Knight, Esquire, member for the electoral district of Assiniboia, introduced by Mr. Stanley Knowles and Mr. Lorne Nystrom.

ROUTINE PROCEEDINGS

YOUTH

OPPORTUNITIES FOR YOUTH PROGRAM—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. David MacDonald (Egmont): Mr. Speaker, I rise under the provisions of Standing Order 43 to ask the unanimous consent of the House to move a motion of urgent and pressing necessity.

In so far as there has been an announcement by the Quebec Minister of Education in the Quebec National Assembly to the effect that new criteria have been agreed to relative to Opportunity for Youth projects in that province, and as the Secretary of State (Mr. Pelletier) has not informed the House of Commons of this agreement, I move, seconded by the hon. member for Lambton-Kent (Mr. McCutcheon):

That this House do direct the Secretary of State to appear before a special committee on youth established by this House for the purpose of discussing:

a) any agreements reached with the province of Quebec concerning the Opportunities for Youth Program;

b) the as yet unpublished evaluation of last year's Opportunities for Youth program;

c) the task force report on youth;

d) the planning that should be under way now for summer, 1972.

Mr. Speaker: Is there unanimous consent?

Some hon. Members: Yes.

Some hon. Members: No.

Mr. Speaker: The motion cannot be put.

• (2:10 p.m.)

LABOUR CONDITIONS

METHOD OF COUNTING UNEMPLOYED—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I rise under the provisions of Standing Order 43 which provides that in cases of urgent and pressing necessity a motion may be made if unanimous consent is given by the House. The matter of urgent and pressing necessity is the report that the government intends to employ a new method of counting unemployed persons.

Mr. Speaker, if vigorous action is to be taken to find work for those unemployed, nothing should be done to obscure or minimize the total of those needing jobs at this critical time. Consequently I move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

That the Standing Committee on Labour, Manpower and Immigration be asked to make a full study and report on any alternative proposals for totalling those out of work before the government sets about juggling the jobless.

Mr. Speaker: Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not.

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INDIAN AFFAIRS

ALBERTA—PROPOSED CULTURAL-EDUCATIONAL CENTRE—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, I rise to request the unanimous consent of the House, under Standing Order 43, to propose a motion on a matter of urgent and pressing necessity. This matter is the confrontation that has developed between the government and the Indian Association of Alberta over the implementation of a cabinet policy to consider the pilot stage of a cultural-educational centre for the Indians of Alberta in order to partially relieve the grievous and distressful conditions, especially in education, that have existed for some time among the Indian peoples of Alberta. I would therefore move, seconded by the hon. member for the Yukon (Mr. Nielsen):

That the Standing Committee on Indian Affairs and Northern Development inquire into the cabinet policy of the 29 July 1971 set out in a cabinet document titled "The Cabinet Committee on Social Policy—Record of Committee decision—Native Cultural-Educational Centres", and signed by D. J. Leach, Supervisor of Cabinet Documents, together with a letter to the president of the Indian Association of Alberta, signed by the Assistant Deputy Minister, Indian and Eskimo Affairs, and dated August 26, 1971; a telegram dated October 6, 1971, signed by the president of the

Indian Association of Alberta and addressed to the secretary of the Prime Minister, among others; a telegram from the principal secretary of the Prime Minister to the said president dated 7 October 1971 and a telegram in reply from the president to the principal secretary of the same date: and that the committee report its findings to the House as quickly as possible together with its recommendations on the steps that must be taken to repair the breakdown in communications between the government and the Indians of Alberta.

Mr. Speaker: Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not. The hon. member for Comox-Alberni.

Mr. Barnett: Mr. Speaker, the hon. member for Athabasca has anticipated my motion. Inasmuch as there was not unanimous consent for his motion, I see little purpose in attempting to move mine.

QUESTIONS ON THE ORDER PAPER

(Questions answered orally are indicated by an asterisk.)

PUBLIC WORKS—ADDITION TO ANIMAL BREEDING BUILDING.

Question No. 1,674—**Mr. Paproski:**

1. Under contract No. CR-67-2789 awarded January 31, 1968 for an addition to Animal Breeding Bldg., how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Thirty-eight.

2. Net addition to the contract authorized by the Department was $15,020.89.

3. Twenty change orders resulted from unforeseen job conditions; nine change orders resulted from revised client requirements after contract award; one change order involved requirements to meet fire regulations; one change order was due to rock conditions not being as shown on documents resulting in additional excavation; five change orders resulted from changes in Department of Public Works requirements subsequent to contract award; one change order was to ensure the safety of employees and one change order was required to comply with Ontario Hydro safety codes.

PUBLIC WORKS—RECONSTRUCTION CHAUDIERE CROSSING, BRONSON CHANNEL BRIDGE, OTTAWA

Question No. 1,675—**Mr. Paproski:**

1. Under contract No. CR-67-2785 awarded February 2, 1968 to reconstruct Chaudiere Crossing, Bronson Channel Bridge, how many extras and change orders were authorized by the government?

[Mr. Yewchuk.]

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Six.

2. Net addition to the contract authorized by the Department was $33,730.

3. Two change orders resulted from undetermined conditions on channel bed requiring removal of overburden and protecting services encountered; one change order was to comply with the request of the City of Ottawa affecting approaches and sidewalks; three change orders were required as a result of a change in requirements subsequent to contract award.

PUBLIC WORKS—POWER SUPPLY TO NATIONAL REVENUE HEADQUARTERS AND DATA CENTRE, OTTAWA

Question No. 1,676—**Mr. Paproski:**

1. Under contract No. 8C-00733 awarded May 28, 1968 for the power supply to National Revenue Headquarters and Data Centre, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Four.

2. Net addition to the contract authorized by the Department was $22,428.21.

3. Two change orders resulted from unforeseen job conditions; one change order for relocation of powerline by Ottawa Hydro was due to the provisional cash allowance allocated under contract being underestimated; one change order resulted from change in Department of Public Works requirements subsequent to the receipt of tender.

PUBLIC WORKS—ALTERATIONS TO A, B AND C BUILDINGS AT CARTIER SQUARE, OTTAWA

Question No. 1,677—**Mr. Paproski:**

1. Under contract No. 8C-01576 awarded June 5, 1968 to replace roofs, on A, B & C Bldgs. at Cartier Square, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. None.

2 and 3. Not applicable.

PUBLIC WORKS—RENOVATIONS, PHASE 5, GOVERNMENT PRINTING BUREAU

Question No. 1,678—**Mr. Paproski:**

1. Under contract No. 8C-01656 awarded April 25, 1968, for renovations, phase 5, Government Printing Bureau, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Three.

2. Net addition to the contract authorized by the Department was $4,668.

3. Three change orders resulted from unforeseen job conditions.

PUBLIC WORKS—CONSTRUCTION OF V/STOL WIND TUNNEL, UPLANDS

Question No. 1,679—**Mr. Paproski:**

1. Under contract No. 8C-00920 awarded April 9, 1968 to construct V/STOL Wind Tunnel at Uplands, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Thirty-nine.

2. Net addition to the contract authorized by the Department was $30,798.19.

3. Nineteen change orders resulted from unforeseen job conditions; six change orders resulted from changes in Client Department's requirements; four change orders involved changes to ensure safety requirements; eight change orders were the result of changes in Department of Public Works requirements subsequent to the award of the contract and two change orders were for temporary power supply to test trial specialized equipment to ensure proper operation.

PUBLIC WORKS—ALTERATIONS TO FOREST PRODUCTS LABORATORY

Question No. 1,680—**Mr. Paproski:**

1. Under contract No. CR-67-2784 awarded February 12, 1968 for alterations to Forest Products Lab., how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Twenty-two.

2. Net addition to the contract authorized by the Department was $13,674.65.

3. Thirteen change orders resulted from unforeseen job conditions; seven change orders resulted from a change in the Client Department's requirements; one change order involved requirements to meet fire regulations; one change order was due to unstable soil conditions and increased excavation.

OPPORTUNITIES FOR YOUTH—HIRING OF CARLETON-COWAN ADVERTISING

Question No. 1,707—**Mr. Nystrom:**

Was Carleton-Cowan Advertising hired to disseminate information on Opportunities for Youth and, if so (a) for what reasons (b) what fee was paid to the advertising agency?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Yes. (a) Carleton-Cowan Public Relations was hired to supplement Information Services of the Department of the Secretary of State in connection with the increased volume of work arising out of the Summer '71 student employment and activities programmes, which included the Opportunities for Youth programme. (b) $50,000 in fees paid for seven months' service.

[*English*]

PUBLIC WORKS—RENOVATIONS TO PLANT RESEARCH INSTITUTE GREENHOUSES, CENTRAL EXPERIMENTAL FARM, OTTAWA

Question No. 1,728—**Mr. Paproski:**

1. Under contract No. CR-67-2767 awarded September 22, 1967 for renovations to Plant Research Institute Greenhouses, C.E. Farm, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Two.

2. Net addition to the contract authorized by the Department was $1,561.66.

3. One change order was the result of a change in client requirements; the other change order required charges for performance, labour and material payment bonds omitted during contract negotiations.

PUBLIC WORKS—SANITARY SEWER CONNECTION AT RIDEAU FALLS LABORATORY, NRC, OTTAWA

Question No. 1,729—**Mr. Paproski:**

1. Under contract No. CR-67-2766 awarded November 1, 1967 for a sanitary sewer connection at Rideau Falls lab., NRC, Sussex Drive, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Six.

2. Net addition to the contract authorized by the Department was $3,107.89.

3. Five change orders resulted from unforeseen job conditions and one change order resulted from additional requirement by Client Department.

PUBLIC WORKS—ALTERATIONS TO PUBLIC SERVICE LANGUAGE CENTRE

Question No. 1,730—**Mr. Paproski:**

1. Under contract No. CR-67-2775 awarded January 3, 1968 for alterations to the Public Service Language Centre, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Seventeen.

2. Net addition to the contract authorized by the Department was $77,314.59.

3. Six change orders resulted from unforeseen job conditions; seven change orders undertaken to meet fire

regulations and Dominion Fire Commissioner's requirements; three change orders resulted from changes in Client Department's requirements; one change order was for waterline connections by City of Hull due to provisional cash allowance allocated under contract being underestimated, and one change order resulted in Department of Public Works change in requirement subsequent to contract award.

PUBLIC WORKS—CONSTRUCTION OF POULTRY LEUKOSIS HOUSE, GREENBELT FARM

Question No. 1,731—**Mr. Paproski:**

1. Under contract No. CR-67-2776 awarded December 28, 1967 to construct Poultry Leukosis House, Greenbelt Farm, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Twenty.

2. Net addition to the contract authorized by the Department was $12,191.89.

3. Five change orders resulted from unforeseen job conditions; six change orders resulted from changes in Client Department's requirements; three change orders resulting from unstable soil conditions encountered during construction required the excavation and replacement of unsuitable material to ensure proper site conditions; four change orders to meet Hydro requirements and powerline relocation undetermined at the time of tendering; two change orders resulting from changes in Department of Public Works requirements subsequent to the award of a contract.

PUBLIC WORKS—RENOVATION OF OLD DOMINION ARCHIVES BUILDING

Question No. 1,732—**Mr. Paproski:**

1. Under contract No. CR-67-2 awarded November 23, 1967 to renovate the old Dominion Archives Building, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Five.

2. Net addition to the contract authorized by the Department was $20,738.29.

3. One change order was the result of unforeseen job conditions; one change order was the result of a change in Client requirements and three change orders were the result of changes in Department of Public Works requirements subsequent to the award of a contract.

PUBLIC WORKS—CONSTRUCTION OF BUILDINGS 2B, 2D, 2AC AND 55, GREENBELT FARM

Question No. 1,733—**Mr. Paproski:**

1. Under contract No. CR-67-2762 awarded November 3, 1967 to construct Bldgs. 2B, 2D, 2AC and 55, Greenbelt Farm, how many extras and change orders were authorized by the government?

2. What was the amount and who gave the authorization?

[Mr. Laing.]

3. What was the reason for the substitution, deletion or addition of the extras?

Hon. Arthur Laing (Minister of Public Works): 1. Nineteen.

2. Net addition to the contract authorized by the Department was $11,367.56.

3. Six change orders resulted from unforeseen job conditions; ten change orders resulted from revised Client Department's requirements; two change orders resulted from Department of Public Works change in requirements subsequent to contract award and one change order was issued to revise the amount of an earlier change order.

*CBC—FORMATION OF MULTI-LANGUAGE CLUSTER GROUPS

Question No. 1,752—**Mr. Fairweather:**

Will CBC form multi-language cluster groups within its existing structures for the production of television and radio programming in languages other than French and English?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): I am informed by the Canadian Broadcasting Corporation as follows: While the CBC is studying how best it can improve its services in radio and television with respect to broadcasting in languages other than English and French, it does not consider that it would be either necessary or desirable to create "multi-language cluster groups" within the existing structures of the corporation for this purpose.

[*English*]

GOVERNMENT ACTION TO OFFSET EFFECTS OF 10 PER CENT SURCHARGE

Question No. 1,790—**Mr. Matte:**

Has the Prime Minister considered the possibility of increasing the purchasing power of the Canadian consumer through a social dividend and compensated discount applicable to the purchase of Canadian products in order to fight the harmful effects of the 10 per cent surtax imposed by the Government of the United States?

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): The government has considered a wide range of possible ways of offsetting the harmful effects of the 10 per cent surcharge. Specific measures were presented by the government to parliament immediately after the imposition of the surcharge including Bill 262, an Act to Support Employment in Canada. This bill received Royal Assent on October 14. In addition, on October 14 the government announced a comprehensive program designed to ensure the continued expansion of the Canadian economy and to reduce unemployment.

APPOINTMENT OF JUDGE O. J. GODIN TO CITIZENSHIP COURT

Question No. 1,797—**Mr. Coates:**

1. On what date was Judge O. J. Godin appointed to a citizenship court, at what salary and for what area?

2. (a) On what basis was the appointment made (b) was Mr. Godin a Member of Parliament and, if so, for what period of time?

3. (a) What did Mr. Godin receive in salary and expenses during the past fiscal year (b) has the government provided him with staff and, if so (i) what are the names of the staff members (ii) what are their responsibilities (iii) what is each staff member's annual salary?

4. (a) How many visits has Mr. Godin made to Ottawa to meet with officials of the Citizenship Branch of the Department of the Secretary of State (b) for what reasons were these visits made (c) was Mr. Godin paid expenses for these trips and, if so, what was the amount for each trip?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. On March 8, 1966, the Governor in Council, pursuant to the Canadian Citizenship Act, designated Mr. O. J. Godin to act as a Court for the purposes of the Act for a period of seven years at a salary of $14,000 per annum. This Court handles citizenship applications from Sudbury, North Bay, Sault-Ste-Marie, Elliot Lake, Blind River, Chapleau, Parry Sound and surrounding areas.

2. (a) Mr. Godin was appointed by the Governor in Council; (b) Mr. Godin was a member of Parliament from 1958 to 1965.

3. (a) Mr. Godin's salary is within the range $16,068—$18,260. He received $1,143 in travel expenses; (b) The Citizenship Court Office located in Sudbury is staffed by four members of the Public Service. Their responsibilities include assistance for Mr. Godin in his handling of applications by aliens for citizenship and to receive and process all other types of application for citizenship or proof thereof. Names, titles and salary ranges are as follows: Mr. R. W. Sowerby, Regional Administrator & Clerk of the Court, $9,867—$11,211; Mr. G. C. A. Berthelot, Deputy Regional Administrator and Clerk of the Court, $7,276—$9,094; Mrs. F. M. Mikstas, Citizenship Examiner, $7,139—$7,846; Mrs. L. May, Stenographer—Typist, $5,234—$5,751.

4. According to departmental records, Mr. Godin has made five visits to Ottawa to discuss Citizenship matters for which he was reimbursed travel expenses. The amounts in each case were $162, $97, $129.40, $120.91 and $140.50.

[*English*]

INTERPRETATION OF PROVISIONS CITIZENSHIP ACT BY JUDGES OF CITIZENSHIP COURT

Question No. 1,798—**Mr. Coates:**

1. Is a judge of a citizenship court allowed any discretion in interpreting the provisions of the Citizenship Act when processing citizenship applications from British subjects and aliens and, if so (a) to what extent (b) on what authority?

2. Is the government aware of any misinterpretation of any section of the Citizenship Act as it applies to British subjects and aliens by any judge of any citizenship court and, if so (a) what court misinterpreted the act (b) what judge rendered the decision (c) what action was taken by government to rectify the situation?

3. In conservation or briefings of judges by officials of the Citizenship Branch of the Department of the Secretary of State, has any judge challenged the act or any sections of the act pertaining to British subjects and aliens and, if so (a) which judge (b) from which citizenship court (c) what decision was rendered by the Department?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. The minister may, in his discretion, grant citizenship to an alien who satisfies a citizenship court with respect to the statutory qualifications. The court is required to interpret and apply those portions of the Citizenship Act and Regulations which relate to this type of applicant. No jurisdiction arises in a Court in connection with an application for citizenship by a British subject unless, in the opinion of the minister, there is a doubt as to whether the applicant possesses the required qualifications and the minister refers the case to a Court. If a referral occurs, the application is then heard by a Court as in the case of an alien application.

2. So far as it is possible to determine, no.

3. Mr. O. J. Godin has alleged that certain sections of the Citizenship Act give preferential treatment to British subjects. The act does permit British subjects to make application for citizenship direct to the minister instead of through a Court. The act is being administered by the department according to its provisions.

[*English*]

TIRE LABELLING AND GRADING

Question No. 1,824—**Mr. Mather:**

Is consideration being given to require tire manufacturers to grade and label their products so that the buyer will be able to purchase a tire more suitable to his requirements and, if so, (a) will action be considered to establish a quality grading system with uniform tests by which all passenger car tires will be measured (b) will such quality grading cover the areas of high speed performance, endurance, road hazard resistance and uniformity and balance?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): The Motor Vehicle Safety Branch of the Department of Transport is now studying such proposals to determine whether they achieve the intended purpose of serving to inform purchasers of tires as to the characteristics of the various grades. When this review has been completed the Department will prepare recommendations on the use of such a system in Canada.

HEALTH CARE FOR TREATY INDIANS

Question No. 1,827—**Mr. Yewchuck:**

1. Are Treaty Indians who are employed full-time obliged to pay premiums for health care and, if so, for what reason?

2. For each province, how many Treaty Indians employed full-time are (a) contributing (b) not contributing to provincial health plans?

Hon. John C. Munro (Minister of National Health and Welfare): 1. Yes, except where low annual income makes then exempt and except in the provinces of Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec and Northwest Territories where no premium is levied and until the end of the year in the Yukon when the Medical Care Plan comes into effect. Provincial laws of general application in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario require such payments.

2. (a) No statistics available; (b) no statistics available.

Questions

CAPE BRETON—EXPENDITURES FOR IMPROVEMENT OF COAL MINES

Question No. 1,843—**Mr. Douglas:**

1. What were the total expenditures by the Cape Breton Development Corporation for the improvement of coal mines in Cape Breton?

2. What amount has been spent per mine or pit since the commencement of this programme?

Hon. Jean Marchand (Minister of Regional Economic Expansion): 1. Expenditures to December 31, 1970, were $13,650,000.

2. Of this, $6,888,000 was spent on four existing mines, $4,527,000 for coke ovens, and $2,220,000 towards the development of the new Lingan mine.

"SYMPHONIE" SATELLITE PROJECT

Question No. 1,856—**Mr. Macquarrie:**

1. Is the government making any financial contribution toward the "Symphonie" satellite project and, if so, what amount?

2. What discussions have been held with representatives of the Government of France on this project?

3. Has the government been informed of the participation of any Canadian province in the construction of the satellite or in its use thereafter and, if so, when?

4. Is it the view of the government that telecommunications by satellite is within the jurisdiction of the federal government?

5. Have any discussions been held between officials of Telesat Canada and/or the Department of Communications with the Government of Quebec regarding that Province's participation in any phase of the "Symphonie" project?

[*Translation*]

Hon. Robert Stanbury (Minister of Communications): 1. No.

2. The government has on a number of occasions informed France of the jurisdiction of the federal government in the area of satellite communications and of Canada's desire for mutually advantageous cooperation in space communications generally.

3. The government has not been informed of the participation of any province in the construction or use of the Symphonie system. Information has, however, been forwarded last July by the Department of Communications of Quebec to my department indicating that the government of that province is studying the possibilities of making use of the satellite.

4. Yes.

5. I have been informed by Telesat Canada that there have been no discussions between officials of that corporation and the Government of Quebec in that connection. There have been informal exchanges between officials of the Department of Communications and Quebec.

[*English*]

CANADA MANPOWER TRAINING PROGRAM—LANGUAGE TRAINING

Question No. 1,865—**Mr. Orlikow:**

1. How many new Canadians in each province took courses in "Special English" under the provisions of the Manpower Training Act in each month in 1970?

2. How many new Canadians in each province took courses in "Special English" under the provisions of the Technical-Vocational Training Assistance Act in each month in the year 1970?

Hon. Otto E. Lang (Minister of Manpower and Immigration):

1. The following is the number of adults referred for language training (English or French) during each month of 1970.

Province	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Newfoundland	—	—	—	—	—	—	—	—	—	—	—	—
Prince Edward Island	—	—	—	—	—	—	—	—	—	—	—	—
Nova Scotia	4	7	4	20	5	10	10	10	6	14	11	2
New Brunswick	—	—	—	—	—	—	—	—	—	—	—	—
Quebec	561	317	387	327	184	407	301	273	401	466	483	270
Ontario	735	1,058	790	812	747	540	499	526	911	991	413	16
Manitoba	32	—	—	48	—	32	—	—	33	—	92	—
Saskatchewan	2	6	5	—	7	7	1	4	7	3	16	6
Alberta	63	51	76	61	21	31	—	15	31	15	111	32
Northwest Territories	—	—	—	—	—	—	—	—	—	—	—	—
British Columbia	185	58	107	57	69	106	49	54	130	178	213	10
Yukon Territory	9	—	—	—	—	—	—	—	—	32	—	—
Canada	1,591	1,497	1,369	1,325	1,033	1,133	860	882	1,519	1,699	1,339	336

2. None. The Technical and Vocational Training Assistance Act expired 31 March, 1967.

AGRICULTURAL RESEARCH

Question No. 1,878—**Mr. Orlikow:**

1. What amount was spent on agricultural research by the government in the past year in (a) Department of Agriculture facilities (b) the National Research Council (c) University Faculties of Agriculture?

2. What amount will be spent in the coming year for agricultural research in each of the above categories?

[Mr. Munro.]

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Department of Agriculture and the National Research Council as follows: 1. (a) $49,587,000; (b) 1970-71, $1,218,000; 1971-72, $1,115,000 (estimated).

Note: Subsequent to answering Question No. 1,432 in March 1970, the basis for reporting the general area of application of science was changed to include amounts for oriented basic research. Figures comparable to those

above for previous years are as follows: 1968-69, $1,195,000; 1969-70, $1,038,000.

(c) Unknown but the following amounts were awarded by NRC to grantees who indicated that the purpose of their research was agriculture: 1970-71, $1,500,000; 1971-72, $1,700,000 (estimated); $800,000 by the Department of Agriculture.

2. (a) $55,739,000 (estimated). (b) See column for 1971-72 in 1 (b) and 1 (c) above. (c) $800,000 (estimated).

WABUSH AIRPORT, LABRADOR

Question No. 1,918—**Mr. Robinson:**

1. Has any land been acquired or is any being acquired for the expansion of Wabush Airport in Labrador and, if so, how many acres?

2. How many acres of land are presently utilized by Wabush Airport?

3. Are the facilities at Wabush Airport to be increased for international air traffic stopovers?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): 1. Negotiations are currently underway between the Ministry of Transport and Wabush Iron Co. Limited for transfer to the Federal Crown of additional lands required for the longer term development and zoning protection of Wabush Airport. Actual acreage to be acquired has not yet been established.

2. Actual acreage required for all types of airport use still under negotiation (Question 1). However, runways, taxi-ways and apron (aircraft movement areas) comprise approximately 86 acres.

3. No. Facilities currently being expanded to serve domestic needs.

AIR CANADA—PROVISION OF SPECIAL SEATING AREAS FOR NON-SMOKERS

Question No. 1,934—**Mr. Noble:**

Has, or will, the government request Air Canada to provide separate seating areas on Air Canada planes for non-smokers?

Mr. Gérard Duquet (Parliamentary Secretary to Minister of Transport): On a voluntary basis in April 1971, when Air Canada introduced the Boeing 747 provisions were made for a cabin section (Cabin "D") to be designated for non-smokers. Also, on September 1, 1971, Air Canada introduced no-smoking areas on all types of aircraft which are at present in use on all routes.

STUDENT SUMMER EMPLOYMENT

Question No. 1,970—**Mr. Orlikow:**

1. What number of high school and university students were registered with Canada Manpower Offices for summer employment in the months of May, June, July and August for the year 1971?

2. Of this number, how many were placed for employment and how many was the Department unable to place for employment in each of the above months for the year 1971?

Hon. Otto E. Lang (Minister of Manpower and Immigration): 1. The numbers of high school students registered with Canada Manpower Centres for summer employment in the months of May, June, July and August for the year 1971, are: May, 64,229; June, 71,608; July, 59,043; August, 28,170; Statistics for University students are not compiled separately from those of Post-Secondary students. In addition to University students, this classification includes Community College and Technical Institute students. The numbers of Post-Secondary students registered with Canada Manpower Centres for summer employment in the months of May, June, July and August for the year 1971, are: May, 71,061; June, 36,489; July, 22,391;

2. The number of confirmed placements of students in employment during May, June, July and August of 1971, was: High School Students: May, 1,768; June, 14,274; July, 25,061; August, 15,635. Post-Secondary Students: May, 21,737; June, 30,267; July, 16,484; August, 9,494. The number of students placed and the number not placed cannot be accurately determined because a large number of students do not report the results of their referrals to the Canada Manpower Centre.

PUBLIC SERVANTS—DISPLAY OF POLITICAL POSTERS ON PERSONAL PROPERTY

Question No. 1,971—**Mr. Burton:**

Are public servants prohibited from displaying or allowing to be displayed a political poster on their personal property and, if so, under what authority?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): I am informed by the Public Service Commission as follows: Section 32 of the Public Service Employment Act provides that: Public servants may attend political meetings and may contribute money for the funds of a candidate for election or money for the funds of a political party. In addition, an employee may seek nomination as a candidate and be a candidate for election in a federal, provincial or territorial election, provided he is granted leave of absence without pay by the Public Service Commission for such purpose. This section of the act, however, prohibits employees from engaging in any other type of work for, on behalf of or against a candidate for election or a political party.

[English]

OPPORTUNITIES FOR YOUTH PROGRAM—CONTRACT ISSUED TO "THE PRAIRIES FIRE" REGINA

Question No. 1,979—**Mr. Gleave:**

1. On what date was a contract issued to the publication *The Prairie Fire* in Regina under the Opportunities for Youth Program?

2. On what date was the contract revoked?

3. What were the reasons given for revoking the contract?

4. Were any expenses submitted by the publishers or editors of *The Prairie Fire* to the Opportunity for Youth Program?

5. Were any amounts paid to the editors or publishers in respect of the contract and, if so, what amounts were paid?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): 1. Under the Opportunities for Youth Program a contract was issued to the publication "Prairie Fire" of Regina on May 1, 1971.

2. The contract was revoked as of June 28, 1971.

Questions

3. The reason for revoking the contract was because the recipients became engaged in using funds for purposes beyond those mutually agreed upon in the contract.

4. Yes, expenses were submitted by the project members to Opportunities for Youth.

5. Yes, the amount paid to the project "Prairie Fire" was $5,159.47.

[*English*]

NEWSTART PROGRAMS

Question No. 1,980—**Mr. Robinson:**

1. What was the total amount spent for NewStart Programs in 1969, 1970 and 1971?

2. How many projects were there under the NewStart Programs and where was each located?

Hon. Jean Marchand (Minister of Regional Economic Expansion): 1. April 1, 1968-March 31, 1969, $3,634,987-April 1, 1969-March 31, 1970, $6,025,418; April 1, 1970-March 31, 1971, $5,257,399; total: $14,917,804.

2. There were six NewStart projects with headquarters in the following communities: Lac la Biche, Alberta; Prince Albert, Saskatchewan; The Pas, Manitoba; Richibucto, New Brunswick; Montague, Prince Edward Island; Yarmouth, Nova Scotia.

CANADIAN PENSION COMMISSION

Question No. 2,022—**Mr. McCleave:**

1. Who are the members of the Canadian Pension Commission, when was each appointed and what is the salary of each?

2. On what date, in each case, did payment of such salaries commence?

3. On what date did each take up residence in the federal capital area?

4. How many "entitlement board decisions" has each made to be endorsed by other members?

Hon. Jean-Eudes Dubé (Minister of Veterans Affairs):

1. Members	Date of Appointment	Salary Range
Solomon, A. O.		
(as Commissioner)	25-5-70	$19,084–$21,687
(as Chairman)	6-4-71	$23,500–$29,000
Forman, J. M.		
(as Commissioner)	1-2-45	
(as Deputy Chairman)	1-12-66	$21,000–$26,500
Painchaud, J. R.	17-6-48	$19,084–$21,687
Blier, Ulric	16-11-55	" "
Anderson, T. D.	6-4-59	" "
Cameron, J. M.	1-7-65	" "
Thompson, J. L.	1-4-66	" "
Bisson, J. G.	15-1-67	" "
Morin, E.	1-12-67	" "
Teillet, R. J.	31-7-68	" "
Knight, D. A.	21-7-69	" "
Hanna, R. F. L.	1-1-70	" "
Wightman, J. L.	1-7-70	" "
Paré, G. A. Y.	10-12-70	" "
Touchette, L.	15-1-71	" "
Clarke, H. J.	8-4-71	" "
Kendall, C. K. H.	10-6-71	" "

[Mr. Pelletier.]

2. The above salary ranges were effective as follows: Commissioner Solomon (as Commissioner), May 25, 1970; (as Chairman), April 6, 1971; Commissioner Forman (as Deputy Chairman), January 1, 1971; Commissioner Wightman, July 1, 1970; Commissioner Paré, December 10, 1970; Commissioner Touchette, January 15, 1971; Commissioner Clarke, April 8, 1971; Commissioner Kendall, June 10, 1971; All remaining Commissioners, January 1, 1970.

3. The members of the Commission took up residence in the National Capital Area on the dates shown below: Commissioner Solomon (Chairman), May 18, 1970; Commissioner Forman (Deputy Chairman), during 1944; Commissioner Painchaud, during 1945; Commissioner Blier, November 15, 1955; Commissioner Anderson, during 1944; Commissioner Cameron, July 1, 1965; Commissioner Thompson, April 1, 1966; Commissioner Bisson, during September 1966; Commissioner Morin, December 1, 1967; Commissioner Teillet, during August 1963; Commissioner Knight, during 1956; Commissioner Hanna, January 3, 1970; Commissioner Wightman, during 1962; Commissioner Paré, December 29, 1970; Commissioner Touchette, February 8, 1971; Commissioner Clarke, May 3, 1971; Commissioner Kendall, during 1963; Except in those cases where they were living in Ottawa at the time of appointment, "taking up residence" is taken to mean the date the appointee first came to Ottawa to take up his duties. A family move to the National Capital Area did not necessarily take place at the same time.

4. Entitlement Board decisions are not made by individual Commissioners. They are joint decisions by three Commissioners sitting as an Entitlement Board in various centres across Canada.

WAGE—PRICE REVIEW BOARD

Question No. 2,069—**Mr. Robinson:**

Will the government consider the advisability of providing a wage-price review board as a means to fight inflation?

Hon. E. J. Benson (Minister of Finance): The government is considering a number of alternatives. Should the government decide to introduce a wage-price review board, it would be announced in the usual manner.

CANADIAN DAIRY COMMISSION INVENTORIES

Question No. 2,072—**Mr. Rodrigue:**

1. To date, what are the inventories of the Canadian Dairy Commission for (a) butter (b) powdered milk (c) cheese?

2. What is the inventory of any other government agency for these products?

Mr. J. A. Jerome (Parliamentary Secretary to President of the Privy Council): I am informed by the Canadian Dairy Commission and Statistics Canada as follows: 1. Inventories as at November 5, 1971 were: (a) Butter—52,799,256 lbs.; (b) Powdered Milk—13,167,741 lbs.; (c) Cheese—Nil.

2. Information not available.

MOTION TO ADJOURN UNDER S.O. 26

INDIAN AFFAIRS

ALBERTA—PROPOSED CULTURAL-EDUCATIONAL CENTRE

Mr. Frank Howard (Skeena): Mr. Speaker, I rise for the purpose of proposing a motion under Standing Order 26. I ask leave, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles), to move the adjournment of the House under Standing Order 26 for the purpose of discussing a specific and important matter requiring urgent consideration, namely, the decision by the Cabinet Committee on Social Policy, being a confidential document of cabinet which was leaked, confirmed on July 29, 1971, that since the Indian Association of Alberta in March, 1970, was the first to present a proposal for a cultural-educational centre, the pilot stage of that proposal be the first to be considered for approval by the standing subcommittee; and the subsequent decision to proceed with that pilot stage which was disapproved and cancelled by the Minister of Indian Affairs and Northern Development, thus destroying the effectiveness of the organization of the Indian people in Alberta and their participation in ongoing programs.

Mr. Speaker: The hon. member for Skeena has filed the notice required under Standing Order 26. The hon. member suggests that there should be a suspension of the scheduled work of the House for the purpose of considering a decision which he states was taken in July last and subsequently withdrawn by ministerial decision.

These decisions are said to relate to the establishment of cultural-educational facilities as proposed by the Indian Association of Alberta in 1970. All this may be of national importance and of national interest, but I am quite convinced that it is not a situation which should be considered by the House under the terms of Standing Order 26. It may well be that the matter should be discussed by the House, but I would think other opportunities should be available to hon. members to discuss the matter, as suggested by Standing Order 26. What I am suggesting to the hon. member and to hon. members who are interested in this very important matter, as indicated by the motion made under Standing Order 43 earlier this day, is that there should be other opportunities to debate this matter and that in any event it should not be considered at this time by way of an emergency debate. I therefore regret that the hon. member's motion cannot be put at this time.

ORAL QUESTION PERIOD

INDIAN AFFAIRS

PROPOSED CULTURAL-EDUCATIONAL CENTRES—CABINET DECISION—RE-ESTABLISHMENT OF CO-OPERATION WITH INDIAN ASSOCIATION OF ALBERTA

Hon. Robert L. Stanfield (Leader of the Opposition): I should like to ask the Prime Minister whether the Cabinet Committee on Social Policy did decide in the month of July in principle that the Department of the Secretary of State and the Department of Indian Affairs and Northern Development be authorized to establish jointly a five-year renewable financing program for the support of native cultural-educational centres, as appears to be the content of what purports to be a copy of a record of the committee's decision? Was such a decision made and, if so, is there any particular reason why it has not been announced in the House?

Right Hon. P. E. Trudeau (Prime Minister): I think the House will agree that it is not proper for any minister or for myself to refer to discussions in cabinet and decisions taken in cabinet until such time as the government wishes to make such an announcement.

Mr. Stanfield: Do I understand that the Prime Minister refuses to confirm or deny that what purports to be a record of the decision is in fact a record of such a decision?

Mr. Trudeau: Do I understand that the Leader of the Opposition disagrees with this stance under the constitutional law?

Some hon. Members: Oh, oh!

Mr. Stanfield: When is a leak not a leak, Mr. Speaker?

• (2:20 p.m.)

Some hon. Members: Oh, oh!

An hon. Member: Heavy water leaks.

Mr. Nesbitt: You guys had better hire a plumber.

Mr. Speaker: Order, please. Perhaps the Leader of the Opposition might be given an opportunity to ask his supplementary question.

Mr. Stanfield: Mr. Speaker, in view of the announced intention of the Indian Association of Alberta to discontinue involvement with the federal government in any programs in areas such as education and others in which it had been participating and the serious effect this may have on future progress in working out problems associated with the native peoples in that province, indeed in the whole of Canada, does the Prime Minister intend to propose any particular measures with a view to repairing this breakdown in co-operation and communication between the government and this important association of Indian people?

Mr. Trudeau: Mr. Speaker, the minister responsible for Indian affairs has always indicated willingness to consult and co-operate with the Indian people to a degree which I believe is unequalled compared with any previous time. If an association wants to go out of existence there is, of course, nothing the government can do about it. But we stand ready at all times to discuss our Indian policies with the Indians, with the opposition, indeed with anyone at all.

EDUCATION—REQUEST FOR INQUIRY BY STANDING COMMITTEE

Mr. Frank Howard (Skeena): Mr. Speaker, I have a supplementary question. Not only because of the particu-

lar situation relating to the education of Indian children in Alberta but elsewhere as well, would the Prime Minister and the government be prepared to put a motion on the order paper to have this subject matter examined in public by the Standing Committee on Indian Affairs and Northern Development?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, if the hon. member is referring to a motion in this session he probably knows that the session is well advanced. The House is very busy meeting in committee of the whole, and it has been the policy of the government to avoid parliamentary committee meetings as much as possible when the House is in committee of the whole so that we may be able to make progress with the business before the House. However, this does not mean that the minister is not prepared to discuss his policies when they come before the House, or to answer questions. The minister will be in the House tomorrow, and I believe the next day also, and will be willing to answer any questions on this subject.

Mr. Howard (Skeena): Mr. Speaker, inasmuch as there has been almost a complete breakdown in communication between the minister and the Indian people, in view of their reluctance to proceed any further in their dealings with him, and in view of the fact that there was a well established and fine relationship existing when the minister presently in charge of housing was responsible for Indian affairs, would the Prime Minister consider making some switches in portfolios to get things back on the track?

Mr. Speaker: Order, please.

ALBERTA—PROPOSED CULTURAL-EDUCATIONAL CENTRE—EFFECT OF STUDENTS' STRIKE ON PROVISION OF FUNDS

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, I wish to direct a supplementary question to the Prime Minister. Can the Prime Minister assure the House that action on the decision arrived at on July 29 will in no way be affected by the dispute over educational facilities in Alberta at this time?

Right Hon. P. E. Trudeau (Prime Minister): What decision is the hon. member referring to, Mr. Speaker? I did not understand his question.

Mr. Yewchuk: I will rephrase the question. Can the Prime minister assure the House that the decision by the government to grant funds for the purpose of establishing an Indian educational and cultural centre in Alberta will not be affected by the fact that there is a strike being staged by Indian students in northeastern Alberta?

Mr. Trudeau: There was no decision to hold a conference. I do not know what the hon. member is referring to.

Mr. Yewchuk: My reference was to the fact that the Indian Association has not received funds which were supposed to be forthcoming for this centre. As a supplementary question, have the RCMP been called in to investigate this new leak of July 29, and not last week's leak about a cabinet decision on foreign investment?

[Mr. Howard (Skeena).]

Mr. Trudeau: Now that I understand the previous question, Mr. Speaker, all I can say is that obviously the government cannot give funds to everyone in Canada who requests funds, but the record of the present government and of the minister in this regard is pretty good. I believe he doubled, during his mandate of three years, the amount of funds available to Indians over amounts that had been available to them before. So there is no lack of funds; there is a great deal of funds—

Mr. Speaker: Order, please. Perhaps we might return to this question in a moment. We will be running short of time. I see that the Leader of the Opposition wants to pursue the matter. He will be recognized after we have finished the first round of questions. The hon. member for Brant.

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LABOUR CONDITIONS

CORNWALL—LAY-OFF OF EMPLOYEES AT COURTAULD PLANT—GOVERNMENT ACTION

Mr. Derek Blackburn (Brant): Mr. Speaker, in view of the fact the hon. member for Stormont-Dundas is unable to ask a question in his capacity as Speaker during the question period—

Mr. Speaker: Order, please. Would the hon. member kindly resume his seat. If the hon. member has a question to ask he should ask it directly. As Speaker I take exception to the preamble to the hon. member's question. He should ask the question directly.

Mr. Blackburn: My question is directed to the Minister of Finance. Would the Minister of Finance inform the House whether the government has any plans for the 225 men to be laid off at the Courtauld plant in Cornwall on December 3?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I think this question should be addressed to the Minister of Manpower and Immigration.

An hon. Member: What good would that do?

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[*Translation*]

REGIONAL ECONOMIC EXPANSION

GRANTS TO GOLDEN EAGLE—ALLEGED PURCHASE OF MATERIALS IN ENGLAND

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I have a question for the hon. Minister of Regional Economic Expansion.

In view of the substantial federal grants the Golden Eagle Oil Company has received from the federal government for its Saint-Romuald plant, can the minister tell us whether he knows that no Canadian company or firm has been able to sell steel or paint to this company because it uses government grants to make all its purchases in England?

Mr. Speaker: Order. I seriously doubt whether the hon. member's question is in order. If the minister can reply briefly, I shall allow him to do so but it seems to me that such a question could normally be placed on the order paper.

Hon. Jean Marchand (Minister of Regional Economic Expansion): The reply will be very brief, Mr. Speaker. The fact is that Golden Eagle obtained a grant under the former system, with no conditions attached. Under the new act, there is a fundamental requirement that materials be purchased in Canada, when available.

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[*English*]

INDIAN AFFAIRS

ALBERTA—PROPOSED CULTURAL-EDUCATIONAL CENTRE—POSSIBLE DELAY IN IMPLEMENTATION BECAUSE OF SCHOOL DISPUTE

Hon. Robert L. Stanfield (Leader of the Opposition): I have a question for the right hon. Prime Minister arising out of his statement a moment ago with regard to the proposed educational centre in Alberta that the government does not have funds to support every proposition. May I ask the Prime Minister whether this is an appropriate answer in view of the confirmation by cabinet on July 29 of the assertion that "the first to present a proposal for a cultural-educational centre" was the Indian Association of Alberta and that a pilot stage of that proposal would be the first to be considered for approval by the standing subcommittee? Why has this matter not been proceeded with and is it a fact that a condition precedent to going forward with it is settlement of the school dispute in northeastern Alberta with the co-operation of the Indian Association? In other words, is the settlement of that dispute in fact holding up this proposal that the cabinet did in fact approve?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the question is based on what the Leader of the Opposition says is a cabinet document. I repeat that I will not discuss what went on in cabinet and what decisions may or may not have been taken there on the substance of an issue. Of course the government has money to assist Indians. I have just said that the Minister of Indian Affairs and Northern Development doubled the amount of assistance to Indians over the past two and a half or three years, so there is money available. I am just saying we cannot give it to everybody all the time right away, and if an association wants to will itself out of existence and do it on television it is perfectly free to do so. It will not exert pressure on the government in that way, however.

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POST OFFICE

NEGOTIATIONS TO AVOID DISRUPTION OF CHRISTMAS MAIL DELIVERY—AGREEMENT ON HIRING OF CASUALS—REQUEST FOR STATEMENT

Hon. W. G. Dinsdale (Brandon-Souris): I have a question for the Parliamentary Secretary to the Postmaster General. In the absence of the Postmaster General can the parliamentary secretary report to the House on the current negotiations under way to avoid disruption of Christmas mail service, and in particular can he indicate whether agreement has been reached to resolve the problem of the hiring of casuals?

Mr. Gerald Richard Cobbe (Parliamentary Secretary to Postmaster General): Mr. Speaker, to my knowledge the discussions are still taking place. When official decisions are made I am sure the House will be totally informed by the minister.

Mr. Dinsdale: In view of the urgency of the matter can the right hon. Prime Minister assure the House that the Postmaster General will make a statement on motions so that the growing anxiety in the country with respect to Christmas mail delivery may be allayed?

• (2:30 p.m.)

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I certainly will communicate that request to the minister. I believe he is to be in the House tomorrow. I will ask him to give very urgent consideration to that request.

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EXTERNAL AFFAIRS

ATMOSPHERIC NUCLEAR EXPLOSION BY PEOPLE'S REPUBLIC OF CHINA—SOURCE OF GOVERNMENT INFORMATION

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, may I direct a question to the Secretary of State for External Affairs. It is further to a question addressed to the Prime Minister on Friday. Can the minister advise whether the government has now learned of the Chinese nuclear explosion? If so, can he advise if such information came from the government of China, our own monitoring devices or from the governments of other countries?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, we have been getting information from a number of sources confirming that there was a nuclear explosion. Some of this information came from monitoring and seismic devices we have in Canada. Other information came from other countries. None of it came directly from the Chinese government.

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GRAIN

LIFT PROGRAM—REQUESTS TO FARMERS FOR REPAYMENT—POSSIBLE COURT ACTION

Mr. Jack Murta (Lisgar): Mr. Speaker, may I direct a question to the Parliamentary Secretary to the Minister of Agriculture. Is the government asking some 4,168 western farmers to refund some of the money they were paid under the Lift program, and is the minister going to publish exactly how much money is involved in total?

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, as was said in reply to a

question on the same subject the other day, we have information on how many refunds there have been up to now. We have given the figures regarding those who have already paid back the money. We have also given figures regarding those who have replied and explained what took place and we have settled those files. I suppose that within a few weeks more files will be settled to the satisfaction of all people.

Mr. Murta: With regard to the ones that are outstanding, is the government preparing any form of court action against the farmers concerned in this matter? If so, will a statement be made to the House to this effect?

Mr. Lessard (Lac-Saint-Jean): Mr. Speaker, I suppose if moneys are owing to the government and those moneys are not repaid by the people involved, some action will have to be taken. I hope all hon. members will agree with us when we suggest that some action will have to be taken to recover those funds.

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ENERGY

NATURAL GAS—GOVERNMENT INTERVENTION TO ASSURE FAIR PRICE TO WESTERN CANADA PRODUCERS AND TO CONSUMERS EAST OF ALBERTA

Mr. P. M. Mahoney (Parliamentary Secretary to Minister of Finance): Mr. Speaker, my question is for the Prime Minister. Since Friday's gas export ruling of the National Energy Board confirms the near-monopoly position of Trans-Canada Pipe Lines Limited as a wholesale purchaser of natural gas for consumption outside British Columbia and Alberta, can the Prime Minister indicate if the government is presently considering intervening in the pricing process of the industry to assure a fair return to western Canada's gas producers as well as a fair price to consumers east of Alberta?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I will have to take notice of the question. I will be glad to refer it to the Minister of Energy, Mines and Resources for a reply.

Mr. Mahoney: In view of the circumstances already cited, will action by the government of Alberta to manipulate the price of natural gas in order to protect producers and provincial revenues from the Trans-Canada Pipe Line monopoly without regard to prices to be charged to consumers be acceptable to the government?

Mr. Speaker: Order, please. That question sounds more like an argument than a question.

CONSULTATION WITH ALBERTA RESPECTING NEGOTIATIONS WITH UNITED STATES

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, may I direct a supplementary question to the Prime Minister. In light of statements made by the Premier of Alberta this weekend and in light of renewed energy negotiations with the United States, will the government agree to ongoing consultations with Alberta on the energy talks under way with the United States? If so, when will such consultations with Alberta begin?

[Mr. Lessard (Lac-Saint-Jean).]

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I told the Premier of Alberta when I met him a week or two ago that we would welcome any input from the Alberta government into our information on our policies.

An hon. Member: You met him last week.

Mr. Trudeau: I had a meeting with him before last week but the hon. member was not aware of it.

RECONSIDERATION BY NATIONAL ENERGY BOARD OF REFUSAL OF NATURAL GAS EXPORT APPLICATIONS

Mr. Erik Nielsen (Yukon): Mr. Speaker, my supplementary question is for the Prime Minister. As requested by the government of Alberta, will the government of Canada request the National Energy Board to reconsider its refusal to allow further exports of natural gas at this time?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, my understanding of the law is that the government is not in a position to ask the National Energy Board to reconsider its refusal. The matter comes before the Governor in Council only when an order for export is approved. When it is denied the government, under the statute as set up, cannot intervene to exercise pressure on the board, which is independent.

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INDUSTRY

INQUIRY AS TO ADDITIONAL FINANCIAL AID

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, may I direct a question to the Prime Minister. In view of reports that appeared during the weekend, may I ask if it is the government's intention to provide additional aid to private industry to the tune of $190 million? If so, will the details of such a plan be made known to the House this week?

An hon. Member: Raise your right hand!

Right Hon. P. E. Trudeau (Prime Minister): Additional aid to what, Mr. Speaker?

Mr. Knowles (Winnipeg North Centre): Additional to the $80 million already provided to private industry.

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, if the hon. member is referring to the GAAP program—I believe the story in the newspapers referred to that—the hon. member should consult the estimates and he will see that we have nothing in mind in that regard. The minister will be able to explain it when his estimates come before the House.

Mr. S. Perry Ryan (Spadina): Mr. Speaker, my supplementary question is for the Prime Minister. Has the government approved a further $158 million assistance plan for Canadian manufacturers who have been hurt by the U.S. import surcharge or other American protective mea-

sures? If so, when will an official announcement be made?

Mr. Trudeau: Mr. Speaker, I believe this is the same question in another form and my answer is the same. The government has some intentions. They are expressed in the supplementary estimates which were tabled a few days ago. The minister will gladly explain their intent at greater length when he defends his estimates.

Hon. Robert L. Stanfield (Leader of the Opposition): I have a supplementary question, Mr. Speaker. In view of the Prime Minister's statement about the minister being prepared to answer questions when his estimates are before the House, will the Prime Minister assure us that those estimates will be before the House during the present session and that the minister concerned will answer questions in defending his estimates before the House during the present session?

Mr. Trudeau: Mr. Speaker, if the Leader of the Opposition is anxious to have this particular subject discussed he could, of course, use one of the opposition days to do that.

Mr. Stanfield: The Prime Minister should read the rules again.

* * *

[*Translation*]

PUBLIC SERVICE

ALLEGED HIRING OF UNILINGUAL TRANSLATORS FROM FRANCE

Mr. Roland Godin (Portneuf): Mr. Speaker, I have a question for the Secretary of State.

In answer to a question that I asked him some time ago, the Secretary of State said that he would investigate and tell the House how many unilingual translators from France, hired by the Bureau for translations, were now taking intensive courses to improve their knowledge of English. Could he tell us now how many such persons are taking those courses?

Mr. Speaker: May I suggest to the hon. member that such a question should normally be put on the order paper. The hon. member is asking for strictly statistical information. In general, such questions should be put on the order paper. The hon. member states that the question has already been asked and that the minister has agreed to give the required information. Considering the circumstances and if the figures are immediately available, the minister may answer the question. Otherwise, it should be put on the order paper.

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, unfortunately, the hon. member was too long in coming back to his question. I have had the answer with precise figures in the folder in front of me for many weeks; but I note that it has now disappeared. I shall therefore answer the question if it is put on the order paper.

[*English*]

REGIONAL ECONOMIC EXPANSION

ALLEGED INEFFECTIVENESS OF POLICIES IN QUEBEC—MEETING WITH PREMIER—DISCUSSION OF CRITICISMS WITH ATLANTIC PROVINCES' PREMIERS

Mr. James A. McGrath (St. John's East): Mr. Speaker, I wish to direct a question to the Minister of Regional Economic Expansion. In view of statements made by the Prime Minister of Quebec to the effect that government policies have been ineffective in that province in ending regional disparities, does the minister intend to meet with the Prime Minister of Quebec to discuss this very important matter?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I called the Prime Minister of Quebec this morning and he told me he had never said that. He said he was referring to taxes and not to the regional program which he supports entirely.

Mr. McGrath: Does the minister intend to meet with or call the premiers of the four Atlantic provinces, as requested in the report of the Atlantic Development Council, to discuss criticisms aimed at his policies in the Atlantic provinces?

Mr. Marchand (Langelier): Mr. Speaker, I met with them last week and all of them were very happy with what we were doing in Nova Scotia, in New Brunswick, in P.E.I. and in Newfoundland.

• (2:40 p.m.)

[*Translation*]

Mr. Speaker: Does the hon. member for Témiscamingue wish to put a supplementary question?

Mr. Réal Caouette (Témiscamingue): Yes, Mr. Speaker and I note that at least the Minister of Regional Expansion is pleased.

Can the minister say whether before earmaking any funds for economic expansion purposes—whether in Quebec or in the Maritimes—he communicates with the authorities of that province?

Mr. Marchand (Langelier): Yes, Mr. Speaker. We have set up offices in each province and every step is taken in co-operation with provincial authorities.

[*English*]

RE-EVALUATION OF POLICIES IN LIGHT OF CRITICISMS

Mr. James A. McGrath (St. John's East): I have a supplementary question, Mr. Speaker. Notwithstanding the answer given by the minister to the House, in light of the unanimous criticisms aimed at his policies by all the agencies involved, including agencies under his jurisdiction such as the Atlantic Development Council and the Canadian Council on Rural Development, does the minister intend to re-evaluate the effectiveness of the present DREE policies in ending regional disparity?

[*Translation*]

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I absolutely refuse to answer a question the premises of which are false—

[*English*]

Mr. McGrath: A supplementary question.

Mr. Speaker: Order, please. We are running short of time. The hon. member has had two supplementaries and we have had other supplementaries on the same subject.

* * *

UNEMPLOYMENT INSURANCE

SUGGESTED ESTABLISHMENT OF ZENITH TELEPHONE NUMBERS FOR INQUIRIES ABOUT NEW ACT

Mr. Thomas S. Barnett (Comox-Alberni): My question is for the Minister of Labour. It arises out of a full page advertisement in *Weekend* magazine glamourizing the provisions of the new Unemployment Insurance Act and asking citizens to drop in or telephone the nearest Unemployment Insurance Commission office. In light of this invitation, will the minister suggest or advise the commission to establish Zenith telephone numbers so that those people who may be 200, 300 or 400 miles away from the nearest office may be able to have the same facility of access as those living in urban centres?

Hon. Bryce Mackasey (Minister of Labour): We have this type of operation in many parts of Canada, Mr. Speaker. Whether or not it should be expanded is another question. I will take notice of the hon. member's representation. If he can be more specific, we will see whether this would be useful in particular areas.

SUGGESTED RE-ESTABLISHMENT OF OFFICE IN YUKON

Mr. Erik Nielsen (Yukon): Assuming that the advertisement is an invitation to all Canadians to avail themselves of the services of the unemployment insurance offices, I ask the minister whether he will consider re-establishing in the Yukon a functioning unemployment insurance office to which the citizens there could have access?

Hon. Bryce Mackasey (Minister of Labour): I will inquire from the commission and see if such a suggestion is realistic. If it is, I will be glad to do it.

* * *

CANADIAN BROADCASTING CORPORATION

REQUEST THAT TELEVISION PROGRAM, "THE TENTH DECADE", BE MADE AVAILABLE TO SCHOOLS

Mr. Norman A. Cafik (Ontario): I have a question for the Secretary of State. In view of the educational and historic value and the excellent quality of the CBC series, "The Tenth Decade", will the minister see that prints of this series are made available for distribution to schools across Canada?

Some hon. Members: Hear, hear!

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I believe the distribution of magnetoscopic picture tapes poses a number of technical problems, as well as a number of problems with regard to labour contracts signed with the authors and artists. However, I have had the opportunity of discussing this matter with the management of the CBC but these talks are not yet completed.

[*English*]

[*Later:*]

Mr. Speaker: I believe the hon. member for Ontario has a supplementary to his previous question.

Mr. Cafik: Yes, Mr. Speaker. In his discussions with the CBC and the parties involved will the Secretary of State commit himself to at least approaching those who may have royalty rights and other residual rights in the production to see if they would be willing to waive them for the educational benefit of the people of this country?

[*Later:*]

[*Translation*]

Mr. Pelletier: This is worth considering, Mr. Speaker.

* * *

[*English*]

HEALTH

REASSESSMENT OF USE OF DDT AGAIN IN LIGHT OF FINDING BY RUSSIAN SCIENTISTS

Mr. W. B. Nesbitt (Oxford): My question is to the Minister of National Health and Welfare. Because of reports over the weekend from the Soviet Union that Russian scientists have now discovered that the chemical commonly known as DDT is broken down by micro-organisms commonly found everywhere in the earth, will the minister have his department reassess whether DDT may again become available for use in Canada?

Hon. John C. Munro (Minister of National Health and Welfare): I doubt whether that would be the finding of the department, Mr. Speaker, but I would be pleased to have them look at the matter again.

* * *

ADMINISTRATION OF JUSTICE

GRANTING OF PARDONS TO PERSONS CONVICTED OF INDICTABLE OFFENCES—POSSIBLE AMENDMENT OF LAW

Mr. Robert C. Coates (Cumberland-Colchester North): My question is for the Minister of Justice. Is the minister satisfied with the legislation presently in effect with regard to the granting of pardons to persons who were formerly found guilty of indictable offences and, if not, does he plan to introduce legislation to amend the present law?

Mr. Speaker: Order, please. The second part of the question would be in order. The hon. member knows I have often taken exception to questions which simply invite a minister to state whether he is satisfied or dissatisfied with a situation. At that point the hon. member is asking for an opinion. The second part of the question is quite in order.

Hon. John N. Turner (Minister of Justice): Mr. Speaker, I will draw the second part of the question to the attention of the Solicitor General whose responsibility it would be to amend that law.

* * *

YOUTH

OPPORTUNITIES FOR YOUTH PROGRAM—AGREEMENTS WITH QUEBEC AND OTHER PROVINCES—REQUEST FOR REPORT ON 1971 ACTIVITIES AND 1972 PLANS

Mr. David MacDonald (Egmont): My question is for the Secretary of State. It concerns the announcement last week by the Minister of Education in the National Assembly of Quebec relative to a number of agreements concerning next year's Opportunities for Youth program. Can the minister indicate whether there has been a final or even an intermediate agreement with the government of Quebec and whether such consultations and agreements exist with other provinces? Also, in view of the late date when may we expect to hear some report on this year's program and some statement with regard to next year's plans?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, the hon. member is right in saying "agreement" since, in fact, there has not been any formal agreement with any of the provinces visited, that is, neither with Nova Scotia, New Brunswick, Prince Edward Island, nor with Quebec. This is where we stand in our consultations. We propose to them a certain number of ideas; some of these seem interesting to them, and they accept them; others are rejected, and we do likewise on our side. We speak all the less firmly that the pursuit of the Opportunities for Youth program has not yet been the subject of any final decision.

As for the report, I apologize to the House for the delay in tabling it, but this is a matter of data processing and the task force responsible for producing the report is working very hard at this.

As for deadlines, we will be meeting them much better this year than we did last year, if it is decided that the program should be taken up again under the same form as last year.

[*English*]

Mr. MacDonald (Egmont): The minister did not indicate whether three firm agreements had in fact been arrived at with the province of Quebec, nor did he indicate when there would be some statement with regard to the general criteria that would be applied. I understand there has been a special task force at work doing this evaluation. I wonder why it should take so long to make some statement, now a month or a month and a half overdue?

[*Translation*]

Mr. Pelletier: Mr. Speaker, I do not think the hon. member understood the last part of my reply, in which I said that I quite agreed with him, and was hoping to be able to table this report as soon as possible.

As far as the agreement is concerned, he also misunderstood the first part of my reply, which was that there obviously could not be an agreement with any province on a program whose continuation had not yet been definitely decided upon.

* * *

[*English*]

BRIDGES

PROPOSED STRUCTURE TO SEA ISLAND, VANCOUVER—CONSULTATION WITH LOCAL ORGANIZATIONS

Mrs. Grace MacInnis (Vancouver-Kingsway): In the absence of the Minister of Transport and his parliamentary secretary I will address my question to the Prime Minister. In view of the assurances given to the House by the minister on October 12 and November 2 that interested local groups would be consulted before a decision is made concerning tolls on access bridges to Sea Island, will the Prime Minister look into the reason why the Sea Island Ratepayer's Association and the Free Airport Access Committee are being barred from the consultation which the minister set for tomorrow morning in Vancouver?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I will look into this matter and see if the facts are as alleged. I know that the minister is in Vancouver today. It may be that while we are talking he is consulting such groups as have been referred to by the hon. member.

Mrs. MacInnis: Can the Prime Minister give the assurance that these local groups will be consulted before a firm decision is made with regard to those bridges?

* * *

GOVERNMENT ADMINISTRATION

INVESTIGATION OF LEAKING OF CABINET DOCUMENT

Hon. Robert L. Stanfield (Leader of the Opposition): I wish to direct a question to the Prime Minister without in any way wishing to inquire into cabinet secrets.

Mr. Nielsen: There are none left.

Mr. Stanfield: Will the right hon. member tell the House whether any investigation is being conducted into the question of whether there has been unauthorized possession of a cabinet document involving the decision of July 29, 1971? Is any investigation being conducted?

Right Hon. P. E. Trudeau (Prime Minister): Yes, Mr. Speaker. We are looking into the matter.

* * *

• (2:50 p.m.)

NATIONAL ANTHEM

ASSURANCE THAT ROYALTY NOT CHARGED FOR PLAYING OF "O CANADA"

Mr. Lloyd Francis (Ottawa West): Mr. Speaker, I have a question for the Secretary of State. Can the minister confirm that in fact the government of Canada does pos-

sess the copyright to the words of "O Canada" and that no royalties are being charged, contrary to the impression left in the House last Friday by the right hon. member for Prince Albert, as reported at page 9713 of *Hansard*?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Yes, Mr. Speaker.

* * *

[*English*]

CANADIAN CULTURE

MULTICULTURALISM POLICY—OBJECTIONS BY PREMIER OF QUEBEC

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, I should like to address a question to the Prime Minister. It concerns a matter raised by the Premier of Quebec in connection with a statement made recently by the Prime Minister in regard to Canada being a multicultural society. Have there been any definite objections raised by the Premier and, if so, what has the answer been in regard to this very important matter?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, at the federal-provincial conference last week the Premier of Quebec did tell me that he was sending me a letter on this matter to explain his position vis-à-vis the position of the federal government. I have not to this date studied his representations, but I hope to do so soon.

Mr. Alexander: In view of the importance of the statement made by the Prime Minister some time ago, can the Prime Minister assure the House and the people of Canada that he and the government will stand by his statement as originally uttered?

Mr. Trudeau: That is our position, Mr. Speaker.

* * *

[*Translation*]

BILINGUALISM AND BICULTURALISM

SUGGESTED CHANGE IN NAME OF COMMISSION

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I would like to ask the Secretary of State a supplementary question.

Having heard what the minister had to say last night on television about multiculturalism, I would like to ask him whether he intends to change the name of the well known BB Commission to BM commission in order to stress the multicultural character of that body?

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I think it would be difficult to change the name of a body which no longer exists.

* * *

[*English*]

TAXATION

REQUEST THAT SCHOOL BOARDS BE GRANTED SAME STATUS AS HOSPITALS UNDER EXCISE TAX ACT

Mr. R. E. McKinley (Huron): Mr. Speaker, I have a question for the Minister of Finance. Would the minister advise the House whether or not a decision has been taken by the government on the request of Canadian school trustees that school boards be granted the same status as hospitals under the Excise Tax Act?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I would have to take the question as notice.

* * *

EXTERNAL AFFAIRS

SUPPLYING OF AUTO PACT INFORMATION BY EMBASSY OFFICIALS TO U.S. SENATORS PRIOR TO VOTE ON EXEMPTION OF CANADA FROM SURTAX

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I wish to direct a question to the Secretary of State for External Affairs. Would the minister inform the House whether or not, prior to the debate that took place in the United States Senate a week ago Saturday which led to a vote that, if it had been resolved in the affirmative, would have exempted Canada from the imposition of the United States surcharge, officials of the Canadian embassy in the United States informed members of the U.S. Senate on the question of the auto pact and, more particularly, whether or not Canada had reneged on the auto pact?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I find that question very complicated. Perhaps the hon. gentleman would simplify it and I might be able to answer.

Mr. Broadbent: Mr. Speaker, my question is whether or not Canadian officials at our embassy in Washington took steps, prior to the vote a week ago Saturday in the U.S. Senate, to inform U.S. Senators about Canada's position on the Canada-U.S. automotive agreement?

Mr. Sharp: Mr. Speaker, our position on the agreement is probably well known, but any negotiations that have taken place have been between embassy officials and members of the United States administration.

[*Later:*]

Mr. Broadbent: Mr. Speaker, might I put a further question to the Secretary of State for External Affairs following the answer he gave me. Do I understand the minister to say that, in terms of important questions or problems that exist between Canada and the United States, the government of Canada has direct contact in regard to the provision of information and so on only with part of the executive branch of the United States government and does not deal with the legislative branch?

Mr. Sharp: Mr. Speaker, I think we take much the same view as would be taken of efforts by the administration of the United States to deal directly with Members of Parliament here. It would be permissible but sometimes does not produce the best results.

THE CANADIAN ECONOMY

FOREIGN INVESTMENT—INDICATION TO BUSINESS LEADERS OF GOVERNMENT THINKING ON SCREENING MECHANISM

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I wish to direct my question to the Prime Minister. At today's meeting with key Canadian business leaders is the Prime Minister going to outline the thinking of the government on the idea of a special screening mechanism, and canvass their views and suggestions regarding guidelines for such a mechanism?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the meeting has already taken place and this question did not arise.

INDICATION TO BUSINESS LEADERS OF WILLINGNESS TO AMEND COMPETITION AND LABOUR CODE BILLS—DISCUSSION OF PRICE AND WAGE CONTROLS

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, may I ask the Prime Minister whether the right hon. gentleman indicated to the business leaders that the government was willing to make changes in the competition bill act and in the bill to amend the Canada Labour Code?

Right Hon. P. E. Trudeau (Prime Minister): No, Mr. Speaker, I did not.

Mr. Lundrigan: A further supplementary question. Were there any discussions regarding price and wage controls, and can the Prime Minister indicate to the House what was the position of the government in these discussions?

Mr. Trudeau: That question was not brought up, Mr. Speaker.

* * *

COMPETITION BILL

SUGGESTED WITHDRAWAL FOR REDRAFTING

Mr. Steven E. Paproski (Edmonton Centre): Mr. Speaker, my question is for the Minister of Consumer and Corporate Affairs. In view of the royal shafting the minister received during his speaking engagements across the country, and particularly last Wednesday when he addressed businessmen in Edmonton, would the minister now withdraw the contentious competition bill and before redrafting it contact the business sector of Canada so that businessmen too may bring in some recommendations?

Hon. Ron Basford (Minister of Consumer and Corporate Affairs): Mr. Speaker, I spoke at a luncheon given by the Edmonton Chamber of Commerce and I thought received a good reception from a very intelligent audience there. Certainly they went away with the clear understanding that this was a proposed piece of legislation and that, in so far as they could show that it had practical difficulties, we on the government side had a very open mind and would listen to any comments or suggestions.

Mr. Speaker: Is the hon. member rising on a point of order?

Mr. Paproski: Mr. Speaker, my question was: Is the minister going to withdraw the bill before the end of the session and redraft it?

Mr. Basford: Mr. Speaker, the hon. member is so keenly interested in this subject that I thought he would have read my speeches on the subject since June 29, all of which have—

Mr. Speaker: Order, please. Perhaps this matter might be pursued tomorrow. Orders of the day.

• (3:00 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Friday, November 19, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: Order. In accordance with the statement of the Parliamentary Secretary to the President of the Privy Council as recorded at page 9677 of *Hansard* for November 18, 1971, the committee will now proceed to sections 2, 17, 56 and 58 inclusive, 90 to 95 inclusive, 113 to 116 inclusive, 126, 133, 134, 212, 219 and 257 dealing with international income. I must bring to the attention of the committee that sections 56, 57, 58 and 126 have already been agreed to.

On Clause 1—Section 2: *Tax payable by persons resident in Canada.*

Mr. Ritchie: Mr. Chairman, the provisions relating to the taxation of foreign source income set out in the bill to amend the Income Tax Act introduced by the Minister of Finance (Mr. Benson) differ very little from the corresponding proposals set out in his 1969 white paper. In that document the governement put forward the following position:

> The over-all thrust of Canada's present provisions for taxing the Canadian income of non-residents is generally regarded as reasonable.

The changes envisaged in Bill C-259 involve a number of structural changes in the treatment of foreign source income of Canadian residents. The two broad concepts remain: taxing Canadians on their world-wide income and the granting of relief in respect of foreign taxes. What is the importance of this? I think it is self-evident because in 1970 Canada received $513 million in interest and dividends on foreign holdings which was a 74 per cent increase over the 1967 revenue of $295 million. In 1967, Canadian direct investments abroad represented a book value of $4 billion out of total long-term investments with a book value of $8 billion. Canadian direct investment abroad in 1970 was $215 million exclusive of undistributed profits. So, it can be seen that this is an extremely important part of the proposed tax changes.

In speaking on this section relating to international income, I think it would be an understatement to say that this aspect of external international income and this part of the tax reform have undergone radical alteration since the white paper and even since the drafting of this bill. The effect of the United States surtax of August 15 most radically altered our concept of what changes in taxation of international income should occur. Although financial authorities throughout the world, including our own Canadian experts, have been warning that the United States balance of payments position had to be corrected at some time, still our own drafters of tax law completely forgot about the possibilities of changes in the outside world, especially in respect of such a great trader as the United States.

The whole thrust of Bill C-259 has been that we could demand of capital in our own hands, as well as that invested in our country, complete acquiescence, in the hope that capital would come in and be operated in a manner which we expect, and in the hope that the tax structure would be so arranged that all enterprise would be directed for the public good—whatever interpretation the government may put on that phrase—with the profit factor being of secondary consideration. In the matter of international income, the action of the United States government brought home to us that we cannot always have it both ways. They have served notice on us that we cannot expect the United States market to be open to us always and open to our multi-national companies without regard to their own position.

The ill-fated Gray report that would have set up a so-called screening agency is just an extention of what has already been happening to a large extent in our foreign capital transactions which affect our international economy. Altogether we have been screening foreign investment for some time; we prevented the sale of Dennison Mines to United States interests and we prevented the sale of Home Oil also to United States interests, presumably on the basis that some part of the oil industry should be Canadian owned. We have to consider the taxation of international income in light of all the things that Canada must do in international affairs. The government has not prevented the take-over of Supertest by B.P. Canada presumably because it is an English company and not a United States company.

Canada has to re-assess its international relations in the matter of foreign capital and trade. There is no more obvious fact than that Canada is situated on the North American continent and the flow of trade will increasingly revert to north and south as opposed to east and west. The severing of our links with Great Britain has set us in a period of drift and has inevitably forced us in matters of trade to the recognition that we are becoming more and more continentalists. Especially in western Canada, the north and south pull is enormous and all Canadians, especially those who feel that Toronto and Montreal decide for the Canadian nation what course it will follow, will encounter severe controversy and objection. The whole new course that Canada must chart in the matter of foreign investment is inevitably bound up with international taxation. Canada will have to assess its trade relations with the United States, and this will encompass all manner of arrangements from free trade, in some single commodities, such as the auto pact, to a customs union, which has been advocated by the Premier of British Columbia.

The problem of international taxation is bound up with the fact that the most urgent needs of Canada for the future seem to be those in which this government has been the least successful, that is, economic growth and some sense of effective Canadian participation in the world at large. As to the latter and its relation to economic growth, this is important to Canada since it is the sixth largest trading nation in the world and exports one-third of everything produced. It is now far more generally recognized than it was a few years ago that there is no alternative for Canada but to seek wider and more diversified access to markets, not only for our primary products but for our manufactured products as well. This will involve the necessity of exposing Canadian markets in return. Bill C-259 is going to lessen the chance of our companies competing in foreign markets because of these taxation proposals. It is acknowledged that since international markets are involved, a maximum Canadian productive effort will be required. Canada needs not only the opportunity to participate in new markets, particularly now that 65 per cent of our exports are going to one place, the United States, but what is needed too is the "carrot" of being able to keep more of what we make. This is an essential element to the production of a positive climate for aggressive effort and risk taking.

I think in Bill C-259 we have an example of the omission of the "carrot" which would induce our multi-national companies to proceed overseas to get a portion of the action. If we extend the carrot, it would mean the elimination of taxation proposals to make it possible for Canadian companies to expand overseas. No one really believes there is much likelihood of an over-all reduction in the Canadian tax burden in the near future, although that must be an ultimate goal.

There should be little reliance on artificial support or other gimmicks of a legislative nature as a means of achieving greater Canadian control of our manufacturing industry and a requisite export effort. Too much reliance has recently been placed in talking up Canadian participation and talking for or against foreign investment. What is essential is that capital should flow on the basis of market decisions arrived at by considering their economic merits. The answer to non-resident control does not rest with legal devices which counter the natural economic forces, but rather with the encouragement of Canadian enterprise in positive ways and the discouragement of non-Canadian enterprise regardless of its parentage.

In any discussion of international taxation on income, one of the great considerations we have to look at is the multi-national companies. Whatever we may feel about them they are indeed here. They are looked at by many as being companies which do not necessarily have the national interest at heart. In fact, they are companies that may not always be responsive to the desires or aims of the country which is their home. A year or two ago when the discussion of the drug issue was being carried on in this House it could be shown that Canada was not willing to promote drug companies which would have established us in the international market. If Canada is to retain any place in the international trading arrangements of the

world, it seems to me that we must have some Canadian based multinational corporations. Fortunately for us, I think Canada has some of these, such as Massey Harris, Alcan and a few others, a considerable number when the size of our population is taken into account.

• (3:10 p.m.)

On Thursday November 4, 1971 in a preliminary report of the banking, trade and commerce committee of the other place, there was discussed the impact of the continuing viability of Canadian multinational corporations, their domestic and foreign operations through foreign affiliates, their need for such foreign outlets to maintain higher levels of employment in Canada, their capital needs in Canada and abroad and their competitive position in world markets. That part of the report reads:

> Your committee is deeply concerned with the possible affect of the proposed legislation on the competitive position of Canada's international corporations in world markets. To the extent that Canada's world trading position is adversely affected, it follows that our economic growth as a whole must likewise suffer.

The white paper on taxation explicitly recognized the following four objectives:

> 1. The Canadian tax system should not encourage nor discourage foreign investment by Canadians.
>
> 2. Canadian companies competing in the foreign market should not be subject to more onerous taxes than their competition (particularly U.S. competition).
>
> 3. Canada should promote a climate hospitable to the unrestricted flow of capital across international boundaries.
>
> 4. Canadian tax laws should not permit the evasion of Canadian tax through artificial arrangements.

Even more important in view of the economic environment of the past few months, industry and government must share two basic desires. They are, to create jobs for Canadian citizens, to create profit for Canadian shareholders and, in achieving these purposes, to create revenue for the Canadian government.

In its final form, Bill C-259 seems to have concentrated on the anti-avoidance objective. Witnesses before the committee in the other place had this to say:

> The bill as it affects multi-national corporations was extremely complex and distracting from the present great difficulty of dealing with the United States actions on trade.

This refers to the recent surtax problems and recent DISC problems. The point that was brought out is that the taxation effect of the proposals on international income of Canadian based multi-national corporations will be substantial. There appears to be a possibility of a loss of international competitiveness or the departure of such corporations from Canada. Witnesses who appeared before the committee of the other place when dealing with this aspect cited Patino Mining Company and Hunter Corporation as two corporations which had departed from Canada, one of which was considered to be a Canadian-owned company. Whatever is the long term result of the new taxation policies, the point made now is that it does not appear that this is the time to be making major changes in the area of international trade and multi-national corporations, when other countries are attempting to adopt a stance to maintain and expand their trading positions.

For us to impair our own competitiveness in international trade seems to be almost incredible at this time. The international provisions assume and require external treaty negotiations to be workable. This is clearly no time for the opening up of provisions of existing treaties or attempting to work out new treaties with the many countries with whom they are needed if the new approach is not to have serious adverse effects on our international competitive position. Just consider the great reluctance the government has shown about the possibility of renegotiating the U.S. treaty, particularly when we are involved in negotiations in respect of the defence-sharing agreement and the auto pact.

There seems at this time very good reason to hold the international income provision for a year at least until the world economic position is clarified. In the *Globe and Mail* of Thursday, November 18, 1971, page B-1, there was a news item that the United States Senate had approved the DISC program. Although still not law, the Senate, the House of Representatives and the Nixon administration all favour DISC in one form or another. Some version is expected to gain final approval. When appearing before the committee on banking, trade and commerce of the other place, the Massey-Harris Company detailed how the DISC program could affect it. The DISC program will give the United States manufacturers of farm machinery a substantial financial advantage over Canadian manufacturers next spring because Massey-Ferguson has tended to keep its North American manufacturing facilities located in Canada rather than in the United States. The DISC program would work to the disadvantage of Massey-Ferguson because the domestic manufacturer and exporter in the United States would enjoy a lower corporate tax rate in the United States on that part of his earnings which resulted from foreign operations.

In fact, DISC is a means whereby United States manufacturers selling in a foreign market will not pay taxes. Their earnings will be subject to tax when the DISC organizations distributes them to their shareholders. It is likely that these taxes can be deferred indefinitely or up to 10 years. When it is considered that Canada had a known trading imbalance last year of $113 million in farm machinery—the excess of imports over exports—and that Massey-Ferguson exports 50 per cent of the farm machinery exported to the United States, or nearly $80 million, it is quite obvious how important these proposed tax changes for foreign subsidiaries of Canadian companies will be in the future.

At the present time United States exporting corporations have been able to defer profit by the use of off-shore subsidiaries, at least in large part, and at the present time under the Canadian Income Tax Act Canadian Corporations do not have to pay income tax on dividends from foreign subsidiaries; thus, U.S. and Canadian Corporations are roughly equivalent. Once Bill C-259 is enacted, then our foreign subsidiaries would be greatly disadvantaged as to a United States company operating under DISC. Even if the subsidiary of a Canadian international company in the United States could operate under DISC it would lose its advantage because the profit would be taxed as in Canada. And under the foreign accrual property regulations of Bill C-259, the DISC affiliate of the Massey Ferguson Company in the United States, if it lent

money to the parent company, would then have no business income and would be subject to Canadian tax. During the testimony before the Senate committee, on page 42:8, October 20, one of the witnesses made what I think is a significant statement:

> If I could start by making a general answer to this question, it is this: Our belief is that the world is becoming rapidly more technology-oriented and that industry—national corporations and multi-national corporations—will rely on a high degree of technology for the base of their future growth. It seems to us that Canada has two choices for its future development. It can either encourage multi-national corporations, because a company operating solely in Canada, bearing in mind the population of Canada, is not large enough to support the technological base that is required to compete with other countries—

I think this is the most important aspect of international income in respect of the taxation of companies. Whether we like it or not, technology seems to demand that we have multinational companies and they must be based in Canada if we are to get a portion of the world's trade.

• (3:20 p.m.)

The Chairman: Order, please. I regret to interrupt the hon. member but I must do so to advise him that his time has expired. The hon. member may continue if there is unanimous consent of the committee. Is there such consent?

Some hon. Members: Agreed.

Mr. Ritchie: Thank you, Mr. Chairman. I should like to finish quickly with one or two thoughts.

There are as well other conditions under which Canadian multinational corporations must operate around the world. In the matter of cash flow, a Canadian corporation must pay its income tax much more quickly than a United States corporation. In fact, the whole of the DISC program is really concerned with cash flow. The Canadian corporation begins to pay at the beginning of the fiscal year; the U.S. corporation does so much later. For those who think that the United States economy is still not a highly significant economy, I think the events since August 14 have demonstrated otherwise.

I hope I have said a few things to demonstrate what I think is an extremely important aspect of this tax bill, and in my own personal opinion, next to capital gains, the taxation of international income takes precedence.

Mr. Burton: Mr. Chairman, this portion of the tax bill, the white paper and the brown paper leading up to it dealing with international income, has not received the same attention other portions of the government's proposed tax legislation have. But I do agree with the last remark of the hon. member for Dauphin that it is indeed an important part of our considerations in developing a taxation system. Therefore, there are two aspects of the taxation of international income with which we are concerned in this part of the bill: one is the taxation of income earned in foreign countries by Canadians, and the other is the taxation of income earned in Canada by foreigners. Both aspects of taxing international income have a great deal to do with the relative attractiveness of foreign countries as the place for Canadians to invest and, on the other hand, for Canada as a place for foreigners to invest in so far as this may be allowed within the framework of national economic policies.

The New Democratic Party, as has been made clear on many occasions, is concerned about the matter of foreign ownership. However, we have never considered that taxation is a particularly appropriate instrument either to discourage foreign ownership or to encourage Canadian investment. There may be occasions when steps are warranted and when particular actions may be justified, but as a general rule we feel that this is not the best instrument or the most effective instrument to use in this regard. In fact, it can result in distortions in the economy and in a misallocation of resources which can have detrimental effects on our economy. Also, invariably concessions given to encourage Canadian ownership through taxation do result in higher profits to the already well off in the country, and in some further undesirable changes with respect to the distribution of income and wealth in Canada. This was made clear at the time members of the NDP on the Committee on Finance, Trade and Economic Affairs submitted a minority report dealing with the study of that committee on the white paper on taxation; the hon. member for Waterloo and I, on behalf of the NDP, submitted our report.

In the summary of the report, we stated that the tax system should not be used to limit foreign ownership since an inequitable tax structure would result, and legislation limiting foreign ownership similar to recent bills or other steps that have been proposed should be enacted or taken. Later on, in elaboration, we stated as follows:

> Foreign ownership must be dealt with since we believe it stands in the way of bringing about social justice in this country. However, it is our view that instruments other than the tax system are preferable, especially since an inequitable tax structure would result from the recommendations of the majority report proposed in the name of economic independence.

At this juncture, we depart in policy terms from the middle class nationalists whom we have in Canada and who seek to exclude foreign involvement in our economy in order to assure themselves a bigger place in a smaller sandbox. Of course, we have to keep in mind that some of these people, to whom we might refer as middle class nationalists, in many cases are the people who have sold out the Canadian economy to large American corporations. They have sold out Canadian interests, their own interests, for the sake of being a junior partner in a large American multinational corporation. The often favourable response of Canadian capitalists to economic nationalism must be generally regarded with some suspicion. The most recent example of this was the number of firms in the securities industry which appeared before an Ontario Royal Commission. Their agreement was clearly premised on maintaining a competitive position that would enable them to increase their profits.

In contrast, the NDP support for economic nationalism comes from the same root as our concern about the ownership of the means of production in the domestic economy. The possibility of working men and women influencing the productive process so that it responds to their needs, a process that is already difficult in dealing with Canadian managers, is even more difficult when the industry is foreign owned.

Tax concessions to encourage Canadian capitalists do not necessarily improve the position of the Canadian worker. Indeed, to the extent that government give aways end up in profits, the bargaining position of management in its dealings with the workers becomes relatively stronger. The encouragement of Canadian ownership through the tax system puts an unequal burden on Canadian taxpayers. Those receiving concessions gain at the expense of other taxpayers to whom concessions are not available.

I should like to say a few words dealing with the part of the bill which concerns foreign income of Canadians. The principle adopted by the bill, as we understand it, is that foreign income of Canadians should in general be taxed the same way it would have been taxed had it been domestic income. An exception to the general rule is that certain tax concessions are available to certain classes of Canadian taxpayers to encourage Canadian ownership.

Canadian taxation of the foreign income of our citizens takes into account tax paid to the country where the income was earned. If the tax is less than would have been paid had the income been earned in Canada, tax is payable to the Canadian government to bring the rate up to the Canadian level. If this approach were adopted, we would find no argument with it if we could accept the basic approach that is involved.

When we come to the question of the Canadian income of foreigners, we note that wage and salary income, to the extent that it is earned by foreigners in Canada, is subject to the normal tax provisions. Investment income, pensions and similar payments are subjected to a withholding tax. I understand that beginning in 1976 withholding tax will be increased from 15 per cent to 25 per cent in most cases. However, a particularly inappropriate provision reduces the withholding tax to 20 per cent for shareholders receiving dividends from corporations with a certain degree of Canadian ownership. To this we must take objection. In addition, I would also note that where reciprocal treaties are arranged with other countries, the withholding tax on Canadian source income of foreigners is often reduced as part of a bilateral arrangement. In this context it will take time to negotiate changes in taxation. I would hope that as a general rule the Department of Finance and the government would adopt the principle of minimizing concessions to the greatest extent possible.

• (3:30 p.m.)

I am not sure that I can go along entirely with the remarks of the hon. member for Dauphin who pointed out, as is so often pointed out by the Progressive Conservative party, that this is the wrong time to be making any such change. Without passing judgment on those changes which may be necessary, or which the government may try to negotiate, it seems to me that the Progressive Conservatives always declare that a particular proposal is being made at the wrong time. I presume the general rule would be that no change should be made unless, in the judgment of the government, it was to the advantage of Canada within the over-all framework of tax policy.

When we are dealing with the subject of Canadian income of non-residents there is one particular point I would like to take up with the parliamentary secretary. In this context I wish to quote from the Summary of 1971 Tax Reform Legislation presented to us on June 18. Under the heading "Non-resident-owned Investment Corporations" it reads:

> The special tax treatment for non-resident-owned investment corporations (NRO's) is continued in the new bill.
>
> Once the new system is fully operative in 1976, it will provide for:
>
> —a 25-per-cent tax on the income of the NRO, including capital gains that are taxable to non-residents, but excluding other gains; the tax paid (including only one-half of the tax on capital gains) will be refunded to the corporation when the earnings are distributed; and normal withholding tax on dividends paid;
>
> —a requirement that NRO's must be 100-per-cent owned by non-residents, compared with the existing 95 per cent ownership rule.
>
> Until 1976 the rate of tax on income will stay at 15 per cent and the new ownership rules will not apply.

This is a special concession in this area. I note that a very lengthy and complex amendment was submitted on October 13, and moved on October 22, dealing with this matter. I must confess that I have not waded through it sufficiently to understand its import fully, but I think it is necessary that we be given some explanation by the parliamentary secretary why special tax treatment is needed for non-resident-owned investment corporations. I would also like to have some further explanation concerning the amendment.

In dealing with this matter we must also concern ourselves with Canada's policy regarding foreign ownership. There has been considerable discussion of this subject in recent days. It has become apparent that the government took a decision in principle to establish an agency to act as a screening mechanism with regard to foreign takeovers. This is an entirely inadequate response to the problem. It is typical of the Liberal responses to so many problems connected with the Canadian economy. It does not come to grips with the basic question.

We have to deal with the problem of multinational corporations. This is a problem which is growing in importance on the world scene. Some observers have suggested that by the end of this century multinational corporations will be the effective power instruments on the world scene rather than the nation states, such as is the case today. The question comes up: should Canada get into this game and try to get its share of the multinational corporations, of the 300 or 400 such corporations that are paramount? I question whether Canada should get on the bandwagon and try to get a small piece of the action because I can assure you, Mr. Chairman, it would be only a small piece of the action. At the same time we must recognize that, regardless of what policy Canada adopts, there will be a continuation of the proliferation of multinational corporations, and a continuation of the growth of their influence. The only context in which we can hope to find an eventual solution for the problem is some form of international action.

In this regard I note that Canada has taken a halting, limited step at the United Nations in an effort to have a study undertaken on the influence of multinational corporations. This is only a timid step, and possibly it is all that could be accomplished in that forum at this stage. I maintain that Canada must be more aggressive at the United Nations in trying to get a greater degree of international action to deal with multinational corporations.

We must also consider what policies we are going to adopt in Canada, and how we are going to control the existing problem here. There may be a number of mechanisms proposed to try and exercise control over our economy. We will have to consider what we should do by way of policies involving economic goals, perhaps in some cases by buying back certain industries. I acknowledge the point that it would be an inappropriate use of resources to place over-emphasis on this area, simply trying to buy back the economy, but at the same time there may be instances when this will be the appropriate action to take.

More importantly, Mr. Chairman, dealing with the future we must take a look at the sources of Canadian capital, and here we have to be concerned with the development of our own sources of capital, and accumulating savings that can be invested in the economy. There is also the external problem. There is a good deal of argument about whether we still need foreign capital in order to achieve the degree of economic growth that we desire in Canada. I am not sure whether all of this debate is entirely useful. There may be times when we will want external capital, and other times when we will have no need for it. In any case, there are two basic points to be kept in mind.

Whenever it is considered appropriate to have an infusion of foreign capital one question that must be considered is how the capital is used, that is, whether it is invested in equity capital or results in an alienation of ownership of Canadian resources. The question of the extent to which the infusion of foreign capital is placed into equity is an important one, but it is not the only consideration. We must also be concerned with the question of how the money is spent, and just what sort of industry it is invested in, both in terms of the actual expenditure of the money and the type of growth brought about by that expenditure. This can have very important consequences for the Canadian economy.

• (3:40 p.m.)

At the same time I recognize that we have to maintain our links with the international community and we have to be concerned about markets for some of our products. Certainly, we want to have more finished products exported from Canada rather than simply raw materials. We all also have to be concerned with the area of technology because that is at the very core of our development policy today. We must have an adequate science policy, one that will enable us to undertake the type of research programs necessary if we are to excel in those areas of economic development upon which we decide to concentrate. We must take care however to maintain our links so that we do not exclude from this country technological development from other parts of the world.

In terms of the structure of the economy that we decide upon, we must select the areas of that economy upon which we will concentrate to bring about the economic growth necessary to do the best possible job. Two or three years ago, the then minister of communications, now the hon. member for Duvernay, pointed out that in the area of communications there was a golden opportunity for Canada to develop a first rate industry, Canadian-owned and Canadian-controlled, geared primarily to Canadian needs and conditions. He felt that we could excel in this field, first of all to take care of our own requirements and then expand to world markets.

Another area about which we must be concerned is that of outflow of capital from Canada. At the present time this is directed by some of our financial institutions and some of it is aimed toward production capacity in other countries rather than to Canadian development. However, I am afraid there are many cases where that development is not directed toward Canada's well-being but rather the corporate well-being of the particular institution involved. Of course, we have the development of various resort facilities in the Caribbean and so on. This type of investment may serve to develop that area, if that is the object, but in many cases it is of no particular benefit to Canada. Certainly, Canada's present actions—

The Chairman: Order, please. I regret to interrupt the hon. member but I must do so to advise him and the committee that his time has expired.

Some hon. Members: Carry on.

The Chairman: Is there unanimous consent for the hon. member to continue?

Some hon. Members: Agreed.

Mr. Burton: Thank, you. I just have a few more remarks, but I think it is important to round out the discussion on this subject.

Another area to which we must give greater attention is the Canada Development Corporation. The stand of the New Democratic Party is very clear. We were unhappy about the type of Canada Development Corporation established by the government some months ago. We think that an entirely different type of structure is required which will enable the government to use it as a key instrument in directing Canadian development and giving some hope to Canadian development policy. I think we also have to keep in mind the effect of our actions on trade and trade policy in view of the upheaval we are facing at the present time. We must decide whether to go in with one or the other of the trading blocs of the world or whether to establish ourselves on a relatively independent basis, at the same time developing links with the various trading blocs being established in the rest of the world. It is very difficult to know what government policy is on this matter. We must decide what kind of economy we want in Canada. Do we want one which is self-sufficient in which we develop our own capacity, or do we want a policy inseparably linked with another part of the world and which would make us dependent on the economic well-being of that area. I do not think that is a desirable course of action for Canada.

In conclusion, Mr. Chairman, we must pay close attention to the manner in which the tax system is used in connection with our international economic relationships. We agree with some aspects of the government's approach, but it must be underlined that we need a greater development of policies in other areas in order to achieve a more adequate development of the Canadian economy than we have seen up to the present time.

Mr. Ryan: Mr. Chairman, this is the second opportunity that I have taken to speak upon some of the subject

matters contained in Bill C-259. Today I am concerned about the taxation of international income as reflected in this bill—the Boeing bill. I call it the Boeing bill because it has 707 pages and the government is trying to "jet" it through.

Mr. Paproski: Very good.

Mr. Ryan: In this topic, international income, there are two quite separate subjects. One concerns the taxation by Canada of those portions of income derived from Canada by non-residents. The other concerns the taxation of Canadian residents on those portions of their incomes derived from foreign sources. It is with the latter of the two subjects that I wish to deal now. More specifically, I intend to concentrate upon those sections of Bill C-259 which affect Canadian multinational companies.

The Canadian multinational corporation is extremely important to us. By the term "Canadian multinational corporation" I mean a Canadian corporation, of which sufficient voting shares are owned by Canadians to control the corporation. This kind of corporation brings in foreign exchange to our country, develops our technology and aids in redressing our balance of payments. In 1970 Canadians received $513 million from foreign sources as interest payments and dividends alone as stated by the hon. member for Dauphin. But in the first two quarters of 1971, $270 million were received. Obviously, Mr. Chairman, a great part of this income of foreign exchange into Canada was the result of the activities of Canadian multinational companies.

As well, they aid in the generation of markets abroad for Canadian produced goods and generate jobs in Canada itself. For example, Massey-Ferguson Limited, one of Canada'a all too few great multinational companies, employs about 4,000 Canadians in Ontario directly, and thousands more indirectly in the industries that supply this farm machinery giant. This company is majority-owned and controlled by Canadians. Its head office and largest plant are in my riding of Spadina. There is a more general appreciation in the world today that home-based multinational companies are very important to the economy of any country. We need the ones we have and to seek more, thus ensuring their continuing ability to compete in world markets. Yet the government does not seem to wish to do this. It has introduced in Bill C-259 measures which will encourage Canadian multinational corporations to move their head offices out of Canada and merely continue branch plant operations in Canada.

Mr. Chairman, the President of Massey-Ferguson, Mr. Albert A. Thornborough, after studying the international income effects of Bill C-259 and consulting lawyers and tax advisors, came to the conclusion that the international tax law revisions proposed by this bill would make Massey-Ferguson a relatively less attractive investment to Canadians compared with an investment in a Canadian corporation operating only in Canada. He pointed out that the results would be that Canadians would sell their shares to American shareholders as the company will face higher taxes and stiffer competition because of the bill. So we ask, why is it that the government wishes to have our companies sold off to people of other countries?

This is inconsistent with the cabinet's "Midsummer Night's Dream" when it adopted the principle of a screening board as recommended by the Gray report. We should be trying to encourage Canadian ownership, not discourage it, as this section of the bill does. A company doing business solely in Canada is exposed to only one tax system. However, when Canada extends its tax system beyond its borders, the multinational corporation in many cases is subject to double taxation which must be borne in addition to the extraordinary cost of doing business abroad.

• (3:50 p.m.)

The Massey-Ferguson case is just one example; yet it applies equally to all exporting Canadian corporations that have subsidiaries or affiliates in other lands. It does not take a sage to predict that if this bill's international income provisions remain unaltered, companies like Massey-Ferguson will move their head offices and most of their prime level activities to another country. Now that the DISC proposal has passed the United States Senate and will very likely be brought into effect soon, this company must be looking at the advantages of a large transfer of its activities to that country. Although Mr. Thornborough did not say so, it follows that as his company's competitive position deteriorates, so will its profits and its view of its whole Canadian operation. Hence, the value of the company to the Canadian people will very likely soon deteriorate and may even disappear. After top management, research and development facilities have been moved, not only lawyers, accountants and engineers will be looking for work, but, Mr. Chairman, many if not all of the factory jobs involved are going to disappear. That is what I am primarily concerned about. I am worried about the people who are now working for Massey-Ferguson in the centre and west side of downtown Toronto. There are thousands of them, and their jobs may disappear.

The Standing Committee of the Senate on Banking, Trade and Commerce in its preliminary report on the Summary of 1971 Tax Reform Legislation has also noted that the competitive position of Canada's multinational corporations will deteriorate. May I read from page 5 of that committee's forty-seventh record of proceedings. I repeat what is said there for emphasis, even though the hon. member for Dauphin has already alluded to this matter. The report reads in part:

> Your committee is deeply concerned with the possible effect of the proposed legislation on the competitive position of Canada's international corporations in world markets. To the extent that Canada's world trading position is adversely affected, it follows that our economic growth as a whole must likewise suffer.

This government, Mr. Chairman, must face up to reality and admit the truth of this statement. Though the matter has been put gently by the other place, it is imperative for us to heed what has been said. In my opinion, the part of the tax reform bill we are now discussing constitutes a very serious government blunder. It must be remedied without delay. I would recommend that every hon. member of the House of Commons read the forty-second record of the proceedings of the Standing Committee of the Senate on Banking, Trade and Commerce. Hon. members will be considerably enlightened as to the predicament that not only Massey-Ferguson but also companies like Alcan find themselves in due to this Bill. Apparently,

about 25,000 jobs are at stake within those two companies alone. Already, two smaller companies have decided to leave Canada or to fold up.

Also, the Senate committee, in the forty-seventh record of its proceedings, makes far reaching recommendations on page 7 with respect to foreign accrual property income and dividends received from foreign affiliates. Those recommendations would completely alter, if accepted, the character of the legislation before us. In placing these recommendations before us, the other place in my opinion has done an excellent job of giving sober second thought to legislation to which very little "first" thought was given.

Some hon. Members: Hear, hear.

Mr. Ryan: If the bill passes in its present form, Mr. Chairman, Canada will be the only country in the world with such complex and intrusive laws governing the taxation of foreign affiliates.

In its usual fuzzy manner, Mr. Chairman, the government has introduced a number of fuzzy concepts and terms in this bill. In the area of the taxation of international incomes, the most outstanding of these vague concepts is that of FAPI, foreign accrual property income. As usual, the government has failed to define this term properly and, hence, a great deal of uncertainty has arisen. The alleged purpose behind the application of the FAPI concept is to prevent the undue deferment or avoidance of payment of Canadian tax on passive income. But the plug, Mr. Chairman, is far bigger than the hole and the result is tax regulations which are somewhat astonishing, to say the least.

Let us take as an example the case of three companies, A, B and C. Let us say that A is a wholly-owned Canadian corporation which is based in Canada and let us say that that company owns 30 per cent of B, a company in a non-tax treaty country. Company B, in turn, owns 100 per cent of the common shares of C, a company in another non-treaty country. Company A also owns 100 per cent of the preferred shares of C. Therefore, under the proposed tax legislation, A has a 130 per cent equity in C. Thus, if C receives $100 of passive income, A has $130 of passive income attributed to it and must pay tax on it, even though C may well choose not to pass on to A and B in the form of dividends or otherwise any part of its $100 passive income. This, Mr. Chairman, is clearly a nonsensical situation and it looks every much as if the government did not read this part of its proposed legislation very carefully before proposing it.

Another disquieting feature of FAPI, Mr. Chairman, relates to the fact that the treatment of dividends from foreign affiliates differs, depending upon whether or not the foreign affiliate's home country has a comprehensive tax treaty with Canada. This is inequitable. First, the Canadian government has no right to penalize a company simply because the country in which its foreign affiliate is located has no tax treaty with Canada. The lack of any tax treaty may be the government's own fault. Second, as the committee of the other place on banking, trade and commerce has noted with regard to countries which do not have tax treaties with Canada, "Many of these countries are developing nations which offer tax incentives to foreign corporations. Canada should not tax away these incentives and reduce their value to Canadian corporations." Third, there is absolutely no reason companies should not receive a tax credit for foreign withholding taxes paid on dividends from non-treaty countries.

Another aspect of FAPI which the government has failed to consider is that the information necessary for its application may be at times extremely difficult to gather, especially if a Canadian company does not have a controlling interest. The Alcan company made this clear to the committee of the other place. They said' "We are working with the Nippon Light Metal Company, the largest aluminum producer in Japan." Alcan has about 50 per cent of its shares but the Nippon company has about 150 subsidiaries. The Alcan company said, "We do not know much about a great many of these companies in Japan and we cannot ask too many questions because the Japanese may think we are interfering." Under this legislation, Alcan will have to go to all the trouble of filling out all the forms in order to find out what has happened to any passive income, if any. Furthermore, since they must deal in the Japanese language, there will be translation difficulties.

In addition, Mr. Chairman, the taxation theories of many countries are completely different from our own and what we may consider as passive income they may consider as active income. This is true of Great Britain. The question is, who is to sort out this mess? Surely, the government can find some simpler system than this one that it is trying to impose upon multinational corporations. In my opinion, Canada needs its multinational corporations. We must not drive them away. I hope the government will realize this and will provide sensible legislation in the area of international incomes. Let us have more common sense legislation, simpler and far more well defined than that which is now before us. Let the government concentrate on taxing truly tainted diverted income which it can do by enforcing existing laws and regulations.

• (4:00 p.m.)

Surely, it is more important to have more and not less multinational giants based in Canada. France found that out. She permitted the growth of multinational corporations and then moved to ease them out of France, claiming that there was too much American influence involved. They moved into Belgium, Holland, Luxembourg and West Germany. That happened just to please Mr. DeGaulle. With them went the jobs of thousands of French workers. Soon the French completely reversed their policy and welcomed the giants once more, but it was too late for most of the gravy because many opportunities were lost in the interim. Mr. J. J. Servan-Schreiber has told us all about that trouble in France and we in Canada ought to be warned by it. For the sake of an estimated $10 million or so for a hungry Department of National Revenue, we can very easily do great harm by winding down the control and operations of our exporting multinational corporations with the loss of thousands of jobs, economic growth and, eventually, the loss of tax revenue.

It is all too easy to strike from within at multinational corporations that are Canadian based. However, they have the worry of different tax laws in every country in which they operate. Naturally, they are attracted to the most favourable tax and economic climate. We must help

to keep them competitive for they are our major hope for expanding secondary labour intensive industry in Canada. In short, Mr. Chairman, we are not happy with FAPI.

Mr. Saltsman: Mr. Chairman, throughout this debate the New Democratic Party has taken the position that the tax system should be one in which people in similar circumstances are treated alike. In general, we refer to it as a matter of equity. We think that equity is as important to the corporate sector as the private sector. We see no reason a corporation which is domiciled and does its business in Canada and pays the full rates of tax should be treated differently from a corporation that invests outside of Canada and receives its income there. It makes no sense in a country like ours, which is seeking internal development and is so reliant on foreign capital, to say you are going to disadvantage indigenous corporations, in effect those who invest inside Canada.

We took exception when the export insurance bill was before the House. We pointed out that the government was introducing measures to stimulate the export of capital. We are in favour of assisting other parts of the world that need our technology, skills and money, but we are not prepared to see the world civilized by international corporations, whether they be Canadian, American or anything else. We do not trust them. We do not believe they act in the best interests of the nationals of the country in which they are situated. They are there to make money; that is their term of reference. Sometimes making money may coincide with the best interests of the country in which they are located, but all too often it does not. We have only to look around the world today to see the conflict that is developing in every country of the world between the attitude and objectives of the international corporation and the national objectives of those countries.

We in Canada are familiar with the difficulties that we experienced because of an existing amount of foreign investment or, more properly, multinational investment in Canada. A lot of this investment comes from the United States. We tend to think that the people in the United States are keen as can be to have this investment in Canada. The international corporation may be keen on it, but not the ordinary citizens of the United States. That same concern that we have developed about the international corporation in Canada is being felt in what is essentially the home of the international corporation, the United States. Certainly, the greatest development of that form of corporate organization is in the United States. The ordinary working people in the United States are saying "We want your investment here. We need some of your investment here in order to provide jobs for our own people." The objectives of the international corporation are not the same as the objectives of the people of the United States, Canada, Liberia or any other country. Therefore, our position is that there should not be any difference in treatment between a corporation that derives its revenue from investment and operations in Canada and a corporation that gets its revenue from outside this country.

We think the government has weaselled and backtracked on what it started out to do. It started out to treat these organizations in a reasonably similar manner. However, it has backed off a lot of these proposals, thereby weakening its position. It has provided advantages to income derived outside of this country. I do not think it intended to do that originally. The original position, that of the white paper, was a considerable departure from what Carter recommended, namely complete equality. The white paper subsequently watered that down by amendments, additions and various interpretations. We do not support the government on this weaselling that they have carried out under pressure from the larger companies.

I wish to read an analysis of the present tax situation made by Mr. Samuel R. Baker when speaking to the Canadian Tax Foundation in Vancouver. This quotation appears in the *Globe and Mail.* Mr. Baker is referring to the behaviour or the kind of taxation to which the international corporation is subject and the results of that. I quote:

> "The result is to permit Canadian residents, through proper planning, to conduct their affairs outside of Canada through non-resident corporations and trusts substantially without reference to the Canadian system of taxation.
>
> The existing system is so open that it has not only allowed Canadian taxpayers the freedom to compete with businessmen from other countries through the use of various tax planning techniques, but has in effect provided loopholes whereby some taxpayers have adopted practices for the avoidance of tax on Canadian-source income which, in the Government's view would ordinarily be taxed in Canada, by diverting such income to tax-haven jurisdictions."

How does it feel to a Canadian manufacturer who is trying to make his living within the confines of Canada to see that people who invest outside the country, which is contrary to the national interest in most cases, are given far more favourable treatment? The member who just spoke referred to the fact that the revenue that would be obtained by taxing corporations on their out of country income would not amount to a great deal more than $10 million. For that amount of money we should not bother to erect barriers to investment outside this country. But even assuming that $10 million is reasonably accurate as a figure and that we are not going to get more than $10 million, the point is that loopholes do exist. Canadian companies see their competitors or other companies that invest escaping substantial taxation or being subject to ordinary taxation, as the case may be, by investing outside the country and building up tax havens elsewhere. As a result these companies wonder why they should be good citizens when they can do the same thing, and very quickly the $10 million becomes $100 million.

• (4:10 p.m.)

The greatest disservice anyone can provide to the development of indigenous Canadian industry is to grant special incentives and privileges to those who invest money outside the country from which they derive income. Over a period this will destroy the effectiveness of Canadian manufacturers and industries to compete and to continue their present mode of operation. I also ask, what is the point of developing and encouraging industrial activity outside the country. It does not provide employment in this country. Very often there may not even be use of materials produced by this country. If this sort of investment is encouraged and taxes are not collected on the income therefrom, then what is the point of it? What use is

it to this country? Why should such investments receive special consideration? I would have thought that this was the worst kind of encouragement to offer a country that wants to develop and provide employment for its own people.

What is the rationale for this approach if no benefit is derived from it and its purpose is to provide a nice tax haven in Canada to conduct operations? I do not know how such a proposition can be defended, and I am rather surprised at the position that some of my friends in the Conservative party are taking on the issue. I can understand the government backtracking on the matter, but I would have thought that these hon. members would criticize the government for trying to weasel out of what should have been a firm position. The government now wants to weasel out even more, and I find the situation difficult to understand.

International corporations have created serious problems around the world as well as serious differences between the countries from which they originate and the national aspirations of the countries in which they invest. It is a new kind of imperialism which is very similar to 19th century imperialism, the sort of thing Professor Hobson talked about. They are not sending in gunboats this time; they are sending in international corporations instead. The theory is just the same. They say: "We are doing this for your good. We are going to civilize you. We are going to bring you the Coca-Cola civilization. Where would you be without our gunboats and our civilizing influence?" We have seen the results of 19th century British imperialism. Do we want to duplicate the same sort of principle by using this different approach? Furthermore, do we as Canadians want to be participants? Have we not suffered enough from imperialism that we want to go out and play the same sort of game ourselves?

This country does not have to live off international corporations; we are rich enough without that. The international corporations tell the public to look at all the good they are doing, that they are providing industrial benefits and so on. But they do not pay taxes. Often the poor countries have been forced on their hands and knees to invite international corporations, to invest and to play off one country against another to give tax relief and all kinds of concessions in return for investment. Then they develop and expand through the use of government money which they claim is helping the country concerned.

I would far rather international corporations be taxed either by the country of their origin or by the country in which they operate. You could then have government level discussion on how to develop the country with the use of this money. I do not want Massey Ferguson civilizing the world because I am not that impressed with its civilizing attitudes. Neither do I want any other large company civilizing the world on Canada's behalf. If we are going to contribute to foreign aid and assist other countries, then it is this Parliament that should make that decision. It should not be made indirectly by other people who are exempted from taxation. I cannot understand why it is not clear and obvious that we get no benefits from this sort of operation. For example, we had a number of briefs presented to the committee.

Mr. Ryan: One of the benefits was $113 million in foreign exchange.

Mr. Saltsman: But for whose good was it, and what was it used for? To raise our dollar still further? The hon. member was complaining that the value of the dollar was too high. I remember one case before the committee made by. I think it was, a Liberian ore company which pointed out that they did not put any strain on our school system and suchlike but were simply using Canada as a vehicle for passing through income. They pointed out they were providing Canada with two million dollars a year for the privilege of using Canada as a tax haven, that if we insisted on passing legislation to put a stop to this they would go elsewhere and we would be short a couple of million dollars. Why should Canada, with a gross national product of over $90 billion, prostrate itself as a tax haven for corporations of this kind for fear that they may move out of this country? Are we so poor and lacking in dignity that we must behave like a banana republic and provide a tax haven for companies that ought to pay taxation just as other companies do? I do not want my country to do that.

I think most Canadians would willingly pay a few cents ore on their tax bills—in order to retain their dignity and not sell themselves out for a few bucks.

Mr. Ryan: What will you do about all the jobs created?

Mr. Saltsman: They are not providing jobs. What sort of jobs are they providing?

Mr. Ryan: Union jobs.

Mr. Saltsman: They are not providing any jobs, whether they be union jobs or any other sort of job.

Mr. Horner: Don't forget the international unions.

Mr. Saltsman: Mr. Chairman, every time members of the Conservative party get hurt because someone throws their faulty logic back in their teeth they raise all kinds of irrelevancies. I respect hon. members on that side of the House very highly, but does it not discourage good debate in this House to drag in all these tired old saws?

Let me continue with what I was saying. One of the most important points to bear in mind, one which my colleagues and I have referred to before, on the subject of foreign ownership is that the difficulty in Canada arises not so much from foreign ownership itself but from the fact that it is associated with the multinational corporation, which usually has a different set of objectives from those of the country in which it resides. In other words, these companies very often do what is best for them. If it happens to suit the country in which they reside, then that is all right. If it does not, then that is too bad. The Canadian multinational corporation is just as destructive of national interests as is the United States or any other foreign corporation. At the head of the list of those who are the most vociferous in their opposition to any attempt to limit foreign ownership in Canada is the Canadian multinational corporations, the big companies of Canada. They do not want any restrictions on what they may or may not do because they are always afraid that if Canada places restrictions on them other countries will follow suit. This is what they fear, and so they should.

• (4:20 p.m.)

Under pressure from farmers of Canada, which I think was justifiable, we moved rapidly toward free trade of agricultural implements. By and large agricultural equipment now comes in free of tariff. The argument was that free trade would lower prices to the farmer, provide competition and that we would benefit industrially. We would have more work for the people in Canada as a result of removing the tariff. In fact, none of these things has happened. The price of farm machinery is atrocious in Canada and it is artificially maintained. The Barber report showed documented evidence of the high price of farm machinery in Canada in spite of free trade. As far as employment is concerned, one need only look at the Massey-Ferguson investment pattern. It left its labour intensive manufacturing here in Canada but all its technological developments took place in the United States. Its tractor factories are in the United States, not in Canada. When Canadian workers said to Massey-Ferguson a couple of years ago—

Mr. Horner: Where are the parts made?

An hon. Member: And the combines?

Mr. Saltsman: I will return to combines in a minute. I know a lot of my friends to the right are bristling for knowledge. If they will simply contain themselves for a few minutes, I will see if I can assist them.

A few years ago Massey-Ferguson was involved in a strike with its workers. In anticipation of the UAW taking strike action they hired Hedlen-Menzies, a very well known firm in Canada, to do a study, the purpose of which was to persuade the workers of Massey-Ferguson that if the company had to pay wages in Canada comparable to those in the United States it would not be worth while to operate in Canada. The union was not asking for higher wages than those paid in the United states. It was not asking that the workers do less work than those in the United States. The union simply said that if the men worked as hard and as well, they should be entitled to the same wages as their counterparts across the border. After all, there is this free trade without tariff and the goods are coming in competitively. The union felt the workers were entitled to wage parity.

The argument was that the workers were not entitled to parity because the company maintained its plants in Canada that were labour intensive, and that if the company had to pay Canadian workers the same wages being paid in the United states it might as well move the whole operation to the United States. This is a Canadian company, not a United States company. This is not a foreign company putting Canadians under muscle, but a Canadian company which got its start here. Its greatness originated from the market in Canada, but in fact it was saying that Canadian workers should be permanently condemned to lower standards of living than their United States counterparts across the border. This was not because Canadian workers were not as productive. This is what the study indicated, though the report tried to say this nicely. There is no way you can say this kind of thing nicely. Is this what we want in Canada?

An hon. Member: You are not accurate.

Mr. Saltsman: You better read the Hedlen-Menzies report which outlined the reasons the company could not pay the same wages in Canada. The experience so far as productivity is concerned in this country has been that if you give the Canadian worker the same kind of machines and opportunities he will produce as effectively as his United States counterpart, and sometimes even more effectively. There can be no argument that because the workers are not as productive as others they should not receive the same wages. The point is that even if parity had been granted at that time it would not have been true parity because the Canadian dollar was around 92.5 or 93 cents, so this would have meant the workers would still be receiving 7 per cent less in real income than their friends across the border.

This is the corporation about which some of us in this House are bleeding. They are afraid they will leave Canada. If that is the way they behave, then we are better off without them and should find a Canadian company which will operate in Canada's interests and be concerned about the workers of this country.

Mr. Horner: Suggest one that will take its place.

Mr. Saltsman: Let us be very clear that the company is not a charitable organization. It is set up to do business in Canada because there is a market here; Canadian farmers buy machinery for use in this country. If Massey-Ferguson does not want to make this machinery, then somebody else will.

Mr. Horner: Name one other manufacturer in Canada who will.

Mr. Saltsman: If other companies will not do it, the government can do it.

Mr. Horner: The government, that is what you want. You want government ownership. Now, we are hearing the truth.

Some hon. Members: Oh, oh!

The Chairman: Order, please.

Mr. Horner: Talk to Tommy, he will tell you the trouble.

Mr. Nowlan: Would the hon. member permit a question?

The Chairman: Order, please. The hon. member for Annapolis-Valley knows that he may ask a question only with the permission of the hon. member who has the floor.

Mr. Nowlan: This has been a very interesting dissertation, but does the hon. member for Brant believe everything the hon. member for Waterloo is saying? I am wondering whether he would like to see Massey-Ferguson move out of Brantford?

An hon. Member: He is listening to the financial spokesman of that party, but he has not said no.

Mr. Saltsman: I see that the hon. member is treating the remarks of the hon. member for Annapolis-Valley with the kind of contempt that such misinterpretations of my remarks deserve.

Mr. Horner: There is no misinterpretation.

Mr. Saltsman: If the hon. member wants to enter into this discussion, he should at least be very careful of what he says. I think my statement was very clear, but let me repeat it. As long as companies serve the interests of Canada that is fine, but when they stop serving the interests of Canada, whether the consumer, the worker, the farmer or somebody else, then the job should be done by somebody else. If "A" will not do it, "B" will, and if "B" will not do it—

Mr. Horner: Then "G" will.

Mr. Saltsman: —then "G" will.

Mr. Horner: Yes, the government will.

Mr. Saltsman: We do not have to be blackmailed and we do not have to be treated in the shameful manner we have been treated in this country because we have an alternative. As most hon. members know, I am not one who advocates nationalization or public ownership of any kind or to any large extent.

Mr. Horner: But you were one of the Waffles.

Mr. Saltsman: I am sure the Waffles would be very happy to hear that. My record is very clear on this matter.

Some hon. Members: Oh, oh!

The Chairman: Order, please. Perhaps it is a matter of geography, but it does seem to the Chair that hon. members are located close enough to each other that they are carrying on a debate among themselves. I really feel the remarks should be made to the Chair.

Mr. Saltsman: Thank you, Mr. Chairman. You will know, of course, that I have not been one of the favourite Waffle heroes in Canada. We are not helpless, as my friends in the Conservative party seem to think we are. They gave away this country on every occasion they could.

Mr. Horner: Would the hon. member permit a question?

Mr. Saltsman: Of course.

Mr. Horner: Is the hon. member aware that his leader told Mr. Laxer of the Waffle group that he cannot say these things about nationalism and get elected?

An hon. Member: You obviously haven't listened, either.

The Chairman: Order, please. The question has been asked and the hon. member for Waterloo may want to respond. When he has done so, I think we should try to get back to the subject matter of the debate.

Some hon. Members: Hear, hear!

Mr. Horner: We are getting a little bit of help from the modern socialists over there.

Mr. Saltsman: The question asked is very interesting, but I really do not know what relevance it has to the matter we are discussing. I would be very pleased to provide the hon. member for Crowfoot with a copy of this report if he is as interested as he seems to be. I would be pleased to straighten him out on the internal events of this party.

An hon. Member: Maybe we could find him a membership card.

Mr. Saltsman: I should hope not. We have been discussing this matter from a number of points of view and I should like to recapitulate for a moment.

• (4:30 p.m.)

I should like to recapitulate for a moment. The first point is that if these companies are not going to pay any taxes or provide any employment, what good are they to us. If they want to pack up and say that they do not want to be in Canada, they will not be of very much help to us anyway. Second, and perhaps this should be the first point, is the matter of equity. If we are to provide any advantage in the tax system to one group over another, surely it should be in respect of the companies which manufacture in Canada rather than those which just export raw materials out of Canada and ask for a tax exemption. The simple matter of equity demands that any advantage be given to those who manufacture in Canada. Certainly, our position is that they should be treated alike. Equity demands there should not be any special treatment for one over the other. Third, Canada does not need international complications. These multinational companies could get us involved in considerations in which we do not want to be involved. We do not want to be part of a twentieth century imperialism and do not want to become involved in having the international corporation determine international priorities. That should be a matter for decision by government and not the international corporation with the government itself being held up for ransom.

The other point which I was talking about when some questions arose from my friends on the right was that some companies, like the Liberian Ore Company, will leave Canada if we do not provide a tax haven for them here in Canada. The day of the tax haven is rapidly drawing to a close, and not only in Canada. Even the poorest nations have some sense of dignity and pride and, I am sure, do not want to be tax havens any longer. Many of those which have become tax havens have regretted this and have found that any small benefits they have received have created more problems and costs than benefits. Surely it would be ironic, if the small, poorer nations of the world are no longer willing to provide tax havens, for a country as prosperous as Canada to say it will. It is for these reasons I have spoken at length. I have some further things I should like to say as this debate continues. Certainly, there should be equity between corporations if there is to be equity between people. I do not think this government measure goes far enough to ensure this equity, and we think the government has backed off from doing what should have been done in this particular case.

Mr. Bigg: Mr. Chairman, the tragedy in Canadian life today is that we have two socialist parties, one of them anti-American and the other stumbling around without a policy, national or otherwise, which is adequate to bring Canada out of the economic doldrums in which it finds

itself. World trade, of course, is the most important thing in our economic life. The question, however, is how do we get that world trade. We must be realistic about this. It is no good bleating about what was wrong in the 18th century, in the 19th century or since the beginning of time. We are not faced with British imperialism anymore or with a trade war among people. We are faced with reality in the last quarter of the 20th century. We want to know what should be done about the situation now. Karl Marx is long out of date.

Mr. Nystrom: So is Jack Bigg.

Mr. Bigg: I might be, but we are not yet ready for the Nystrom era. Heaven defend us so that we will never get it. The gentleman who just interjected could tell us, if he wanted to be honest, as a result of his last journey to Sweden about the situation in that country today, one of the havens of socialism—perhaps we could say national socialism.

Sweden is not particularly worried about what is happening in the rest of the world because she has a nice little homemade economy of forest farming. What is the income tax situation in Sweden? The hon. member could tell us if he wanted to. It is something in the neighbourhood of 70 per cent and perhaps this accounts for the highest suicide rate in the world. This is well known and the hon. member is aware of it. So, we can learn very little from Sweden. If we in Canada want to go back to being nothing but farmers of trees, and if we could be satisfied with being nothing but a country which shares the wealth in trees like a snake with his tail in his mouth forever chewing until he is chewing his own ears, fine and dandy.

However, I suggest this is not the future of the great Canadian nation. We look outward. We should look outward and should not be talking about what is wrong in the United States. It is true there are things wrong in the United States but that is not our problem. Our problem is what is wrong here and why are we not getting together, planning together and legislating together to put the great Canadian economy on its two feet. This is not impossible; it is just difficult.

As I am very seldom negative in my remarks, I want to suggest one or two things we could do in a positive way. One is certainly not to take the Carter report as the law of the Medes and the Persians. The Carter report is a product of the Conservative government. We brought together on this matter the minds of the best economists of the time. They brought in a very voluminous report. Anyone reading the Carter report—which I have done although I doubt very much whether my friends on the left have read it as well as they pretend they have—would realize it is not a document which gives us all the answers. It is old fashioned, London School of Economics economic theory. It is Canadian in its basic philosophy, but in the latter quarter of the 20th century that is not quite good enough. Things have changed. We are not now simply in a quarrel between a big landowner and the poor downtrodden hedge clipper. We are in competition not only with international corporations—and I accept the fact that this is one of the facts with which we have to deal—but with great trading blocs in the world.

England has just been forced, through no fault of her own, into the European Common Market. Our great socialist leaders in England, Mr. Wilson for one, are hypocrites of the highest order. Now that Britain is on her knees through being forced to enter the European Economic Market to which she did not wish to belong, Mr. Wilson decries the fact that anyone wants to be co-operative. Now, he suddenly becomes an imperialist, British to the core. Any co-operation with the European Common Market is now treason. Mr. Heath, of course, a Conservative, is to be blamed for it all. Who is the great critic? The leader of the socialist party in Britain.

We owe to our friends to the south in this 20th century 90 per cent of all the wealth and affluence we have. We owe this to the ingenuity, business ability, friendship and co-operation of this great industrial giant to the south. However, now it is the cat somebody should bell. Apparently these socialists in both parties, the Liberals and the avowed socialists, say if we can only bell this great cat to the south of us everything will be well. Let us have none of that nonsense. Let us set our Canadian house in order, and let us look for a while at what we can do to expand our own economy. Where has the Roads to Resources Program gone? Down the drain. Where has the winter works program gone? Down the drain. Where has the vision of north gone? Down the drain. Why? Because it is the avowed policy of the present administration to keep us busy fighting among ourselves, and then we will never build a solid economy in the north. We will have to look elsewhere for leadership. I do not like this one bit. I, for one, am unwilling to trade any reliance we have upon the great republic to the south of us for reliance upon the Union of Soviet Socialist Republics or the great Republic of China. I say that if there is a future for Canada, it is in paddling our own canoe, rowing our own boat, to get our own economic house in order. It is about time we got down to some solid thinking about this.

• (4:40 p.m.)

I do not suggest in any way that a mere tax haven is the full answer, but it is one of them. I do not see very much of a tax haven in this document which would give any comfort to the people in Canada who want to save their hard earned wages, who want to put risk capital into the development of their own country, who want to buy Canada back, and who want to develop that part of Canada which is still untouched and which lies anywhere north of the 49th parallel. Let us have no more of this talk blaming the United States for the trouble in which we find ourselves.

Part of the trouble of the United States is due to the fact that it has been far too generous since World War II. Part of her trouble is that she has been fighting all the wars of the free world and we have been giving her little comfort and no financial or military help. The colossal figure of $145 billion was spent in Marshall aid by one nation in the last 25 years in international help for the downtrodden and hungry nations of the world, more than in all the history of this planet. I am sick and tired of hearing our friends to the south, the best friends we have ever had and the best friends we could ever have, being blamed for all the troubles we have, many of them self imposed. I do not think such statements should be made by any group of people who talk about Canadian sovereignty and who

know perfectly well that most of their support comes from U.S. dominated unions.

Where is this sovereignty when there is a strike in the Massey-Ferguson Company? The orders come from south of the border. Probably that is one in which they have an excuse for the proper complaint that sometimes workers in Canada are on strike when they have nothing to gain from a strike except competition with the giant to the south. Our course is not to blame the United States of America for all of our faults, but to go back to work. Everybody in Canada knows that it is ridiculous nonsense for the workers of Canada to whine, to yelp and to strike for equal wages unless we have equal opportunities to sell our goods. As everybody knows, the Americans have a market at least ten times as great as ours. Those are the facts of life. If we demand equal pay for equal work, how are we going to account for the differences in transportation and in climate, for the fact that we do not have available to us the sophisticated tools which they have south of the border? It is perfectly true that if we had sophisticated tools, large factories and transportation, as well as the many advantages which American industry has, we could pay equal wages for equal work. You know it is impossible. If you get the right provisions written into an agreement so that you get equal wages, then you can expect companies—which as somebody said are not a religion but are in business for profit—to locate elsewhere.

When we are looking at Bill C-259 we have to look at its clauses which will give some hope to Canadian business and to Canadian investors and which will give us equality, at least taxwise, with the Americans. In the farm machinery industry, of which I have some knowledge, there has been some parity until the present time. But as I read Bill C-259, there are changes in it which will make it more difficult for Canadian manufacturers of farm machinery to compete with their American counterparts.

This is a retrograde step and the kind of thing at which we should be looking. Instead of looking for a scapegoat or for somebody else to blame, why do we not look at our own stupidity when we are not even capable of putting in a clause in a seven-pound document which would protect, for example, Brantford and other areas which are producing farm machinery?

Let us consider the Carter report, that socialistic document. I say that socialism for Canada is not only out of date but will not work. We now depend on international trade in manufactured goods, sophisticated machinery and even heavy water plants and atomic products, very sophisticated products indeed. There is international competition and we must make it possible for the taxpayer of Canada who wants to save his money and invest in mining and processing of Canadian materials to have equality so far as taxes are concerned with his American and international counterparts. That is something which we can do and over which we have control.

Is there anything we can do about the trading blocs? I suggest there is. As radical as this may sound, I say that if we are not capable of developing in North America a trading bloc of some kind which would act as a counterbalance to the European Common Market and to Soviet and Chinese influence in trade, we are in deep and serious trouble. Nothing could be more simple to my mind, and if we plan it properly it is not fraught with the dangers which have been paraded in this chamber today. We have been treated well by our American counterparts. Until now they have found Canada to be a rich and profitable place in which to invest their money. Our taxation laws have encouraged this. The United States, in their wisdom, have seen fit to make it profitable for American companies to invest in Canada.

I say that one of the first steps we should take is to make sure that when Canadians invest in their own industry, particularly the oil and gas industry, we should make it equally profitable for Canadians to invest risk capital in these areas. Then, you will find that Canadians are more interested in developing their own resources than in investing in such places as Brazil, Australia, South Africa, or the great United States. We have not done enough to encourage Canadian participation in our own country. The Carter recommendations not only do not give the proper encouragement but do not suggest proper means for developing our country. If you take them to their ultimate conclusion, they lead down the road to a complete take over by the state. If we get to this point, we know perfectly well that initiative would be killed and there would be workers only because they were driven by a gun. My experience with Canadians, and I know them pretty well, is that this would never work in Canada. It would take two men with guns to make me work, and they had better be good with the gun.

• (4:50 p.m.)

We need to take a good look at the question of state ownership of anything. In Saskatchewan they tried an experiment with state ownership involving some 17 companies established as Crown corporations, covering everything from box factories to shoe factories. They all went broke. None of them showed a profit. State ownership does not work. State ownership is all very well for a country which has experienced a thousands years of slavery. Anything is better than that, but surely nobody in this chamber can say Canada is in a situation where we have to accept anything in order to get out of our slavery. Our only slavery is slavery to stupidity, to laziness, in accepting a document like this and being so subservient as to allow it go through unamended. Amendments are needed, and we know what the amendments should be. Before it is too late we must write into this document protection for private industry, private enterprise, private wages and private profit, instead of rushing into a socialistic takeover.

We should be giving every Canadian an opportunity to become a shareholder in Canada. This can be achieved. We launched a small experiment in Alberta a few years ago, the Alberta Gas Trunk Pipeline. Shares in that enterprise were sold practically before the certificates were printed. Through you, Mr. Chairman, I suggest to the parliamentary secretary and to the minister that we should be seeking opportunities to expand Canada's economy, giving all Canadians an opportunity to invest in it. Look at the wonderful opportunity we missed after the discovery of oil and gas at Prudhoe Bay.

I am not a negative individual. Three years ago, when the first news came out of that discovery, I could hardly wait to get a chance to speak in this chamber to beg the

government to undertake plans to build a pipeline, or series of pipelines, stretching from Prudhoe Bay down through Canada to the United States. What was the result? From all sides we had people whining about the ecology, about the loss of nesting places for the whooping cranes and grazing land for the caribou. People just did not know that caribou are quite capable of looking after themselves. We should have undertaken the necessary research at once. Our Prime Minister went over to Russia and saw how our Russian friends build pipelines in the north. I say that anything they can do we can do better. If we wanted to, we could build a pipeline from Prudhoe Bay and have Canadians invest in it. It would probably be the biggest single development in the history of the oil and gas industry in Canada.

But what have we done up until now? We have had nothing but wrangling, nothing but whining, nothing but criticism of things we know nothing about. A few years ago if we had placed experts to work, and backed them with a few millions of dollars, by now such a pipeline would be half completed, and we would not have to worry about oil being piped across Alaska and shipped down the west coast. A pipeline from Prudhoe Bay through the centre of North America, taking the shortest route between the wells and the market, is a project, of the type that can be undertaken by good, aggressive, free-thinking Canadians. We could hand the oil over at the border to good, strong, free-thinking Americans.

The Assistant Deputy Chairman: Order. I regret to interrupt the hon. member but his time has expired.

Mr. Jerome: Mr. Chairman, I rise on a brief point of order to bring hon. members up to date on the business of the House for the rest of the week. Further to our announcement on Friday about the possibility of holding an opposition day this week, it has now been agreed that Thursday will be an opposition day and that the subject matter for debate on that day will be determined by the Creditistes. That will have a distorting effect on the four days that had been allotted this week for the subject matters that were announced on Friday, and adjustments will have to be made to make sure that the full number of hours allotted to the four subjects mentioned on Friday will be available for discussion of them.

The first of those subjects was international income, to be debated today, and tomorrow; under mining and petroleum, we propose to deal with sections 21, 35, 46 to 48 inclusive, 59, 64 to 66 inclusive, 87 and 124. This will then leave, beginning on Wednesday, corporations and their shareholders, which will involve discussion on the following sections: 36 to 41 inclusive, 82 to 84 inclusive, 89, 112, 121 to 125 inclusive, 129, 143 and 181 to 197 inclusive. The fourth of the categories which will be dealt with this week is business and property income, which would be commenced on Friday and concluded on Monday, depending on the exact adjustment made to compensate for the fact that discussion on corporations and their shareholders will begin on Wednesday, because it was specifically undertaken that Wednesday would not be treated as a full day in the decision to give one day to each of those four categories. Therefore, discussion on business and property income will begin some time on Friday and will conclude on Monday. This will include sections 14 to 19 inclusive, 22 to 26 inclusive, 28, 32, 33, 34, 36, 37, 50 to 59 inclusive, 104 to 108 inclusive, 122, 130, 131, 132, 138 to 142 inclusive and 208 to 211 inclusive. Those sections are all contained in the list which I filed when I made the announcement of business last Friday.

The Assistant Deputy Chairman: Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Hillsborough (Mr. Macquarrie)—External Affairs; the hon. member for Oshawa-Whitby (Mr. Broadbent)—External Affairs; the hon. member for Ottawa West (Mr. Francis)—National Anthem.

Mr. Osler: Mr. Chairman, in considering this subject we must consider the real world in which we live, and try to make our legislation appropriate to that real world. So far this afternoon we have heard things which may have been at a bit of a tangent to the subject. I am sorry the hon. member for Pembina is not in the chamber because I do not like to speak about a member when he is not present. I hope he is behind the curtain and will return. He said that we were blaming the United States for all our troubles. I have never heard people blaming the United States for all our troubles.

• (5:00 p.m.)

Mr. Alexander: Not yet, wait until the elections.

Mr. Osler: I have heard a lot of people blame some parties for blaming the United States for all our troubles, but I have not heard the parties blaming the United States. We are not saying that anybody has offended. We are saying that we do not like the way they put on surcharges or discount programs against us when, even by their own criteria, we are not offending them.

The hon. member for Pembina said, "We must trade to live" and he somehow hooked that in with the idea that we were being offensive to the United States, that we should be trading with the United States to live. Of course, we should. His own former leader and the former outstanding prime minister, a genuine voice from my part of the country, was the first in modern times to see the danger that has materialized and to endeavour to divert 15 per cent of our trade from the United States to other parts of the world.

Mr. Peters: It is too bad the Liberals didn't do it.

Mr. Osler: Yes it is too bad that they did not manage to do it, but they have managed to do more than has ever been done before and they are still endeavouring to do it. My part of the country depends on trade more than any other, and when I go about it is pitiful to hear people in various mealy-mouthed opposition parties saying that our Prime Minister travels too much trying to drum up trade.

Mr. Dinsdale: Trade?

Mr. Osler: We need trade in order to sell our manufactured goods and farm products, yet when people go out to try to get it they get blamed for it.

The hon. member for Waterloo said that this country does not have to live off other people. I wish he had gone to Assiniboia to tell that to the people he was trying to

persuade a couple of weeks ago. No other people in the world try more to live off other parts of the world than do Canadians, whether they are in Ontario or in the west. One thing we have in common is that Ontario and the west need to live off other people. Here we have this inward-looking orthodox, rigid thinking, mealy-mouthed—My God—

Mr. Peters: You people are just moving into that field now. Don't be too brave!

Mr. Osler: What field?

Mr. Lefebvre: Address the Chair.

Mr. Peters: International trade.

Mr. Osler: I did not realize that any so-called labour party knew anything about international trade. They have always been inward-looking, contemplating their own little umbilical cord. They do not think it is worth trying to live in the real world. However, they have nothing to fear because they will never have to live in the real world.

Mr. Skoberg: You have never lived in the real world yourself.

Mr. Osler: I would just ask the hon. member for Waterloo to repeat his statement that this country does not need to live off other people to the farmers or the industrial workers for whom he reputedly speaks. There is no country in the world where 20 million people depend on trade more than in this country.

Having said that, there is no use spending a lot of time talking about the great evil international corporation. Canada is a mature country and if it does not like the rules under which some international corporations play the game in this country it can change the rules. But to say that international trade is something to be suspicious about is being pre-19th century—probably a taste of the mercantilism which went out about the time the Stuarts went out.

Canada's domestic market is small. The thing that worries me about the treatment of international corporations is that, even more than tariffs today, the ability to locate work in various countries through international corporations is emerging as one of the fundamental keys to prosperity and job opportunities. They found this out in Europe and we are finding it out in Canada; it can be expected that some members will realize that it is happening. If that is the case, as I believe it to be, then Canadian companies wishing to establish operations in foreign lands in partnership with local nationals under the laws created by those countries, should not be discouraged from doing so. I think this legislation should perhaps be looked at because I believe it may be discouraging this possibility. By establishing in other countries, sometimes firms can protect and even create technical and non-technical jobs for Canadians. This could help protect tax revenue in Canada and even help our balance of payments position. Such companies could make friends in foreign lands that would give other aspects of Canada's endeavour an opportunity to obtain fresh markets, agricultural or industrial. It is very important that we remain an outward looking country and that we have friends in other countries who can help us generate and open up markets for industrial or agricultural products.

So, Mr. Chairman, there are many pluses pointing to encouragement for Canadian corporations to be on the ground in foreign countries. I am not talking about Canadian corporations unduly expanding a foreign company in a foreign land, and it is up to those countries to avoid this. But a lot of Canadian firms play by fair ground rules, Mr. Chairman, and are not out to diddle everybody as our NDP friends assume. It is short-sighted to negate tax incentives offered to Canadian companies by developing countries as this legislation will tend to do, except under certain conditions which will be beyond the control of those very companies.

By joining forces with the local manufacturers, Canadian companies can increase the demand for Canadian technology and, more important, for Canadian-made components. Most people know, and those who don't are beginning to realize, that in order to sell refrigerators in Europe it may be advisable to allow the doorhandles for those refrigerators to be manufactured there. A lot of Canadian components can be shipped to another country if there is agreement with that country to make some parts. This is very important in many of the opening markets, and we should encourage our companies to make deals with others that are on the ground so that this sort of rationalization of component parts can be made. It will keep people employed in Canada.

Multinational activity can be more useful in developing trade and Canadian jobs than tinkering with tariff adjustments. I am sure most people will agree. Tariffs are down and are going down further; in many ways, they have become irrelevant. It is the deals that can be made between companies and countries to provide adequate work for people in both countries that will often allow our product into those countries more readily than tariff adjustments.

It seems to me that we should look at this legislation once more with the idea of finding some way of directing legislation against those who offend, and leave the legitimate international Canadian companies unpenalized to get on with their job.

Mr. Dinsdale: Good sense!

Mr. Osler: How can we define active business income and what is the legitimate plowback that can be made in the company of a subsidiary in order to improve its functioning? It is true that tax treaties can provide for exemption from additional Canadian tax when dividends flow from other countries back to Canada. Yet when our government cannot or will not negotiate, for any number of reasons, such tax treaties why should Canadian companies be penalized? I hope the parliamentary secretary will advocate strongly that another look be taken at these sections in order that some way may be found to help legitimate Canadian companies doing business with affiliates or allied companies in other countries get on with the job and, at the same time, to protect jobs at home.

• (5:10 p.m.)

Mr. McCutcheon: Mr. Chairman, will the hon. member permit a question.

The Assistant Deputy Chairman: Is that agreed?

Mr. Osler: Agreed.

Mr. McCutcheon: Is the hon. member of the opinion, as I am, that the taxing habits of the government in Canada may have had an adverse effect on developments in Winnipeg, inasmuch as the Versatile manufacturing people, according to my understanding, are moving to Mexico?

Mr. Skoberg: Where did the hon. member hear about that?

Mr. Osler: Mr. Chairman, I am not enough of an expert to answer that question. I have not heard the particulars of the situation. I know that the particular individuals who have control of that company are singular men with singular attitudes, attitudes that are different from those of most businessmen. We cannot really believe that their move has been purely prompted by so-called tax rules, although they may have used those rules as an excuse. I know that they were pretty restless before anybody thought of tax changes.

An hon. Member: It must be the weather.

Mr. Nowlan: Mr. Chairman, I listened with interest this afternoon to the remarks of various hon. members on this section of the tax bill relating to international income, both flowing in and flowing out of Canada. My remarks will be primarily directed to the position of the Canadian corporation doing business in a foreign jurisdiction and some of the problems that it may be exposed to if this bill goes through in its present form. Before developing my thoughts on this complex part of the bill, may I say that we have been given interesting and constructive contributions by the hon. member for Dauphin and the hon. member for Spadina. They both spoke earlier this afternoon, and both pointed out in cogent terms what Canadian companies doing business abroad fear. I was glad to hear the hon. member for Winnipeg South echo some of these concerns. He suggested how these provisions will adversely affect the operation of Canadian corporations doing business abroad.

Having said that, Mr. Chairman, may I digress partially from the trend of my remarks to say I was astounded at what the hon. member for Waterloo said. Although the hon. member is not now in the House, I want to comment on his remarks. If the trend of his thoughts were to be followed to their logical conclusion, one could assume that that hon. gentleman is not only against the provisions of the auto pact but would like to go back to the days of the horse and buggy. Before this debate ends, I hope the hon. member for Brant, who was in the chamber but who is not here now, will attempt to explain to us the remarks of the hon. member for Waterloo as they applied to Massey-Ferguson and that part of the Massey-Ferguson business which is located in Brantford. The hon. member for Waterloo threw out interesting thoughts; yet I find it inconceivable that the hon. member for Brant who represents Brantford could support what the hon. member for Waterloo said in total or in part. Be that as it may, I hope my remarks will be brought to the attention of the hon. member for Brant. No doubt the hon. member for Moose Jaw will be the purveyor of glad tidings and good advice and will invite the hon. member for Brant to contribute to this debate in order that he may rationalize the remarks of the hon. member for Waterloo for the benefit of the people who work for Massey-Ferguson.

Basically, the more we discuss the sections of the bill dealing with international incomes and international finance, the more it becomes apparent that Lewis Carroll's "Alice in Wonderland", when considered in terms of this debate, is more a work of fact than of fiction. We are told that that eminent classic is all fable; yet I submit that what the committee of the whole is attempting to do in dealing with the abstract ideas of international income and international finance makes Alice in Wonderland seem more like fact than fable. The determination of the Minister of Finance to proceed with the bill, regardless of changing circumstances, regardless of conditions which have changed since the Carter report came out and since this bill was first introduced, regardless of developments on the international scene which culminated on August 15 in Mr. Nixon's proposals for protectionist measures which show that America is looking inward, is enough to make one think that he might be a character in Lewis Carroll's famed fable of yesteryear. The decision of the President of the United States has brought difficulties to almost all communities of the world.

In pretending that Mr. Nixon has developed his proposals in a vacuum, so to speak, the minister has become a perpetrator of fable, because what he is doing cannot be based on fact. Basically, and I think this is most likely, the Minister of Finance supports these international income provisions because there is very little sex appeal, in a political way, to them. I suppose that most people will look on companies like Massey-Ferguson and Alcan as giant corporations doing business abroad. To the majority of hon. members as well as to Canadians, they are rather distant and their operations are rather far afield. I suggest nevertheless, Mr. Chairman, that these provisions regarding international income are about as fundamental to this tax reform bill as Mr. Nixon's DISC proposals are to his income incentive proposals relating to foreign investment by American companies. Although the President of the United States is trying to correct that country's imbalance in trade by encouraging, through legislative sanctions, multinational corporations to develop their activities abroad, we, in this country, seem to be going in the reverse direction. The sections of the legislation which stimulated Canadian multinational corporations in their development abroad are being removed or restricted in scope.

I submit that the future prospects of Canadian corporation doing business abroad will be adversely affected if these sections, in their present form, are passed. Yet I believe, Mr. Chairman, that these sections dealing with international income are as fundamentally important to us as Mr. Nixon's proposals, which are attempting to restore the balance of the American economy, are important to the United States. The proposals in this bill relate to the question of whether we shall enjoy a more diversified economy. They relate fundamentally to the question of whether these companies will provide jobs for Canadians, both abroad and here in Canada. Those companies which successfully do business abroad must be serviced. It is rather paradoxical to me to see that, regardless of our attempts to develop new policies in a vacuum, the United

States, in attempting to correct its imbalance of trade and balance of trade difficulties, is moving outward. That it is moving outward is a sort of paradox in itself, because it is so doing through protectionist measures. They are moving outward in the sense that they want to help their international corporations doing business in Canada or elsewhere in the world to improve their profit margins.

Mr. Skoberg: But they are looking inward.

• (5:20 p.m.)

Mr. Nowlan: The hon. member for Moose Jaw did not listen to what I said. I said this is a paradox, because, in moving outward they are building trade barriers to protect industries inside that country. They are moving outward in the sense that they are giving financial, fiscal and tax incentives to a corporation doing business abroad and at the same time protecting their backyard with trade protectionists measures.

We watched this paradoxical movement by our best neighbour. The United States is still our best neighbour, even though we are finding their financial binds on taxation hurdles to overcome. While they do this to increase their multinational development and international income we in this country, the small partner in the whole trading scheme, are moving inwardly. We are withdrawing or restricting those tax provisions that help stimulate the Canadian corporation into doing business abroad. I do not understand how we can rationalize this counter-thrust with two economies that are next door to each other and that are integrated, or how we can help but expect that there will be fundamental problems on the economic scene for years to come.

There is another part that I find difficult to reconcile. Ministers of the crown, regardless of what government is in power, say we must diversify and expand our trade as well as create jobs. This is the great present under the Christmas tree. This will justify every type of proposal. It is a worthy one. It struck me as passing strange that within the past week, when the international income provisions were before the committee of the whole, according to a report in the November 18 issue of the *Globe and Mail* there was a seminar in Toronto on how government and industry could join together to participate even more in the development across the seas and, in particular, capital development across the seas. There were many proposals advanced at this conference. I will refer to a couple of them to illustrate the paradox of these provisions which are moving inwardly and adversely affecting our Canadian output abroad. Canadians who are trying to create jobs and diversify our economy want more stimuli and incentives to move abroad.

Among those who participated in this conference that was arranged by the Ontario Department of Trade and Development was Paul G. Opler, vice-president of Foundation Co. of Canada Ltd. which does a fair amount of business abroad. With regard to capital projects abroad, he said:

—that Canada has not earned its share of the world's bustling export business and has not taken full advantage of representing the only source of North American technology outside the United States,

This is a rather important contribution. We are in a unique position. We should have the determination and guts to develop it. Through geography and history, we are part of a North American complex. Unlike the hon. member for Waterloo, we cannot crawl into our shell or bury our head in the sand. This is not the United States. Yet we have been able to share in the joint development of technology, research and many hydroelectric projects. We have been able to inherit the bounty as a result of this fine relationship with our very large and powerful neighbour, which I think is still the industrial leader of the world. In many ways we have been able to share far beyond our economic capacity in the dollars and cents which have been generated in this country.

Countries outside the North American continent naturally look to us to provide an input in the capital projects abroad. We are in the unique position where we should be able to develop and diversify our trade potential and also to create more jobs. In terms of these provisions, that ability to develop this unique relationship in the most positive sense is going to be adversely affected. In the same article, Mr. Opler said:

The most salient factor enabling Canadian companies to displace domestic firms in the host country, and to edge out other competition, is a discernible lead in technical competence.

That is interrelated to the point I made earlier. Because of our unique situation, having shared in joint development either because of branch plant economies, the fact that our natural cousins or relatives have worked somewhere else or International Nickel may have a lot of copyrights of research registered in New York, there has been joint development. We have a technical competence to share in projects abroad. These tax provisions are going to help dilute or diminish any advantage we have in technical competence. Therefore, we are not going to receive our just share of this capital development in foreign countries which is going to be one of the tremendous fields of development in the 70's and 80's as the developing nations really begin to emerge.

Another gentleman who contributed to this conference was Charles I. Rathgeb, president of Canadian International Comstock Co. Ltd. of Toronto, another company that does a fair amount of business abroad. He said:

Canada could cure its unemployment problem by making more competitive bids on big foreign capital projects.

That is understandable. He then went on to echo the sentiments of others at the conference with regard to foreign aid. He developed an 11 point program on how Canada could share much more than it has shared up to now in the potential capital development of these developing nations. He admits that some of the proposals are rather controversial, but one is rather basic. This gentleman is known for his outspoken comments. His program is rather interesting. I quote one of the proposals:

Tax incentives should be offered on profits earned outside Canada and repatriated to Canada.

Later in the article we find this:

He concluded that Canada has great expertise in certain areas, on the world scene, but the Canadian engineering construction industry is faced with intense competition on foreign markets.

Canada must continue to expand into these markets as a trading nation; this can be accomplished with unselfish efforts by industry

and flexible, continuing support from Canada's governments, he said.

I have the Alcan brief submitted to the Senate banking committee. I suggest the Parliamentary Secretary to the Minister of Finance cannot deny, that in attempting to establish equity, regardless of the justifications, there has been no thought given as to how these provisions are going to affect the international operations of Canadian corporations. I want the parliamentary secretary to deny, if he can, that the provisions in total are going to affect the competitive position of Canadian companies working abroad.

• (5:30 p.m.)

My hon. friend from Waterloo South said that he did not care about giving special privileges or preferences to these corporations, that under the catchword "equity" everything should be the same. In Canada we have developed regional disparity programs to help the disadvantaged areas but these programs are not necessarily good for other countries. Different environments require different approaches. Not all tax situations are the same. Therefore, it is not reasonable to give them all the same label under the guise of equity.

My final contribution regarding the report of the conference held last week on how Canada can contribute to the international scene is to quote Mr. Ray Pillman, president of H. G. Acres Limited who do a fair amount of consulting work around the world. As reported in the *Globe and Mail*, he said:

> Even with removal of U.S. import surcharges, Canada will be in a new era for the next 25 years that will have no similarity to the past 25 years, and must develop new economic strategies to maintain a high standard of living, the capital-projects-abroad conference in Toronto was told yesterday—
>
> Since trade is fundamental to Canada's prosperity, and it is carried on by businessmen, not nations, ways must be found so business can compete efficiently and effectively. This need not require subsidy, but Canada should examine with top priority what other countries are doing on international trade.

I suggest that other countries are not pulling back in the field of international trade and developing tax laws that diminish the thrust or adversely affect the business of corporations abroad. Rather the reverse: they are giving stimulus to corporations that are developing abroad, just as President Nixon, in an extreme way, is overstimulating the economy of the United States so as to develop its full potential, creating trade outside the United States in order to provide jobs within that country. There are many other things I could say about this tax conference, but I think my time is almost up.

The Assistant Deputy Chairman: Order. The hon. member for Hamilton West.

Mr. Nowlan: May I just finish my sentence, Mr. Chairman?

The Assistant Deputy Chairman: Order. Does the committee give unanimous consent to allow the hon. member to continue?

Some hon. Members: Agreed.

Mr. Nowlan: I will just finish my sentence, with the indulgence of the committee. There are many other things I could say about "Nixonomics" and how they work one way, while the proposals of the Minister of Finance work the other way. But if there is any reason to doubt how the provisions of this tax bill apply to the international scene it is with regard to the repatriation of dividends and the emphasis placed on the bilateral negotiation of tax treaties.

I am informed that by 1975 or 1976 we will have to negotiate 50 new tax treaties and renegotiate 16 existing tax treaties. I suggest that in view of the economic climate in the world today such a prospect is unreal. We will be unable to carry the clout in these negotiations that will give us the full benefit of these tax provisions. Amongst other things, this is a form of hari-kari and I shall have something more to say about it at a later stage.

Mr. Alexander: Mr. Chairman, I am pleased to have an opportunity of saying a few words in this debate. As we reflect in this age of Aquarius, we realize that one of the most important things to which we should turn our attention is the economic growth of Canada, which of course embraces the question of employment. The bill before the committee is complicated beyond the comprehension of—

An hon. Member: Of mortal man.

Mr. Alexander: I was going to say, of any tax accountant or lawyer who will be called upon to deal with it or, for that matter, beyond the comprehension of members of the bureaucracy. With all due respect, even the Parliamentary Secretary to the Minister of Finance who, to give credit where credit is due, is doing an admirable job, is having trouble with this bill. The hon. gentleman is answering our questions—I must say that in all fairness—but of course we do not accept some of his answers.

In this time of economic stress, what concerns me is the direction taken by the government's policies. In view of the repercussions of the Carter commission report and the economic policies announced on August 15 by the President of the United States, this bill is a monstrosity, yet the government is stubbornly pushing it through. There was a headline in the *Globe and Mail* for November 20 which read: "Trudeau to discuss new laws with 44 business leaders". This was a significant meeting. Both business and industry are fearful of the obstacles that lie ahead in the form of the competition bill, the labour bill and particularly this tax bill. What was discussed at this meeting I do not know. Let us hope that by tomorrow we will be able to ascertain what are the government's intentions respecting the several problems that were raised.

I listened to the speeches of the hon. member for Dauphin, the hon. member for Spadina and the hon. member for Annapolis Valley. The hon. member for Winnipeg South Centre, who sits on the government side, I think spoke for many of his colleagues in registering legitimate concern at the problems that these sections of the bill will create. At the same time, I am concerned about the attitudes taken by my hon. friends of the New Democratic Party, whose classic statement is that this bill does not go far enough. Then they go as far as accepting a policy of government ownership. As I understand the mood of this country which is projected through the hundreds of briefs Members of Parliament are receiving—and I presume the members of the New Democratic Party receive copies of

the same briefs—such a policy as enunciated by that party is unacceptable.

• (5:40 p.m.)

What concerns me about that party is that, commendably, they say they are interested in the little man and the worker and assistance should be given to him. But lo and behold, the moment we start talking about industry, whether it is primary or secondary, they say whatever we are doing in this regard is reprehensible. I do not understand their thinking, because it seems to me if we are to be consistent in our concern—not for the little man, because I do not appreciate that term, but for Canadians as individuals—to the extent that we are prepared to give relief, whether tax deductions, incentives or otherwise, we should be concerned about primary or secondary industries which create jobs for our workers. I do not understand the thinking of the NDP and I do not intend to try, because I think it is ridiculous.

As I deal with the sections of this bill I should like to bring to the attention of this House and those who read *Hansard* what I would call a classic document. It is a report of the Senate Standing Committee on Banking, Trade and Commerce, dated Thursday, November 4. I am sure the government is aware of this document, and I know that with the astuteness of the parliamentary secretary he is also aware of it. It is dated November 4 and today is November 22, so I am sure he knows of these recommendations.

Let me review some of the matters which were raised in this classic document because it seems to me the gentlemen in the other place had the opportunity of interviewing witnesses in a non-partisan way for the betterment of all Canadians. They have come up with a document I think should be a guideline in respect of questions we are now facing in terms of multinational corporations.

Having read this document, it seems to me I can properly conclude that the impact on the continuing viability of Canadian multinational corporations will be disastrously affected. If we proceed with the sections of this bill in terms of the matter we are now discussing, I can also conclude that these multinational corporations, their investment in foreign operations, their need for foreign outlets to maintain higher levels of employment, will be hampered. I can also conclude that their need for foreign investment to maintain these higher levels in Canada will be hampered. Their capital needs in Canada and abroad should unquestionably be of concern. Last but not least, their competitive position on the world market will be in jeopardy.

It is imperative that we as a nation should not lose sight of the fact that Canada is one of the major trading countries of the world. We should encourage Canadian international corporations in their efforts to expand world markets as of the greatest national importance and high priority. Any measures such as those contained in the proposed legislation which inhibit these efforts are to be deplored. We in our wisdom are here to give some guidance and leadership in this regard, and we must be concerned about these matters. One need not be a financial analyst to determine that cutting the net return on investment almost in half may make foreign operations untenable, especially when foreign competitors do not carry the same handicap. The situation is not improved when actions of other important countries are involved. I refer to United States fiscal and monetary policy, the surcharge and DISC.

The plain fact is that business operations abroad require an absolute ability to remain competitive by operating in a tax environment that is no less favourable than that of foreign competitors. For a significant number of Canadian companies the new rules will impose penalties that will restrict their foreign operations. For a larger number, foreign operations may remain competitive but will increase in complexity.

As I look at the report of the Senate Standing Committee on Banking, Trade and Commerce I wonder whether the parliamentary secretary is in a position to advise this House that there has been consideration by the government of amendments or recommendations submitted in the report. I read from page 47:5 of that report as follows:

> It is the hope that, upon the receipt by the Minister of Finance of these recommendations, the same will be accepted by him as being pertinent and relevant, and to the extent so regarded, that appropriate amendments will be submitted by him to the other House while the said proposed legislation is being considered in the committee stage.

I do not know whether what was said by the hon. member for Winnipeg South Centre is indicative of the thinking of the government in this regard, but it seems to me when he is concerned he speaks on behalf of a number of those on the other side who will not give vocal expression to their concern. Perhaps the parliamentary secretary will take it upon himself to advise the minister what the hon. member for Winnipeg South Centre said on behalf of many of his colleagues who are concerned about the drastic effects of this bill.

In the event the parliamentary secretary has not had an opportunity to read these recommendations, I should like to put them on record. It seems to me they were made by a body we should appreciate, because they are giving this place some direction in respect of our economic climate and its effect on multinational corporations. I read from page 47:7 of this report as follows:

> That the government give renewed consideration to the "foreign accrual property income" (FAPI) rules with a view to making at least the following changes: (a) that the definition of the term "foreign accrual property income" be amended to exclude from the category of income which is subject to the foreign affiliate rules any income or capital gains from property that may reasonably be regarded as having been used for the purpose of gaining or producing income from an active business; or, that the term be redefined in such other manner as to ensure that the over-all thrust of the foreign accrual property income provisions will be restricted so that the income subject to these rules will include only diverted income; in the result, that income such as interest on short-term deposits, interest on trade receivables, gains on the disposition of capital property used in a bona fide business operation and other like items will not be classed as foreign accrual property income.

I know this committee was very concerned about passive and diverted income. Let me read from the report at page 47:5 regarding passive and diverted income. At the bottom of the page is to be found the following statement:

> This is particularly unfortunate in the light of the fact that the proposed legislation does not define what income is to be excluded from the diverted income rules as being "active business income". Because of this, there is a serious danger that income such as interest received by a foreign affiliate on short-term deposits or on

trade receivables and royalties received by such an affiliate in respect of patents or know-how developed by it abroad in the course of its active business operations (to name but a few) may be taxed currently in the hands of the Canadian shareholder as diverted income even though such income is in fact directly attributable to the foreign affiliate's active business. Such income is not diverted income.

• (5:50 p.m.)

I move on to the second recommendation:

(b) that the *de minimis* rule contained in the proposed legislation be broadened to the effect that the passive income rules will not apply to any foreign affiliate whose passive income does not exceed a specified percentage of its total gross revenue (such as the 30 per cent rule in the United States); alternatively, the *de minimis* rule may be expressed as a percentage of the foreign affiliate's gross assets.

(c) that the term "foreign affiliate" be re-defined for purposes of the foreign accrual property income rules to include with respect to foreign corporations only those corporations which are controlled directly or indirectly in Canada.

I am positive the parliamentary secretary is aware of this recommendation. Let me quote again from this document. This is not my usual manner of speaking but I am at a loss for further elaboration, as I read this document, in attempting to place the case for the Canadian people before the government. In the conclusions the report reads:

In conclusion, your committee feels constrained to reiterate the views expressed by it in its report on the white paper proposals for tax reform condemning the implications inherent in the government's proposals that vast tax avoidance schemes exist through the use of foreign entities. As stated in its report the committee believes that tax avoidance of this kind can be effectively blocked under existing legislation and failure to block such abuses (if they exist) is due more to lack of enforcement of existing law than to lack of legislation.

Mr. Chairman, I could continue but let me just say that we are at the stage where we must be very much concerned about the direction in which we are going. If we do not take serious note of the actions of other countries in respect of their corporations or industries, and if we do not attempt to give the same type of assistance and exercise the same type of concern in respect of our industries, we must ask where we are going. I think this is why the Canadian people and our industries are very concerned. They do not know where this government is going.

When I continually receive these briefs, brochures and letters of concern from industry, the labour movement and the layman there is no wonder we have lack of confidence. Everyone is afraid of the future. I believe that the pursuit of the provisions relating to multinational corporations in this bill can have nothing but a disastrous effect upon Canada and its economy. We all talk about tax reform. Certainly we want tax reform. However, I question whether this is tax reform. If we are to have tax reform, I respectfully submit that we should not attempt to unduly stifle personal initiative and economic growth. It is based upon these two policies or philosophies, if you will, that we can arrive at full employment.

This bill in many instances smacks of the policy of discouragement rather than encouragement. We wonder what the United States surcharge will do to us in terms of moneys lost. I believe the amount has been put at $1 billion, if implemented for a year, plus the loss of 90,000 jobs. I should like to know right now what the future holds for us. We hear there is a possibility that the DISC program will go ahead. It probably will. I was one of the fortunate persons who had an opportunity to meet with our United States colleagues. They were equally concerned about what is happening to Canada.

As I understand it, there will be a move to make this program ineffective in the long run, because they are very much aware that so long as their policies create unemployment, obviously they can never reach a balance of trade, because if we do not have sufficient employment we do not have the money with which to buy goods. When the parliamentary secretary has a big t-bone steak for supper and comes back refreshed, I hope he will be able to give us some answers to the many problems and questions raised by hon. members on this very complicated subject.

Since the parliamentary secretary in the first instance brought in 95 amendments to this bill, it would seem that it was improperly drawn up or that the drafters were not competent. Then later a further 40 amendments were moved. I may be out by four or five amendments but I know the parliamentary secretary will correct me if I am wrong. This certainly is reason to question the competency of those behind the bill. Eight more amendments were recently brought in. Are we to have more?

Mr. Mahoney: Your party has asked for more.

Mr. Alexander: Your side has also asked for more. I know your side has had a great deal to say about co-operatives and credit unions. I am not becoming involved in that subject at this time, but I understand if that part of the bill is passed one of your members is likely to quit.

The Assistant Deputy Chairman: Order.

Mr. Alexander: I will call it six o'clock, Mr. Chairman.

The Assistant Deputy Chairman: Order. It being six o'clock, I do now leave the chair until eight o'clock.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: When the committee rose at six o'clock it had under consideration clause 1, section 2. Shall the section carry?

Mr. Alexander: Mr. Chairman, as we reached the hour of six o'clock I had completed my remarks, but now I wish to rise on a question of privilege. In speaking on these most controversial sections I quoted at length at times, from the report of the committee on banking and finance of the other place. In my enthusiasm with respect to the inequities I have found in these sections dealing with multinational corporations, I was carried away. It has now been brought to my attention that in reference to documents or speeches, or anything that occurs in the other place one should not quote them at length and the most one can do, as I understand it, is to paraphrase.

I wanted to let you, Mr. Chairman, and members of the committee, know that I have been advised of this. I say this for the edification of those who do not know of this rule, and I hope my words will reach their ears. In any event, I find it makes things very difficult, when we find that such an important committee refers at length to this matter and arrives at important conclusions, that it is impossible for us to quote directly from their report. I find this confusing and perhaps in the future I will find the reason for it.

For instance, with regard to Bill S-9 which is presently before the justice committee, we are hamstrung in giving to members of the House and to the people of Canada the full benefit of all that has occurred in these surroundings. Perhaps in view of the importance of the conclusions that are reached and of the recommendations that are made in the other place, it is time for us to consider this matter in a critical and constructive way in order that without paraphrasing the whole proceedings we are to become aware of matters which occur in the other place and are of great importance to us. Thus, we could have some indication of what is going on there.

I hope that in raising my question of privilege I have not trespassed unduly on the time of the committee because, as I said, it is extremely difficult to make one's feelings known when we are not allowed to quote speeches or proceedings in the other place. I understand, also, that under the rules we are not allowed to refer to hon. senators by name. That is my question of privilege.

Mr. Horner: In rising to take part in the debate concerning international corporations and Canada's taxation policy, I cannot help but be drawn to the speech of the Minister of National Revenue delivered in Vancouver on November 16. He was quite right in the early part of the speech when he said, referring to the whole matter of taxation, that no subject has been so thoroughly discussed as tax reform—including weather—in Canada. He went on to say how thoroughly this whole matter has concerned the government. He said the following on page 2 of the speech:

> Suffice it to say that while the government does not claim to have presented legislation for a new tax system that pleases everyone, I submit that Bill C-259, to a greater extent than any tax legislation before it, is the result of careful consideration of the collective views of a great cross-section of the Canadian public, as well as of committees of the House and Senate. On no previous occasion have Canadians had such an opportunity to contribute to the construction of a new tax system.

• (8:10 p.m.)

I am not disputing that statement: it is correct. But where does that bring us to today? About a month ago, after presentation of the bill, the minister tabled 148 amendments. Let us be honest about it, Mr. Chairman. Let us lay the cards on the table. The whole question before the country is: shall this bill pass before December? Can those who oppose the bill hold it up and still win public favour?

According to the Minister of National Revenue, the bill has been exhaustively studied. He thinks the Canadian people have made a contribution to it. In his terms the question is: how can a bill so good be held up by any responsible opposition? If the opposition holds it up then, automatically, it must be facing complete ruination at the polls. No opposition party, so close to a federal election, would dare to hold up the bill. According to the Minister of National Revenue, everybody wants the bill passed. Yet the parliamentary secretary who has responsibility for piloting the legislation through the House leaves this chamber every day, shaking his head pessimistically and saying, "I cannot see any hope for it. I cannot see it going through at all. There is just too much opposition to it.

Mr. Mahoney: I have never said that.

Mr. Horner: The parliamentary secretary says that I am misinterpreting his remarks. That is fine; I stand corrected. I hope he places his exact words on the record before the evening is over. But I do not think I paraphrased him so incorrectly; I was nearly right, Mr. Chairman. The opposition is confronted with the question of whether or not the legislation is good or bad. Does it help one segment of our economy, or does it hinder it? Does it help one segment and hinder another? We have to analyse it.

The Minister of National Revenue at page 2 of his speech said:

> —I am told that there are those who claim that the bill is complex and even some who claim that it is unworkable. Is the bill complex? Yes—

What did the minister say about the complexity of the bill as it applies to Canadian international corporations, Canadian corporations and Canadian taxpayers? At page 2 of his speech he said:

> Once tax reform comes into effect, the increased need by taxpayers for rulings and interpretations will make greater demands on the limited numbers of staff engaged in this work. I am concerned about the problem involved in finding the additional staff that will be needed. The people required must be, or be capable of becoming, tax experts and, as you know, they are not easy to find. We are counting on many of those who worked on our task force in planning the introduction of the new law to transfer to this area. Already we have supplemented our staff with three lawyers and three chartered accountants for whose services we contracted with their firms. This has been most successful and in all cases we have been supplied with young, enthusiastic and most competent people.

I could read the whole paragraph. In his speech in Vancouver he posed the question: is the legislation complex? He answered yes. Then at page 7 of his speech he outlined the complexity which the ordinary taxpayer would face. He said we would need more tax experts, more chartered accountants and more tax lawyers. He said there would be more litigation. Where does all this leave the taxpayer? It leaves him frightened and scurrying for cover. That applies to individual Canadian taxpayers, Canadian corporations and Canadian international corporations.

What is the major problem facing Canadian international corporations? It is the uncertainty over tax reform. They are concerned about the question of Canadian policy with regard to foreign investment. This tax bill slaps their wrists. It will place increased taxation on them. These corporations also face the problem that arises from Britain entering the European Common Market. They face the problem of fluctuating international monetary rates and problems posed by phase two of President Nixon's economic program. It has often been said that Canadian business should reach out and make its mark in

international markets. But, as I say, Canadian international corporations are concerned about this legislation. The Prime Minister and previous Prime Ministers have asked how long should Canadians continue to be hewers of water—

Mr. Mahoney: Quit chopping that water, Jack.

Mr. Horner: I stand corrected—hewers of wood and drawers of water. How long should Canadians remain producers of raw materials and semi-finished products without entering the intensive employment field associated with the production of finished products? Will this tax legislation, with its severe tax penalties, be beneficial to Canadian international corporations? All members of this House are rightfully concerned about Canadian ownership. Should we slap a penalty on international Canadian corporations today, when we are striking out for greater Canadian ownership and greater employment within the Canadian economy?

• (8:20 p.m.)

I listened to the speech of the hon. member for Waterloo this afternoon when he condemned Massey-Ferguson and said that if they do not like living in Canada they should get out. It is all very well to say that when you do not have to answer to the people who are unemployed. There may be many workers within Massey-Ferguson at Brantford who are dissatisfied with the corporation and say it should be told to get out. But where are we to find employment for those people? Will the workers be asked to move with the company if it leaves Canada?

We want to maintain our place as a world trader, and world trade is becoming complex. We are slowly gobbling up areas of trade with raw materials. But if a country is buying raw materials its object is to become more industrialized; it is trying to become an exporter of manufactured goods. The country that is buying unfinished products is saying, "We must produce our own raw materials and be a supplier for our industrial complex". If we analyse world trade today we will find that countries are exporting more and more finished products.

If we want to go as far as the financial critic of the New Democratic Party did this afternoon, we can say if the international corporation does not abide by our rules, let us nationalize it and become the producers of that product. But let us consider the consequences, Mr. Chairman. First of all, we confine ourselves to our home market and thus we exclude importation from other markets. Retaliation sets in and we have very little room to export finished products to needy countries. That is the problem. If we are prepared to go as far as the NDP suggests and nationalize industry, we eventually become absorbed in our own market and exclude ourselves from international competition except with a few countries. I see the hon. member for Waterloo is listening. I am glad he is back in the House. This is where we fall out, at the end of his speech which advocated nationalization of the farm implements industry. I shall deal with that at greater length.

We have to recognize, Mr. Chairman, that this is one of the most important aspects of this bill. Are we to be a world trader? Are we to be the eighth or the seventh trader in the world? Canada now ranks seventh. Will we hold that position or slide back to being suppliers of our own market only? This is what we have to assess. If we say that we will maintain No. 7 or No. 6 position and crawl up to No. 5, where we once were, we have to assess our ability to compete with international giants.

How can a country confined to a small market of 20 million people compete with an international giant which has a market of "X" million people before it? It is pretty nearly impossible when you consider the complexity and mass production involved. The country that is confined by the rigidity of its tax structure to a market of 20 million people has great difficulty in competing with an international corporation that is allowed to produce for the whole world—two billion people or more.

We are at the crossroads, Mr. Chairman. We must decide whether to remain No. 7 or whether to go up to No. 6 or No. 5 in world trade. To maintain our present position we must recognize within our tax structure that Canadian international corporations are necessary in order to compete in world markets. It may be said that they are not the answer. Governments can take over business and make unilateral agreements with other governments, thus obtaining more of the market. But where does that leave us in the conflict confronting the world today? We have the east and west. You know that as well as I do, Mr. Chairman. The Canadian population is becoming more aware of it. If we are to move into unilateral agreements and Crown corporations get into that sphere, then we are going into the eastern world. That is the grave situation facing Canada today. In which direction are we going?

It will be a sad and sorry world if we in Canada find ourselves directed slowly by this insidious socialism of the present government. You may say that I am going too far, Mr. Chairman, that you do not see it as insidious socialism. But more and more Canadian corporations and international corporations are becoming dependent on government—government rules, government regulations, government subsidies. When this situation has existed for five or ten years, then international corporations will be even more dependent upon government. They will become hooked and will obey the wishes of government as if government owned them. They cannot rebel because government owns them. They go bankrupt and government buys them in order to keep people employed. This is the situation we are facing in Canada, Mr. Chairman—an insidious, seeping, creeping socialism, and this tax measure against international corporations is part of it.

We have an employment problem and this should be our immediate concern. A year or so ago in his annual report the Minister of Regional Economic Expansion said he had found that it took $16,000 of subsidies to increase employment by one person. And that was only the subsidy—the corporation itself put in a great deal of money. I think it would be fair to say that today it takes an investment of about $46,000 to create employment for one more person in the industrial world, and many more people are entering the labour force every year.

The Chairman: Order, please. I regret to interrupt the hon. member. I must do so to advise him that his time has expired.

• (8:30 p.m.)

Some hon. Members: Carry on.

The Chairman: The hon. member may continue only if the committee unanimously agrees. Is there such consent?

Some hon. Members: Agreed.

Mr. Horner: Mr. Chairman, I appreciate the generosity of the committee and will try to limit my remarks. In talking on such a complex subject I had not realized that my time had gone so quickly.

An hon. Member: But we had.

Mr. Alexander: Hon. members over there have not been listening.

Mr. Horner: I hope the committee is not so set in its ideas as to be unprepared to listen to new ideas. It is unfortunate that the hon. member for Rocky Mountain made a remark like that. Fortunately for him, I do not judge the whole committee as being so stubborn in clinging to old ideas.

An hon. Member: We want to listen to your ideas.

Mr. Horner: The Minister of Regional Economic Expansion pointed out that it costs $16,000 for every new job that is created under programs of his department. I suggest that it is safer to say that in the past couple of years it has taken about $46,000 of new capital investment to create one new job in Canadian industry. Since our labour force is increasing by approximately 350,000 people a year—that being the increase in population—one can readily see, by multiplying the increase in the labour force by 46,000, that providing all these additional jobs will cost many millions of dollars of capital investment.

We must find this money at a time when we are in keen competition with Japan and West Germany, with the European Common Market countries and with the United States. We must compete with manufactured goods coming from Russia. Russia has been trying to break into the North American market for industrial goods. China has recently become interested in this market. Although at present they are not really in the business of selling manufactured goods here, they will be in that business within the next ten years.

Before closing I want to say a word or two in defence of Massey-Ferguson, the corporation which the hon. member for Waterloo, speaking for the whole NDP, suggested should be nationalized. I am not surprised at this, Mr. Chairman. In 1961, when the Standing Committee on Agriculture was studying the cost of farm machinery, the then NDP government of Saskatchewan, by its representations before that committee told us that the farm machinery industry should be nationalized. That suggestion came from Mr. Nollet, the minister, as will be evident to anyone who examines the committee proceedings. That was the position of the NDP government of Saskatchewan of that day, and the party has not changed; that still remains the NDP position.

Mr. Nielsen: There is one capitalist among their ranks at present.

Mr. Horner: Will their position help the competitive situation of the farm machinery industry which must operate on a world-wide basis? That is the question we must examine. That is the question we must ask ourselves, because we as farmers are concerned about free trade in farm machinery markets.

Mr. Rose: That is your problem.

Mr. Horner: I wish members of the NDP would make serious remarks on this subject in committee. What did Massey-Ferguson say about the proposed tax changes?

Mr. Rose: They are against them. They are against any taxes at any time.

Mr. Horner: The hon. member says they are against them. Speaking before the banking, trade and commerce committee of the Senate, an official of Massey-Ferguson Limited said, as reported at page 42:5 of the October 20, 1971, proceedings of the committee:

> We have found the bill, as it affects multinational corporations, to be extremely complex and, quite frankly, a frustrating diversion from the serious business—

Mr. Rose: They did not understand the bill.

An hon. Member: Do you?

Mr. Horner: I think the Canadian people will judge whether or not they understood the bill. The official went on to say:

> —questions which we face—questions which have been so obviously accelerated by the recent United States' action.

I will not take time to list the four points the company brought forward before the committee on October 20, 1971. They listed all the objectionable parts of this legislation. Let me just comment on the attitude the hon. member for Waterloo this afternoon displayed to Massey-Ferguson. He gave that company two options: they could either obey our tax laws or get out of Canada. The company should be nationalized, he suggested. If the company does not like our tax laws, it can get out; or if it stays he suggested we should nationalize it.

Mr. Saltsman: On a point of order, Mr. Chairman. I am sure the hon. member for Crowfoot would not wish deliberately to mislead the committee. If he had listened carefully to my words this afternoon he would know that he has not quoted me or even paraphrased me accurately, as *Hansard* will bear out.

Mr. Nielsen: Capitalist.

Mr. Horner: I deliberately asked the hon. member a couple of questions while he was speaking and he did not deny that that was the direction he was suggesting should be taken. He suggested that if the company will not obey the tax laws of Canada, it should get out or be nationalized. That is what he suggested and he made no bones about it. I am a student of NDP philosophy and of long-range NDP policy. That is the attitude of Laxer and the Waffle group. I have long said that they are the only honest socialists in Canada today. I commend the hon. member for joining that group and for saying exactly what it says. That group says, "Nationalization if necessary, but not necessarily necessary"—if I may paraphrase somewhat loosely what a former Prime Minister of Canada said on another occasion. That is what the hon. member meant and that is what he suggested.

Massey-Ferguson went on to list their four points of objection, the third of which reads as follows:

Quite apart from this long-term result and in addition to it, we are convinced that now is the wrong time for Canada to establish its long-term policies in the area of international trade and the multinational corporation. Each of the major trading companies of the world is now engaged in adopting a stance for negotiations to maintain or expand its trading position. For Canada at this time to drastically impair its own competitiveness in international trade appears to us to be almost an incredible course of action.

They are not mincing words, Mr. Chairman. That is strong language. Why is this course so bad for Canada at this time? I go back to what I said a few minutes ago. At present we face serious international complications. We are confronted by a situation the outcome of which will determine whether or not we shall be hewers of wood and drawers of water the rest of our days. We suffer from high unemployment. For all these reasons I cannot help but agree with Massey-Ferguson. If one looks at the 1961 proceedings of the Standing Committee on Agriculture one will see that when the committee dealt with the question of farm machinery nobody gave Massey-Ferguson a rougher time than I did.

Mr. Rose: What changed you?

Mr. Horner: Nobody gave them a rougher time in the 1961 committee when we dealt with farm machinery, and nothing has changed me. Nevertheless, I recognize that now is not the time for Canada to take a retrograde step with regard to international corporations and, particularly, Canadian international corporations.

Mr. Rose: And just what are Canadian international corporations?

Mr. Horner: And what about the trade position, Mr. Chairman—

• (8:40 p.m.)

Mr. Saltsman: I rise on a point of order, Mr. Chairman. I wonder if the hon. member would accept a question.

Mr. Horner: Certainly.

Mr. Saltsman: As the hon. member is making considerable play of the fact that now is not the time to do this, can he indicate when would be a better time to bring in this tax on international corporations?

Mr. Horner: I hesitate to do so, Mr. Chairman, because I am on borrowed time. A better time would be when we are less dependent on foreign investment and when we do not have 7.1 per cent of the population unemployed. That would be a better time. I believe that time is in the future.

The Chairman: Order, please. The hon. member for Fraser Valley West is rising on a question of privilege.

Mr. Rose: The hon. member for Crowfoot spoke about a better time for Canada in respect of the unemployment situation. I wonder if he would enlarge on that and tell us when would be a better time in respect of the unemployment situation than at the moment.

Mr. Horner: I am glad the hon. member asked that question. If I was uncertain, which I apparently was, I am glad he brought it to my attention. I intended to say that a better time would be when Canada has less unemployment, not when Canada is overly concerned about the number unemployed. The proper time would be when we have 3 per cent or 2 per cent unemployment, or effectual full employment. Then we could become concerned about the tax structure for our manufacturing industries, because our manufacturing and service industries are the biggest employers in Canada. That is the time, not now. I am glad the hon. member asked that question.

Let me go a little further with regard to the international farm implement manufacturing corporations. The hon. member for Waterloo suggested that Massey-Ferguson objected to paying the same wage rates as the United States and said it is manufacturing high wage component machinery within Canada. However, automation comes into the question. This assembly line production of farm machinery is all done in the United States. They are trying to balance off the two. I will not get into an argument on that matter.

An hon. Member: Why not?

Mr. Horner: No tractor manufactured in Canada today does not basically consist of component parts that are imported. The only tractor manufactured in Canada today is the Versatile tractor which is manufactured in Winnipeg. The engine is imported from Great Britain. The tractors which Massey-Ferguson manufacture in their Detroit plant are assembled with component parts, most of which are imported from Europe and Great Britain. They are not manufacturing tractors. Because of our tax structure and our whole unemployment situation, Versatile is seriously considering moving their manufacturing plant to Mexico.

We in this House must come to grips with the whole complex situation of employing Canadians.

Some hon. Members: Hear, hear!

Mr. Horner: Why should we come to grips with the question of employing Canadians? Unless the Canadian people are given an opportunity to play a part in our society, they will not be satisfied. Do I have to search for unsatisfied Canadians? There are hundreds of thousands of such people in Canada.

Mr. Bigg: Everywhere.

Mr. Horner: As the hon. member for Pembina suggested, they are everywhere. Why? Because they fail to see from within the game. Everybody wants to play Monopoly. Everybody wants to be part of the game. This tax structure excludes Canadians. It attempts to wipe them out of the international field. Why should we be so complacent and smug as to say we do not have to involve ourselves in the international manufacturing field? I do not think the facts substantiate such a position. What does Massey-Ferguson do? They will have an opportunity. This brief continues:

In 1970 the trade balance against Canada was $113 million in farm machinery. It consisted of $274 million imports by Canada and $160 million exports from Canada to the United States.

In other words, we have a deficit on farm machinery of $113 million. What percentage of these exports does Massey-Ferguson represent? It represents 50 per cent. They

are going to get rid of it; they want to remove it. For every $2 that we export, Massey-Ferguson represents $1. The hon. member for Waterloo suggested they have a plant in the United States and that we are now becoming a subsidiary plant because the plant in the United States manufacturers tractors. They do not manufacture tractors in the United States; they assemble tractors. The component parts are imported into the United States. What advantage do they have in manufacturing and assembling them in the United States? The basic fact is that their United States plant is closer to the market.

One of the major factors in manufactured goods is transportation of the finished product. The Massey-Ferguson manufacturing plant in the United States is closer to the market. Therefore, the cost of delivering the finished product is less. Where is the Massey-Ferguson manufacturing plant in Canada? It is located at Brantford. I have not heard the hon. member for Brantford speak on this issue. Brantford is a long way from the Canadian market. It is no wonder they want a tax advantage in Canada. If they do not get it, they are better off to move their manufacturing of farm implements to Detroit which is closer to the market.

What benefits does Versatile have in Winnipeg? It benefits because of its proximity to the market. If we are not prepared to ensure that Canadian international corporations can survive in Canada, they will move elsewhere. I close with these remarks, Mr. Chairman—

Mr. Rose: Hear, hear!

Mr. Saltsman: Let them move.

Mr. Horner: The hon. member for Fraser Valley West can clap his hands and the hon. member for Waterloo can say, "Let them move". But the question is this: will Canadians also have to move? If we force Versatile in Winnipeg to open a plant in Mexico, will the 700 workers in Winnipeg have to move to Mexico? Will they be allowed to go to Mexico? Will they enjoy the same standard of living in Mexico that they enjoy in Winnipeg? I doubt it. Will this really be contributing to the growth of the consumer market in Canada? I doubt it.

It is time Canadians faced the fact that we are involved in a tremendous trade war. We must recognize this. Never before, even in the late thirties, have we been involved in such a trade war. Now is not the time to pass legislation which is regressive and which will impair the Canadian international corporations which we have fostered. We should not be prepared to cast them out and let them move elsewhere, because in doing so we will cast out opportunities for Canadians.

We have 7.1 per cent of the labour force unemployed. In addition, many of our employed are not satisfied with their jobs. We should be making every effort to create opportunity so that those who are employed can seek satisfaction in their work and those who are unemployed can find opportunity in jobs. I urge the House to reject this tax bill because now is not the time to bring in retrogressive legislation involving international corporations, Canadian corporations, family farms, small businesses and a complex employment situation.

[Mr. Horner.]

• (8:50 p.m.)

Mr. Gundlock: Don't forget the oil men from Calgary.

Mr. Horner: I am glad the hon. member for Lethbridge has reminded me that I should not forget that Canada is rich in resources, with one-third of the world's fresh water supply, a vast amount of minerals and the second largest land area in the world. This tax bill is a retrogressive step in the development of our natural resources which will, if proper tax legislation is presented to the country, be the foundation of a wider employment base in the country. I realize I am speaking on borrowed time, but I can assure you, Mr. Chairman, that I shall speak again on this very serious matter.

Mr. Rose: Mr. Chairman, I was very impressed by the speech of the hon. member for Crowfoot.

Mr. Alexander: That is the best part of your speech.

Mr. Rose: He referred to a lot of firsts for Canada, and since he comes from Alberta he did neglect to mention another first, that of the production of hot air. I would ask the hon. member for Crowfoot, who is looking at me balefully and wriggling his eyebrows, whether or not he does not find it inconsistent—

Mr. Gundlock: What do you want, the whole bucket?

Mr. Rose: Perhaps the hon. member for Lethbridge will sit in his seat. I do not recognize him behind the curtains since he is really a frontbencher. I would ask the hon. member for Crowfoot whether he would comment on this. I sat with him for a long time on the agriculture committee and I think he was one of the protagonists of the position that the west had to sell in an open market yet was forced to buy most things, including tractors and farm machinery, in a tariff-protected market in the east. I should like to ask him why he is suddenly switching his position and protecting the same kind of market that my hon. friends across the way have been responsible for perhaps for the last 50 years.

The Chairman: Before the hon. member for Crowfoot responds, I wonder whether the hon. member for Fraser Valley West would assist by advising the Chair whether he is taking part in the debate or is asking the hon. member for Crowfoot a question.

Mr. Gundlock: A point of order, Mr. Chairman.

The Chairman: Order, please.

Mr. Gundlock: The hon. member who has the floor did not understand me because I was not sitting in my seat.

The Chairman: Order, please. The hon. member for Crowfoot was, as hon. members will recall, on extended time and it is important for the Chair to know if the hon. member for Fraser Valley West is intervening to make a speech. If he is, that is one thing. If he is asking the hon. member for Crowfoot a question, that is another thing. The Chair would like to know which it is.

Mr. Nielsen: What difference does it make?

Mr. Rose: I do not know whether or not the Chair is prepared to respond to the point of order raised by the hon. member for Lethbridge.

Mr. Gundlock: I only wanted an opportunity to raise a further point of order.

The Chairman: Order, please.

Mr. Mahoney: Just explain what you are doing here.

The Chairman: To assist the Chair, would the hon. member for Fraser Valley West indicate if he has the floor for the purpose of intervening in the debate. Otherwise the hon. member for Crowfoot will answer the question but I would like that information first. I think that would be fair.

Mr. Gundlock: On a point of order, Mr. Chairman—

The Chairman: Order, please.

Mr. Gundlock: —the hon. member who has the floor suggested that I could not be recognized over there. You know full well, Mr. Chairman, under the rules—

The Chairman: Order, please.

Mr. Gundlock: —that I can come down here or go up there. During this point of order I will resume my seat.

The Chairman: I will recognize the hon. member for Lethbridge on his point of order immediately the other matter is cleared up.

Mr. Nielsen: On the point of order that has been raised, Mr. Chairman—

Some hon. Members: Oh, oh!

Mr. Nielsen: I only wish to assist the Chair, as I always do. In committee, Mr. Chairman, regardless of the number of times a member speaks, whether on a question that occupies one minute of the committee's time or for the purpose of taking his full time, he may speak as often as he pleases so long as the Chair recognizes him. Whether the hon. member for Fraser Valley West is asking a question or participating, however briefly, in the debate makes no difference. If the hon. member for Crowfoot wishes to rise to answer a question, he can do so on that basis or to take part in the debate.

The Chairman: I agree partially with the hon. member for Yukon, but I think he will agree that it is within the discretion of the Chair to recognize another speaker once an hon. member has concluded his remarks. If the hon. member for Crowfoot still has the floor, that is one thing. If he has yielded it to the hon. member for Fraser Valley West for the purpose of making an intervention in this debate, that is another thing. That is all the Chair is trying to get clear. The hon. member for Fraser Valley West.

Mr. Rose: Mr. Chairman, I think I can assist the Chair to a certain extent by saying that the hon. member for Crowfoot reiterated several times during his speech that he was living on borrowed time. In this I agree with him. But in terms of my intervention, may I merely say that I would invite the hon. member to answer my question and I sit here in anticipation of his answer.

Mr. Horner: Mr. Chairman, I wonder whether the hon. member would mind asking his question again. During the long exchange and the points of order I missed the pertinent point that he was attempting to make.

Mr. Rose: Mr. Chairman, I was reviewing past months on the agriculture committee when the hon. member for Crowfoot was complaining bitterly that people engaged in the agricultural industry in the west were often victimized because they had to sell everything they produced in an open market, a futures market if you like, at world prices which meant their return was determined by a kind of auction process, whereas what they had to purchase to produce their products, which they sometimes sold and sometimes stored, was bought from a protected market.

• (9:00 p.m.)

They have to buy their equipment from the industry in Canada, in a protected market. Frequently this industry is foreign-owned or dominated, contrary to what the hon. member said. He discussed Massey-Ferguson as a Canadian international corporation. I ask whether there is not a conflict in the fact that he was very critical of the farm machinery industry in terms of costs to farmers, and the fact that he is protecting the industry during this part of the debate.

Mr. Horner: I thank the hon. member for asking that question because it gives me an opportunity to say something which I have not said before in this House of Commons. Few people in the House are aware of this fact. First let me correct the impression the hon. member has left. He said I was living on borrowed time.

Mr. Rose: You said that.

Mr. Horner: The hon. member was referring to my speech. I was speaking on borrowed time and I acknowledge the generosity of the committee in allowing me more time. I am not living on borrowed time, and I would be glad to accept the challenge of any hon. member who suggests that I am. Let me deal with the question of western Canada and free trade.

Mr. Rose: Yes, do that.

Mr. Horner: I am not a believer in free trade as an absolute thing, because of the complexities involved. Free trade is a utopia in which only the NDP believe.

Mr. Rose: Who said that?

Mr. Horner: Free trade is something in which the NDP believe.

Mr. Rose: I rise on a point of order, Mr. Chairman.

Mr. Horner: Let me deal with that aspect of the matter.

The Chairman: Order, please. The hon. member for Fraser Valley West rises on a point of order.

Mr. Rose: The hon. member for Crowfoot suggested that some segment of the NDP has put forward the concept of free trade as a postulate or a point of dogma. I ask the hon. member which hon. member has done this, and to assist the House by pointing to the particular group that brought this idea to the House of Commons.

Mr. Horner: The hon. member asked me one question and I am trying to answer. There was no point of order in his last remark. Free trade is a phrase used by many people. I am not a believer of absolute free trade because there are too many complexities and factors involved in trading. There are subsidies, tax concessions and discriminatory measures used by countries and provinces. We all know that certain materials and products have to meet health standards and one thing and another. There may be no tariffs, and you may believe that there is free trade, but certain commodities are subject to health standards which in essence is a partial barrier. There is also a difference in the value of money, which creates another complexity in respect of trade.

I refer to the Barber commission report. When I began my remarks I said there was something I intended to tell the House that few members are aware of, and I shall do so now. I know of no other member of this House who presented a brief to the Barber commission on farm machinery costs. I submitted a brief to that commission outlining how I felt we could bring about lower farm machinery prices. I do not know of any other Member of Parliament who took the trouble to advise the commission on certain aspects of the farm machinery industry.

I have not been an advocate or a great promoter of Massey-Ferguson. If one studies the farm machinery inquiry carried out by the agricultural committee of the House of Commons he will discover that I was one of the worst interrogators of representatives of Massey-Ferguson.

Mr. Rose: You were always one of the worst.

Mr. Horner: The vice-president of Massey-Ferguson was beside himself because of the annoying questions I asked about their pricing set-up. That company charges all the market can bear, and there should be measures to bring about a realistic situation in respect of farm machinery prices. But we must allow the company to survive within Canada. It is one thing to bring about a realistic price mechanism within a company selling goods to Canadians but it is another thing to force an existing Canadian company out of Canada. It would still be selling at the same high prices in Canada.

Apparently the NDP wants to force Massey-Ferguson out of Canada and into the United States, and then let the company continue to sell at the high prices that now exist within Canada. That is not the solution to Canada's farm machinery problem. That is not a solution to the problem of unemployment within Canada.

Mr. Rose: Mr. Chairman, I rise on a point of order.

Mr. Horner: There is an opportunity for Canadian investment in the corporation in Canada, and it is a rather idealistic and foolish approach—

The Chairman: Order, please. The hon. member for Fraser Valley West seeks the floor on a point of order.

Mr. Rose: Are these strident exhortations an answer to my question, or is the hon. member launching a speech?

The Chairman: The hon. member asked the question and I think, with respect, he should not comment on the answer he gets.

[Mr. Rose.]

Mr. Horner: Mr. Chairman, I think the hon. member doth protest too much. My answer was too telling and he attempted to cut me off. The NDP wants to force through greater tax measures than those now proposed. In this way Massey-Ferguson will be forced out of Canada, with the hope that this will meet some NDP idealistic position. This company will still sell in Canada at the same high prices. This will not help our unemployment picture.

I would much rather encourage a Canadian international corporation such as Massey-Ferguson to remain in Canada, hiring Canadians and creating job opportunities. Then through corrective measures other than taxation we could encourage companies to sell their products at an acceptable rate, one that has some relationship to the value of the goods the machinery will be used to produce. This is what I would encourage Massey-Ferguson to do. The NDP is completely wrong if it believes in nationalization. If hon. members believe in nationalization, I wish they would all be like the hon. member for Waterloo who came out in favour of nationalization. They could then be judged on what they really believe, rather than on the camouflage they so often espouse.

Some hon. Members: Hear, hear!

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I hope the hon. member for Crowfoot will forgive me if I do not follow in the vein in which he has been speaking this evening. I have listened to several hon. members of the Official Opposition take on my colleague, the hon. member for Waterloo. So far as I am concerned they have not touched him, so I should like to discuss briefly a completely different phase of the general question of taxation of international income. Indeed, I hope the Parliamentary Secretary to the Minister of Finance will respond to the statement I wish to make and give the kind of assurance I am seeking on behalf of a large number of people.

• (9:10 p.m.)

While technically we are discussing section 2 of clause 1 of the bill, we are also discussing 18 or 20 other sections some of which have to do with the tax which must be paid by non-residents of Canada on income derived in Canada. Let me say quite clearly that we in this party welcome these provisions, particularly in so far as they endeavour to catch up with people who have taken their wealth to various tax havens around the world in order to avoid the payment of income tax either in Canada or anywhere else. It is no surprise, of course, to the parliamentary secretary when I say we agree with this aim as it is to be implemented in the bill before us.

However, in the attempt to make sure that all income earned in Canada is properly taxed, there are some specific provisions in this bill, and indeed in the sections under discussion now, about the taxation of pensions, superannuation benefits, annuities and other income of that kind. If I have read the bill correctly there is a provision that there should be a 25 per cent tax on most income of this kind. It is clear that old age security payments are exempt from any such 25 per cent tax, and there are a number of other pension benefits that are listed as not subject to this tax. However, it is also very clear that superannuation payments generally, payments

from the Canada Pension Plan, annuities, and so on, are subject to a 25 per cent tax.

I believe this is to be in the nature of a withholding tax so that before these payments are sent from Canada to persons living abroad the 25 per cent is to be deducted. The parliamentary secretary knows very well the kind of people I am thinking about, namely, pensioners who have gone to a more southern clime or to other parts of the world and are concerned when they learn of this 25 per cent withholding tax. Some of them say to me that the amount of income they have is such that they would not reach the 25 per cent level. But the bald way in which this is stated seems to fail to take that into account, and it also seems to ignore the exemption levels which apply to taxation in Canada.

I want to say quite clearly I have made inquiries. I have studied the various documents before us and I am satisfied that these people will not lose. In the first place, old age security pensions are not taxable in this way and in the final analysis the tax treaties which apply between Canada and other countries will come into play and in the end, even though there may have been a deduction at the source, no one who is retired and away from Canada living on a pension will pay any more income tax than he would have paid had he continued to live in Canada. Nevertheless, there is the bald and stark provision in this bill that there is a 25 per cent withholding tax on the total amount of certain kinds of pensions.

The parliamentary secretary realizes what I would like him to do. If he is able to get the floor now, I should like him to give a categorical assurance to public servants who retire, to people on annuities and to pensioners generally, that they need have no fear that by taking advantage of certain rights they have to go to another country that because of this 25 per cent withholding tax they will be in a worse position vis-à-vis their taxation than would have been the case had they remained in Canada.

Mr. Mahoney: Mr. Chairman, first may I say it is most refreshing to return to something completely relevant and germane to the particular block of sections under discussion. Since the hon. member for Regina East asked me a question about NRO's earlier this afternoon, which I have not yet had an opportunity to answer, this is the first specific comment we have had on the sections before us.

I can give the hon. member the assurance he requests. The situation generally speaking is this: we do have treaties with certain countries. A proposal to impose a 15 per cent withholding tax, for example, in the case of a country like the United States does not override the existing treaty. Until and unless that treaty is changed, the provisions of the treaty will preclude that withholding tax being exacted. However, it is thought fair and equitable that in the circumstances Canada should have a right to withhold a tax. The hon. member will appreciate that the United States—since this is the example I have used—does tax income fully in the hands of the recipient resident of the United States.

The 25 per cent withholding tax is proposed in respect of other countries with which we do not have tax treaties at the moment. The legislation does give the Canadian taxpayer, the person from whom the 25 per cent is withheld, the option of filing a Canadian income tax return and if as a result of filing that tax return the 25 per cent tax withheld in Canada means that he or she has paid more tax in total in Canada and in the foreign jurisdiction than would have been the case otherwise in either country, there would be a refund or credit against the tax allowed in Canada as a result of the taxpayer electing to file a Canadian income tax return.

Mr. Nielsen: Mr. Chairman, in listening to the hon. member for Fraser Valley West and the hon. member for Waterloo I was struck by the phoniness of the position customarily taken by hon. members to my left.

Mr. Rose: You said the same thing last year.

Mr. Nielsen: I did not say anything of the kind last year, but I am calling it phoniness now and I am calling it hypocrisy. It is out and out hypocrisy for an hon. member like the hon. member for Waterloo to spout socialistic concepts when he does not for a moment believe in them; and for the hon. member for Fraser Valley West to adopt the same spurious stance is just beyond comprehension.

Mr. Rose: On a point of order, Mr. Chairman, I should like to correct the hon. member's pronunciation of the word "spurious".

• (9:20 p.m.)

Mr. Nielsen: The members of that party clutch taxes to their bosom like a suckling child. One would think that this offends the motherhood syndrome which they would have us believe the people of Canada believe they espouse. They want to appear to the people of the country—to the little man as they call him and as the Minister of Labour calls him—as champions of the little man. They think the more they put down the big corporations, the more votes they can get. This is absolutely shameful. I can understand why their noses are out of joint. In the last 3½ years, at every turn they have been outmanoeuvered by the government. The hon. member for Crowfoot referred to creeping socialism. It is not creeping socialism at all; it is galloping completely out of control.

Some hon. Members: Hear, hear!

Mr. Nielsen: What are we to expect when we have at the helm the three horsemen of the Apocalypse sitting in the House, one upstairs in the Prime Minister's office, the Prime Minister, the Minister of Regional Economic Expansion, and the Secretary of State, all ex-members of the NDP? What are we to expect but galloping socialism?

Some hon. Members: Hear, hear!

Mr. Nielsen: We see the Leader of the NDP now, and before him the hon. member for Nanaimo-Cowichan-The Islands when he was leading that party, every time a government spokesman rises in his seat to announce some new measures, such as the Canada Development Corporation Act, the competition act or the investment incentives act, getting red in the face. They are burned up by their anger and by their indignation at being outmanoeuvered and pushed further out of the socialist spectrum. That is why they are angry. They cannot call themselves true socialists any more because they have been displaced. Nor can those across the way call themselves Liberals.

Some hon. Members: Hear, hear!

Mr. Nielsen: That is a pretty hollow claim. If they were to tell the truth and if they would banish this constant charade of parading themselves as Liberals, if they would banish hypocrisy and admit where this country is going with this list of legislation with which I will not bore the House, then we could have some truth in this place.

An hon. Member: Oh, oh!

Mr. Nielsen: The hon. member for St. Boniface interjects over and over again with his loud mouth and loose tongue. If he would get up and participate in the debate he might give us the advantage of some of his views.

Mr. Guay: I rise on a question of privilege, Mr. Chairman.

Some hon. Members: Oh, oh!

Mr. Guay: It would be very easy for one of us on the government side to rise and discuss matters sensibly with the opposition. But you will have noticed, Mr. Chairman, that the last speaker has not said one word pertaining to what we are discussing at present. All he has done is to criticize the NDP and the Liberals. So I suggest that if they—

An hon. Member: Sit down.

The Assistant Deputy Chairman: Order, please. First, I will point out to the hon. member that the point he raised is not a question of privilege. However, I will also take this opportunity to tell the hon. member for Yukon that he should address himself to the Chair and should make his remarks relevant to section 2.

Mr. Nielsen: Mr. Chairman, I have never heard a larger pot than the hon. member for St. Boniface calling the kettle black. I hear him interjecting day after day. At least when I speak I have something to say, and that is more than I can say for the hon. member for St. Boniface.

Some hon. Members: Hear, hear!

Mr. Nielsen: The hon. member for Crowfoot—

Mr. Guay: Let us talk about St. Boniface for a while.

Mr. Nielsen: I do not think hon. members would agree to that. Unless the hon. member starts talking about it, the country will forget about St. Boniface.

Mr. Guay: Speak louder so I can hear you.

The Assistant Deputy Chairman: Order, please. It is difficult for the Chair to understand what is going on—I ask hon. members to help me keep order.

An hon. Member: Eric, you are on.

Mr. Nielsen: For a moment I did not know whether the hon. member for St. Boniface had the floor or whether I had.

Mr. Guay: You do not know the difference. You are not here half the time.

[Mr. Nielsen.]

Mr. Nielsen: One of these days he will have the courage to rise and tell us about his riding and his constituents, because we certainly have not heard anything yet.

Mr. Guay: It would make a hell of a lot more sense.

The Assistant Deputy Chairman: Order, please. I will ask hon. members once more to give the Chair a chance to hear what is going on and to hear the speaker who has the floor. With their co-operation, I give the floor back to the hon. member for Yukon.

Mr. Nielsen: Thank you, Mr. Chairman. The hon. member for Crowfoot referred to timing. Indeed, this legislation is ill-timed. My urgings to the government have already been expressed by the hon. member for Crowfoot. Why are we in the difficulties that we face now with respect to the matters before us? This is a problem of the government's own making. How in the world can we expect the kind of economic climate to exist between ourselves and the United States when we have actions of the government such as we witnessed over the past few months, starting with the statement made in Russia by the Prime Minister referring to the U.S. military threat to Canada.

Some hon. Members: Oh, oh!

Mr. Nielsen: I hear groans from the Parliamentary Secretary to the Minister of Finance. What I am saying is the truth, and the parliamentary secretary knows it.

Mr. Mahoney: It is the contrary.

Mr. Nielsen: It is not, and the parliamentary secretary knows it when he challenges my statement and says it is not correct. I am not the one who is lying. This was followed by the Premier of the Soviet Union, who came here and used Canada as a platform from which to make anti-American statements. That did not help. This followed on the heels of the Minister of Energy, Mines and Resources making a statement with respect to the investment of foreign money in this country for the purpose of constructing pipelines, and the Minister of Indian Affairs and Northern Development travelling to the United States and making a statement diametrically opposed to that. No wonder the United States feels so confused.

Then, after cataloguing all these things, the Prime Minister says something is wrong and we have to mend the situation or at least give the appearance of mending it. So he calls together the offensive team, the Minister of Justice, the Minister of Finance, the Minister of Consumer and Corporate Affairs, and he shoves them across the country and instructs them to get the government out of the mess. What do they do? We find the Minister of Justice, whose portfolio has no concern with economics, saying in a speech to the Empire Club in Toronto last Thursday:

> If there has been any straining in our friendship with the United States, that surely has resulted from Americans initiatives.

• (9:30 p.m.)

Having regard to statements of that nature from senior ministers of the Crown, how in the world are we going to smooth over the deterioration in our relations with the

United States which have never been so low in Canada's history.

Mr. Rose: Since Diefenbaker.

Mr. Nielsen: The hon. member for Fraser Valley West has interjected, "Since Diefenbaker."

Mr. Rose: Right.

Mr. Nielsen: That is an untrue, an uncalled for remark and it is beneath the dignity of the hon. member who uttered it. That former Prime Minister of this country was and is a great Canadian.

Mr. Rose: That is right. Mr. Chairman, I was accused of an untruth in regard to relationships between Canada and the United States. In response to the suggestion of the hon. member for Yukon that our relations were at a very low ebb, I suggested that they had not been at such a low ebb since the time of Right Hon. Prime Minister Diefenbaker. I do not retract that statement. I am suggesting that if they are not below that point now, that they are at least equal to it. It is not my problem; it is the problem of the hon. member for Yukon that this is so.

The Assistant Deputy Chairman: Order. The hon. member knows that this is not a point of order. It is a matter of debate.

Mr. Nielsen: Does the hon. member wish to raise a point of privilege?

Mr. Rose: If you like.

The Assistant Deputy Chairman: Does the hon. member have a point of order again?

Mr. Rose: Mr. Chairman, you suggested that my intervention was not a true point of order. If it would please Your Honour, I would change it to a point of privilege.

The Assistant Deputy Chairman: Order. I said it was a matter of debate.

Mr. Nielsen: In all good conscience, if the hon. member for Fraser Valley West were called upon to answer he would have to admit he knew it was not a question of privilege but just another abuse of the rules to get an interjection on the record. In reply to the hon. member I say that it is not my problem. The situation in which we find ourselves today, with our relations with the United States being at the lowest ebb in our history, is the government's problem. If hon. members to my left were honest with themselves they would admit that.

Mr. Guay (St. Boniface): You missed that debate.

Mr. Nielsen: I think I hear the hon. member for St. Boniface again.

Mr. Guay (St. Boniface): You were away when that subject was discussed.

Mr. Nielsen: I wish the hon. member would speak up.

Mr. Guay (St. Boniface): On a point of order, Mr. Chairman, I just want to bring to the attention of the hon. member for Yukon that the matter he is discussing was fully discussed in a debate when he was absent a couple of weeks ago.

The Assistant Deputy Chairman: Order. The hon. member for Yukon.

Mr. Nielsen: I cannot understand how the hon. member for St. Boniface knows what was discussed in the House, because all he can hear is himself. In Toronto, the Minister of Justice—one of the offensive team—was followed by the Minister of Finance who, to put it mildly, has taken much buffeting in the last few months. In a speech there that minister said: "As it stands now the U.S. program contains elements that are prejudicial to the development of world trade." His whole speech was along that line. How on earth are we to improve rapidly deteriorating relations with a country that is so vital to our existence by sending out ministers to say that kind of thing?

On top of these harsh, blunt, undiplomatic statements made by ministers of the Crown—and the Prime Minister is no exception—we have things like the leakage of the Gray report advising of the setting up of some kind of screening mechanism, staffed by a board with broad, sweeping powers to exercise political discretion over what foreign capital can come into this country, how much of it, for where, and for what purpose. Members of the NDP would dearly love to see that happen. I point out that the so-called pseudo Liberals have been stealing the stuff of the NDP for as long as I can recall. That is why members of the NDP are now redundant. The true NDP are all over there opposite me. Why don't you go over there? That is where you belong. Conversely, the government should move over to this side.

The Assistant Deputy Chairman: Order. I ask the hon. member to address himself to the Chair.

Mr. Nielsen: Mr. Chairman, I have been careful about addressing my remarks through the Chair, but because I may have been facing in another direction this does not mean that I have forgotten about Your Honour's existence. Then one must read some of the editorial comment on this subject.

Mr. Guay (St. Boniface): More questions.

Mr. Nielsen: The hon. member for St. Boniface is disgruntled again.

Mr. Guay (St. Boniface): All you can do is read quotations from newspapers.

The Assistant Deputy Chairman: Order. The Chair is having a very difficult time tonight. This is my worst experience so far in the chair. I am trying to follow everything that is said. I wish hon. members would allow the hon. member for Yukon to speak without interruption so that I may follow what he is saying.

Mr. Nielsen: Mr. Chairman, I am greatly interested in the interjections of the hon. member for St. Boniface. They merely point out the great unrest that exists in the backbenches on the opposite side. This is one way for the hon. member to blow off a little steam. I don't begrudge it to him because he needs it, if only to maintain good health.

Mr. Guay (St. Boniface): On a point of order, Mr. Chairman, I just want to say that I agree with the hon. member that there is unrest here, but it is because we are getting tired of listening to nothing.

Mr. Nielsen: I think the hon. member will agree with me that for 3½ years we have been listening to nothing from the government backbenches. In an editorial last Saturday the *Globe and Mail* said:

> Even the hesitation of business to invest deplored by Mr. Benson has its Canadian causes—the long doubt of the tax bill, the dangerous and arbitrary elements of the competition act, and now the foreshadowing of another arbitrary tribunal in the Gray report.

There, Sir, is the nub of the question. The problems the government is facing today are problems of its own creation, because of its blind, stubborn, stupid ineptness in managing the country, as a result of which it now finds itself deep in the proverbial mire. The editorial added:

> Verbal assaults on the United States will not solve our problems. Even U.S. concessions would not solve them all. Our economic disease has its Canadian causes, which can only be removed by new Canadian initiatives.

We are not going to see any initiatives coming from the government or coming from the NDP, because all they are concerned about is one great superstructure of the state having control over virtually every aspect of our freedoms, our freedoms of commerce, of industry, of business, and in that respect members of the NDP are beaten hollow by those who sit on the government benches.

• (9:40 p.m.)

Some hon. Members: Hear, hear!

Mr. Nielsen: They can cry in their soup until doomsday because until the government goes they will be outlefted every time—and heaven help us if the government doesn't go soon.

Mr. Flemming: Mr. Chairman, I wish to make a few remarks in connection with Bill C-259 and the portion which we are supposed to be discussing. Perhaps I should say that we are talking about the taxation policy on income, as it applies to Canadian individuals and Canadian corporations, from foreign sources. I happen to belong to a group of people which I hope is not in the minority, people who are pleased and proud of the fact that in Canada we do have corporations large enough to compete in all the markets of the world.

Some hon. Members: Hear, hear!

Mr. Flemming: This business of trying to point the finger at corporations that have their head office in Canada, as though it were a crime, does not stand up in my opinion and should be frowned upon by every member of this assembly.

Some hon. Members: Hear, hear!

Mr. Flemming: We are discussing a complex phase of a complex portion of the tax reform bill. When I say tax reform I want to say that I do not subscribe to the words whatsoever, because tax reform suggests tax improvement. This is not tax improvement by any stretch of the imagination. If people were honest with themselves they would not call this monstrosity tax improvement, because it is not.

When the bill is referred to committee of the whole then I suggest it is the business of the minister sponsoring it to be in his place to explain the bill for the illumination of all members. In this case, that responsibility has been delegated to the parliamentary secretary to the minister, the hon. member for Calgary South, and I find no fault with that. But when the parliamentary secretary fails to rise in his place at the beginning of any series of sections of a complex bill to explain to the committee what the government expects to accomplish by these new portions of this bill, then I do find fault.

Mr. Benjamin: They don't know yet.

Mr. Flemming: If you will examine the bill you will see that in every case it is written that these are new sections. I submit it was the duty of the parliamentary secretary to rise in his place and explain why the changes are being made and what gain is expected in comparison to the old act. As I said a few moments ago, while I do not agree with the principle of delegation because people are elected for a specific purpose, since it had to be done I am sure it could not be on more capable shoulders—except that he did not do it. He has not given the committee any explanation of why this is done and what the government expects to gain by it.

I shall give a bit of information on what we are gaining under the present act. Let us examine the record, Mr. Chairman, and see what it shows. We find that in 1970 Canada received $513 million in interest and dividends on foreign holdings, a 74 per cent increase over the 1967 revenue of $295 million. In 1967, Canadian direct investment abroad represented a book value of $4 million out of total long-term investments with a book value of a little over $8 million. Canadian direct investment abroad in 1970 was $215 million exclusive of undistributed profits.

With that in mind, Mr. Chairman, it becomes the duty of the parliamentary secretary to tell this House what improvement the government is going to make. I know what has been said by some members. They have raised this particular phase of the new bill and emphasized that portion of it which would interfere with people who are wealthy and move their place of residence to another country. I agree with that. I do not, however, agree with the idea of saying to Canadian corporations which are doing business throughout the world that you are going to make it as hard as you can for them because there are ways in which they could be made to pay taxes.

In my opinion, the people who are contributing to taxation in this country, which last year amounted to something in the area of $6 billion or $7 billion, are a most important class because they contribute to the expense of various social services and the expense of government in general. Why should the government try to make it hard for the taxpayer? It seems to me that what they are doing is discouraging him or the corporation to the extent that he loses his incentive to go ahead and make a profit. I happen to believe in profit because, in the first place, I believe it makes for good times and, in the second place, government gets about 50 per cent of it anyway. I see that you agree, Mr. Chairman, because you smile. Why should the taxpayer be held up almost as a public enemy of

Canada when he is almost the greatest benefactor that the country could possibly have?

I think we have to look at all these phases, but it seems to me that the government has not considered them. They seem determined to make change, but unless you can make an improvement you should not make change. The power to tax is surely the power to destroy, and the power to change taxes and make them more onerous surely has the same connotation. I think the parliamentary secretary should have been on his feet a long time ago telling this House what the government had in mind and why they were doing it.

Mr. Nielsen: He doesn't know.

Mr. Flemming: Mr. Chairman, I believe that the remark of my hon. friend from the Yukon is correct; I do not think they know. They do not seem to know, but they seem to have the idea that they must of necessity make changes. It really amounts to this. The government thinks it must make changes for the sake of change. That is all we have here.

• (9:50 p.m.)

Mr. Chairman, I make this assertion: income from foreign affiliates is not at present taxed by Canada when it is earned or remitted as dividends; only when that income is distributed by the Canadian parent company to the shareholders will it become taxable, presumably. In other words, the government is making it impossible for a company with an affiliate in another country to bring funds from that affiliate into Canada without paying tax. It cannot bring money into its own treasury even. That seems to be a step in the wrong direction. We must look at possible government objectives for clues to indicate why the government is thinking this way. I have referred to the question of tax havens.

An hon. Member: Are you for or against them?

Mr. Flemming: The government's objective may be to allow Canadian businesses operating abroad to remain competitive and viable. Mr. Chairman, you cannot make them competitive and viable if you impose on them provisions like these so that they cannot live. That, to me, does not seem sensible. There has been talk of bilateral tax treaties. These treaties are not easily made. They take a great deal of time. Why, for goodness sake, is it necessary to enter into additional tax treaties when under the present law $513 million in cash flowed into the treasury of this country in 1970? In 1971 it is quite possible that the amount will be much greater. The international aspects of Bill C-259, Mr. Chairman, might be described as a nightmare of overkill, subverting international equity and confronting Canada's international interests with grim prospects.

I think the parliamentary secretary should explain what the government has in mind. Why did 44 top businessmen come to Ottawa today, if not to express concern about the new tax legislation?

Mr. Mahoney: They came because they were invited by the Prime Minister.

Mr. Flemming: So the Prime Minister invited them. Let us accept that as a proper statement. But why are they here, if not to object? I submit that business in Canada today is in a state of tremendous confusion and uncertainty resulting largely from the government's actions on taxation. The government seems determined to make change for the sake of change. It has not been demonstrated to me that things needed to be improved.

I said a moment ago that about $6 billion of our total revenue, or about 50 per cent, comes from the taxation of individuals and corporations. However, I did not give the whole story and now I want to do so. In the three years for which I am about to give figures—that is, 1968, 1969 and 1970—the revenue from taxation under the headings I referred to was $4.5 billion, $5.3 billion and $6.7 billion respectively. The point is that here we have tax laws which apparently without disturbing the business community resulted in increased revenues every year of about $1 billion. The government is not satisfied with that; apparently it wants more.

The plain fact is that if business in Canada and abroad is to remain competitive, it must operate in a tax environment that is at least as favourable as that applying to its foreign competitors. I should like the parliamentary secretary to listen to me. If businesses are to remain competitive, Mr. Chairman, it is necessary for them to operate in a tax environment that is no less favourable than that in which their foreign competitors operate. That seems like ordinary, common sense. Apparently this government is not conscious of that fact or, if it is, it is absolutely indifferent. They go merrily on their way chasing after the last dollar and trying to portray the businesses of this country as public enemy No. 1. That is what the government is doing by this legislation.

An hon. Member: Ten o'clock.

Mr. Flemming: I will take only a minute, Mr. Chairman. We have no assurance from the government that the restrictive measures which have been included in this bill will have any beneficial effect. Perhaps the parliamentary secretary would like to convince me that they will. I would be glad to be convinced. So far, however, I remain unconvinced. The government seems to be absolutely unconscious of the effects of high taxation. It is time it woke up and considered what action it ought to take in the interests of all the people of Canada.

Mr. Mahoney: Mr. Chairman, the hon. member for Carleton-Charlotte was the first member of the official opposition who displayed any interest in the contents of this particular block of sections. I only regret that he took up all the time available and that I cannot respond to him.

Mr. MacInnis: On a point of order, Mr. Chairman, I wish to draw your attention to the fact that some electronic equipment has been used in the committee. I should like the Chair to rule on whether that is a proper procedure for the hon. member for Davenport to follow.

The Assistant Deputy Chairman: I do not see any equipment.

Mr. MacInnis: Look. It is in his hand.

The Assistant Deputy Chairman: If it is, it is not supposed to be there. I will note the matter and report to Mr. Speaker.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

EXTERNAL AFFAIRS—INDIA—REQUEST TO SEND DRIED POTATOES TO AID IN FOOD SHORTAGE

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, when I raised this issue some time ago it was because of my hope that something additional might be found to add to the assistance this country and its people are providing for the unfortunate refugees in the Indian subcontinent. While there are events, political problems and grave dangers of serious international consultations, the human problem is urgent, pressing and compelling.

I do not hesitate, and I never have hesitated, to endorse enthusiastically the efforts of this country to assist developing countries and, more particularly, to assist the nationals of other countries in time of unique and special need. Certainly, the last requirement is met in the tragedy which has befallen the millions of people who have fled East Pakistan for India. The world must know that the Indian burden is immense and must be taxing the capacity of that country, and thus we cannot overlook any avenue of assistance.

• (10:00 p.m.)

It is one of the sad anomalies of our world that some parts are in abundance and others are in grave deficiency, even confining ourselves to foodstuffs. It passes the understanding of most people that we find some areas of the world with food that is wasted and other parts of the world where people literally starve. This was a perplexing problem in the thirties in the Canadian prairies, and I suppose the American prairies too. Wheat was burned or roasted to make a form of coffee, while in Brazil coffee was destroyed because there was no sale. Canadians could have used the coffee and the Brazilians could have used the wheat, but never could we get the proper correlation between surplus and deficiency.

It would seem that in our highly sophisticated age when we can literally land on the moon and send with precision the most sophisticated instruments to the planet Mars, there must be something wrong in our universal patterns of life if we cannot relate the terrible needs of some human beings to the overproduction of others.

I know that respect must be had for the life styles and taste preferences of people, and I understand that we have in the past made mistakes and sent food to areas where the people either could not or would not make use of it. However, it is my understanding that dried, instant potatoes can be usefully added to the diet of the East Pakistan refugees. As I understand it, a mixture of these potatoes with spices, combined with some leafy vegetables which are found in the area, add considerably to the rations of these people.

One of the great problems which faced the sector of the agricultural industry devoted to potatoes is the fact that this crop was perishable and, unlike wheat, could not be stored from year to year. The advent of the potato flake, instant potatoes—a most wonderful product—has helped to make this problem a little less acute.

My main concern in this question is not to criticize but to inquire as to what has been done by the Department of External Affairs, by CIDA, what advice has been received from the Department of Agriculture on the possibility of making use of the ample supplies of potatoes in an instant form to assist in providing sustenance for the unfortunates in India. I hope the parliamentary secretary will be able to indicate that considerable research has been done and that the omens are good for this further development of Canada's external aid program.

I still believe that the best possible contribution is cash—cold, hard and generously delivered cash—but foodstuffs that are light and therefore reasonably easy to transport should be utilized wherever possible. I call upon the government to make every effort toward the utilization of these items. I note with immense concern and profound sorrow what was said by our representative at the United Nations the other day, reporting what the UNHCR man had reported to the United Nations assembly, namely, that it would require $700 million to provide for the basic needs of these refugees for the year ending March, 1972.

I profoundly hope, with a great feeling that we must all unite on this matter, that something can be done in this particular area in order to provide some amelioration of the terrible need of so many of our fellow human beings who are experiencing great distress and unique suffering.

[*Translation*]

Mr. Gaston Isabelle (Parliamentary Secretary to Secretary of State for External Affairs): Mr. Speaker, we fully share the sympathy of the hon. member for Hillsborough (Mr. Macquarrie) on the question presently under study.

His opinion is also shared by the government but I must tell him, on that matter, that the Canadian International Development Agency has been approached and encouraged to provide Pakistan refugees in India with instant dehydrated potatoes.

Senior officials of the agency have consulted representatives of the FAO and the League of Red Cross Societies and both inquiries have clearly demonstrated that dehydrated potatoes do not meet the dietetic needs of this population and that this moreover implied serious difficulties due to the rudimentary implements available in that country. However, CIDA officials are still seeking the best way of utilizing the stocks that have already been shipped by various private organizations.

[*English*]

EXTERNAL AFFAIRS—SUPPLY OF AUTO PACT INFORMATION BY EMBASSY OFFICIALS TO U.S. SENATORS PRIOR TO VOTE ON EXEMPTION OF CANADA FROM SURTAX

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, the issue I wish to speak about briefly this evening is

concerned with the degree of effort this government is making to provide our trading partners, more particularly the United States of America, with information directly relevant to current issues that exist between our two countries. The question is by no means an abstract one; quite the contrary. I was in Washington last week to speak with representatives of both the legislative and executive branch of that government in connection with the Canada-United States automotive agreement. To my dismay I discovered that those at the legislative level were simply uninformed of Canada's position and the facts—I emphasize "the facts"—concerning the Canada-U.S. automotive agreement.

I spoke with Senators Buckley and Gravel, the former from New York city and the latter from Alaska, concerning an amendment that they had put before the U.S. Senate a week ago Saturday. The substance of the amendment was extremely important to this country. If passed, it would have recommended to the President of the United States that that government exempt both Canada and Mexico from the current surcharge. The vote failed by seven votes only. In other words, if four Senators had voted the other way, that amendment would have passed.

The central argument used against the exemption of Canada came from Senator Long, chairman of the important finance committee, and it stressed almost exclusively the so-called reneging by Canada on the Canada-U.S. automotive agreement. The Senators present who were supporting the amendment simply did not have at their disposal, so I am informed and have had partially confirmed, contrary facts, facts that could and should have been provided to them by our embassy in the United States.

• (10:10 p.m.)

I am not arguing or suggesting strong tactics or anything of that kind, but simple, straightforward provision of information to important and powerful politicians should have been carried out. The minister in his reply to my question in the House this afternoon as to the degree of action we took in this area, suggested this was perhaps inappropriate. He said it was perhaps permitted both by our government and others but it might cause more harm than good. It seems to me that anyone who knows anything at all about the operation of modern government could not accept this answer at face value. Virtually all active governments are busy providing us as Members of Parliament on a regular and daily basis with all kinds of information concerning themselves. We are ordinary Members of Parliament and, indeed, almost half of us are members of the opposition. It seems to me that in the United States system of government the legislative branch is in many basic ways much more powerful compared with Members of Parliament.

This is all the more reason for saying it is an essential function of our embassy abroad and the foreign policy of this government to keep people at that legislative level in the United States government informed of Canadian positions, and particularly informed of basic factual information that could be used in a positive way when votes are taken in the Senate or in Congress which could have a good or detrimental effect on this country.

To repeat the point, the vote last Saturday could well have been different and could well have come out in Canada's favour if members of our embassy and members of this government had been doing the job they ought to have been doing.

Mr. Gaston Isabelle (Parliamentary Secretary to Secretary of State for External Affairs): It is of course one of the responsibilities of our embassy in Washington to establish contact with all sectors of the United States government. Officers are expected to be acquainted with not only their opposite numbers in the administration but also with Senators and Congressmen who are interested in Canadian-American relations.

Several Senators supported the unsuccessful amendment to the tax bill, advocating withdrawal of the 10 per cent surcharge from Canada and Mexico. Many of them may have been made aware of the general Canadian position, including the auto pact, and of the effects of the surcharge on our economy, through the efforts of our Washington embassy staff. Such contact between diplomats and legislators within the country to which diplomats are accredited is normal and natural. Indeed, officers might be subject to criticism if they did not develop and maintain these contacts.

NATIONAL ANTHEM—ASSURANCE THAT ROYALTY NOT CHARGED FOR PLAYING OF "O CANADA"

Mr. Lloyd Francis (Parliamentary Secretary to Minister of Veterans Affairs): Mr. Speaker, on Friday, November 19, as reported at page 9713 of *Hansard*, the right hon. member for Prince Albert (Mr. Diefenbaker) asked the following question:

> Mr. Speaker, I ask the Prime Minister to give consideration to a problem that has arisen as a result of the royalties being collected by the Authors, Publishers and Composers Association of Canada for the use of "O Canada" when played at any time by any organization which charges admission. Up to the present time "God Save the Queen" and "O Canada" have been accepted as national anthems. This organization, this all-powerful behemoth of art, have a copyright on "O Canada". Will the Prime Minister give consideration to bringing before Parliament the necessary legislation to cancel the copyright as such a preposterous anachronism whereby Canadians have to pay for the privilege of having "O Canada" played?

In reply, the Prime Minister (Mr. Trudeau) stated that it was the intention of the government to bring in legislation on this matter but that it will not be possible at this session. In fact, Mr. Speaker, the right hon. member for Prince Albert is badly mistaken in his facts. The copyright for "O Canada" was turned over to the Crown in October, 1969, for the sum of $1. I am in possession of photostat copies of letters indicating that this offer was made on a number of previous occasions by Gordon V. Thompson Limited, who held the copyright.

Mr. Forrestall: Your leader, then, is a liar.

Mr. Francis: Mr. Speaker, I believe I have the floor. The hon. member has the right to make his own representation at another time. What he is saying now is totally false.

Mr. Forrestall: It is not false at all. Why do we not have the legislation?

The Acting Speaker (Mr. Boulanger): Order. I would ask for co-operation with the hon. member who has the floor.

Mr. Francis: I will ignore the remarks. As I say, I have photostatic documents, and I trust the hon. member making the objection is in possession of material to back up the very false statement he made in his interjection. I am in possession of photostats of letters indicating that the offer was made on a number of previous occasions by Gordon V. Thompson Limited, who held the copyright. While this firm is a member of the Authors, Publishers and Composers Association of Canada, such nominal royalties as were collected were actually collected by Gordon V. Thompson Limited.

My purpose in raising the matter at this time is to clear the name of Mr. Gordon V. Thompson, in the interests of his family some of whom reside in Ottawa. While a student at the University of Toronto before the First World War, the late Mr. Thompson became interested in the lyrics of "O Canada" in English. Some 40 versions were current at that time. After much research and consultation with many authorities, he finally came to the conclusion that the version by Judge Robert Stanley Weir of Montreal was the most generally accepted.

The problem of how to protect the lyrics of a song which had no official status but which many hoped would become the national anthem was a difficult one. Mr. Thompson negotiated with the heirs of Judge Weir and took out a copyright. By means of the copyright he and his firm were able to protect the dignity of the lyrics and the music as something which they could pass on to future generations.

In the course of administering the copyright a number of difficult decisions arose. In one case a parody of the song was prepared and, of course, this was forbidden. In another case a firm wanted to make a singing commercial to sell deodorants, using the music of "O Canada", which was again refused. While these cases were obviously offensive to public taste, other decisions were much harder to make. In general, permission to use the copyright was granted freely for any public or non-profit purpose.

As far as royalties were concerned, I am informed that these amounted to approximately $150 per year, of which 50 per cent was turned over to the estate of Judge Weir. A royalty of 10 cents per sheet for sheet music produced negligible returns, but all the money from this source was turned over to Judge Weir's estate. The costs of administering the copyright, of preventing abuse and maintaining uniformity of the version across Canada, indeed for international purposes, far exceeded the nominal royalties received. Indeed, the firm of Gordon V. Thompson Limited became specialists in this kind of work. They were given responsibility for administering the copyright of Canada's centennial song written by Bobby Gimbey, and also I believe they have a similar arrangement with the "Ontario" song promoted by the province of Ontario.

A review of correspondence in my hands indicates that Mr. Thompson offered on a number of occasions to turn over his copyright to the Crown, which was finally done in 1969. The task of working out a fair set of rules to guide those responsible for administration of the copyright, however, has not yet been completed by the Secretary of State's department. No doubt in the near future we can expect, as the Prime Minister indicated, legislation and possibly regulations to deal with this complex and difficult subject.

Those interested in the subject might refer to the 1967 report of the Special Joint Committee of the Senate and House of Commons on the National and Royal Anthems, and the Minutes of Proceedings of November 30, 1967, pages 55-58. It is to the credit of the late Gordon V. Thompson that he undertook to copyright the Weir version of "O Canada" in order to protect it as a public service. Through the device of the copyright, a standard version was promoted from coast to coast and the other versions have fallen into disuse. The fact that the Weir version has received the recognition it enjoys today is in no small part due to Mr. Thompson's efforts and it is out of a sense of obligation to set the record straight that I have taken the opportunity of raising this matter tonight.

• (10:20 p.m.)

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): The statement made by the right hon. member for Prince Albert (Mr. Diefenbaker) and the press article on which it was based were both inaccurate. The Composers, Authors and Publishers Association of Canada requires royalties for their repertory, and "O Canada" is not included in this repertory.

So far as the English version is concerned, "O Canada" copyrights have been Crown property since October 12, 1970, at which time the heirs of Judge Weir, I am given to understand, through selfless effort and the co-operation of Gordon Thompson turned over to the government the copyrights. The French version, both the words and the music, have been public property for a number of years.

Mr. Forrestall: Nonsense.

Mr. Danson: The hon. member has an instinct for a joke. Therefore, no company or society can require fees for royalties in the case of "O Canada".

Motion agreed to and the House adjourned at 10.24 p.m.

HOUSE OF COMMONS

Tuesday, November 23, 1971

The House met at 2 p.m.

[*Translation*]

ROUTINE PROCEEDINGS

MISCELLANEOUS ESTIMATES

Fifth report of Standing Committee on Miscellaneous Estimates, in the two official languages—Mr. Leblanc (Laurier).

[*Editor's Note: For text of above report, see today's Votes and Proceedings.*]

* * *

[*English*]

HARBOURS

VANCOUVER FACILITIES—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, pursuant to Standing Order 43 I wish to present a motion on a question of urgent and pressing necessity. The urgency and necessity of consideration and action now flow from the calamitous and scandalous inadequacy of facilities and confusion surrounding the operation of the port of Vancouver by the National Harbours Board. The unprecedented volume of both exports and imports so vital to the survival of the Canadian economy has been seriously impeded by a lack of dock capacity, by delays of many months by the government in naming directors to the National Harbours Board, and in the constituting of the Port of Vancouver Authority, and other factors within control of government. I therefore move, seconded by the hon. member for Spadina (Mr. Ryan):

That the whole question of the administration and facilities of the ports of Canada, the administration of the National Harbours Board and the direction thereof by the government, particularly the Minister of Transport and his officials, be now referred to the Standing Committee on Transport and Communications for examination and report, including recommendations to this House.

Mr. Speaker: The motion proposed by the hon. member for Edmonton West comes under the terms of Standing Order 43 and requires the unanimous consent of the House. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity. The motion cannot be put.

[*Translation*]

POST OFFICE

ANNOUNCEMENT OF INTEGRATION OF MAIL TRANSPORTATION SERVICES

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, I wish to announce that the Post Office Department intends to implement a major change in its transportation services in a number of urban centres across Canada.

The intent of the Post Office is to integrate urban mail transportation services in major areas of Canada in order to help stabilize mail transportation in these centres whose continued operation is essential to the maintenance of a national postal network.

The proposed integration means that the Post Office will undertake the intra-urban mail transportation previously carried out by private contractors.

In announcing this major change, Mr. Speaker, I would like to point out that among the major postal administrations of the world, Canada is the only country which does not now have integrated transportation services in its urban centres.

The decision to implement an integration of urban mail transportation services comes after a series of studies by the Post Office Department. As a result of these studies, integration was successfully undertaken in sections of Montreal and Vancouver as early as 1967.

As a further consideration, Mr. Speaker, in 1968 section 31 of the Post Office Act was revised. This revision provided that following the invitation to tender, no contract should be entered into for a term of more than five years. At that time the department knew it would eventually integrate all its major urban transportation services. The Vancouver and Montreal experiments of 1967 were undertaken to test the feasibility of this course of action.

In order to carry out integration of these services, the Post Office will require personnel, vehicles and support equipment. All those full-time contractors' employees who are working in functions related to postal work will be offered positions with the Post Office. The Post Office is conscious of its obligation to these men and is most desirous that they will elect to enter the Public Service. Many of these workers, after providing service to the Post Office for so many years, already regard the Post Office as their real employer. The Canadian public, too, has come to regard them as Post Office employees.

The unions representing these employees have been consulted and they are co-operating with the department in implementing this program.

As far as vehicles and equipment are conerned, the Post Office will offer to buy the material that the contractor now uses to provide his services.

Mail Transportation Services

• (2:10 p.m.)

[*English*]

Two criteria were used to define the centres that would qualify for inclusion in the program. Both criteria are based on mail volumes and are:

1. Those centres which account for 1 per cent or more of the national total of originating first class mail, or

2. Those centres which account for 10 per cent or more of the total of a postal region's originating volume.

These criteria define the cities and areas that are vital to the postal system in national terms. Not only are they important in their own right as major centres, but many of them are main in-transit or transfer points for the movement of mail originating elsewhere.

Application of the national and regional criteria result in the inclusion of the following metropolitan cities in the program: Vancouver, Victoria, Edmonton, Calgary, Regina, Saskatoon, Winnipeg, London, Metro Toronto, Hamilton, Windsor, Kitchener-Waterloo, Ottawa-Hull, Metro Montreal, Quebec City, Saint John, New Brunswick, Moncton, Halifax-Dartmouth, St. John's Newfoundland. Of these 19 cities, four—Montreal, Quebec City, Windsor and part of Vancouver—are already wholly or partially integrated. The 15 new centres include satellite postal operations in urban communities adjacent to metropolitan areas. The total number of urban centres to be brought into the program, therefore, will be 42.

The integration program is planned to be completed by the end of 1972. Discussions with the contractors concerned regarding the dates of integration of individual services are starting immediately.

As the integration program is mainly aimed at the stabilization of key centres of the national mail network, it is not the intention of the Post Office to integrate those mail transportation services provided to rural or semi-rural areas, or between cities.

I believe that this move will help to bring a greater degree of stability to a most important element of Canada's mail system and as such constitutes a major step forward in the development of an increasingly reliable mail service.

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, this is one of a series of announcements that have been made by the Post Office Department since 1968. I listened very carefully to the Postmaster General (Mr. Côté), and once again I find that this proposed change is being made in the interests of efficiency and better mail service in Canada. The minister was kind enough to supply me with a copy of his statement, and I note that the change is designed to stabilize mail transportation within the major centres of Canada.

It goes without saying that the sort of stability we want with respect to intracity mail transportation matters—I am sure the Postmaster General will agree with me—is not the sort of situation portrayed by the Lapalme drivers parading daily on Parliament Hill. I have followed the changes made by the Post Office Department in recent years, and the difficulty has been that with every change costs have gone up and services have gone down. The result is that the public are unhappy, the employees are unhappy, and I am sure the Postmaster General is also very unhappy.

[Mr. Côté (Longueuil).]

Those who listened to the noon broadcast of the CBC news today once again heard an expression of unhappiness and discontent from the public in the form of a protest by an advertising executive who is so unhappy about the postal service that he is going to take action against the department to recover the costs he has incurred in getting the sort of service he used to have before the announcement of assured mail delivery which the Postmaster General informed us was going to expedite the mails and which this gentleman, speaking through the CBC news, has referred to as a fraud and a disaster. I was also interested to note that he also urged the Minister of Consumer and Corporate Affairs (Mr. Basford) to investigate the Post Office Department to see if it is guilty of misleading advertising. Every time these changes are made there is a great spate of publicity and propaganda indicating an upward and onward trend whereas following the implementation of the changes we find that the quality of service spirals downward and only the costs of the service are onward and upward.

I think it is not a prejudiced viewpoint to express the opinion that every change announced by the Postmaster General and his predecessor, who was more of a disaster than the present incumbent of that post, has created confusion in postal services. This means that every change is not necessarily progress. I suggest to the Postmaster General that if he is really going to restore the confidence of the public in the postal service he must restore the morale of the postal employees. They make daily contact with the public and it is largely through the esprit de corps manifested by the postman on the walk, the postal employee at the wicket, the private contractor who in the past carried out the function that is now going to be handed over to direct postal employees, that the public's confidence in the Post Office Department is going to be restored. I was pleased to note on page two of the announcement that the Postmaster General emphasizes the fact that all full-time contractor employees engaged in functions related to postal work will be offered positions in the Post Office.

• (2:20 p.m.)

I think the hon. gentleman will agree that before the current labour difficulties which are harassing the postal service are resolved, before the morale of the employees is restored, before the confidence of the public is restored, there must be engendered in the postal employees—and there is now going to be a larger number directly involved—that spirit that used to be described in this poetic language: "Neither sleet, nor hail, nor rain, nor other vicissitude will deter them from their appointed task."

Mr. David Lewis (York South): Mr. Speaker, it is obvious that the suggestion made by the Post Office Department is an important one and that theoretically at least it is an important advance that should assist in making the Post Office much more efficient. We all know in this House that the present Postmaster General (Mr. Côté) is making a very earnest attempt to improve the situation in his department.

Some hon. Members: Hear, hear!

Mr. Lewis: But I say without any intention of offending the Postmaster General that so far the evidence of that improvement is not overwhelming.

Some hon. Members: Hear, hear!

Mr. Lewis: The proposal which is made is obviously a necessary one but whether it will be a good one will depend entirely on the way it is brought into effect. The experience we have had in the Post Office so far is that labour relations in that department have been a shambles for some years and that the Post Office has not yet got rid of the paternalism, indeed, the patronage, from which it has suffered for so many years.

The Postmaster General says that the department consulted the unions representing the employees of private contractors. May I say to him with all the kindness I can that an assurance like that does not reassure me at all. I should like to know exactly what kind of consultation took place, when it took place, whether the unions concerned were in fact given an opportunity to express their opinions as to how the proposal might be implemented, or whether the consultation in this case has been the same as in every other case, namely, that they were informed that something was going to be done. I emphasize that, Mr. Speaker, not out of any desire to be critical but out of a vivid memory of what happened in Montreal and out of the fact that we are still plagued with the results of incompetence and lack of simple human decency in the way in which the Lapalme situation in that city was handled. If better relations are not established, if the unions now concerned in this work having been given real consultation instead of phony consultation, then we may well have some difficulties in the future.

May I finally say to the Postmaster General that I was astonished, indeed, outraged this morning when I learned from officers of the Canadian Union of Postal Employees, a union that now represents some of the people involved in working for private contractors, that it was not even informed that this change was coming, let alone consulted, and that they are meeting with his deputy or someone in his department at 2.30 this afternoon when for the first time they will be told of this program that the minister has announced. That not only astounds me, Mr. Speaker, but makes me fearful about the way in which this thing is being handled, because not only is this union already in negotiation with the department or with the Treasury Board but it represents some of these people. Therefore, when the minister said that all the unions representing these people have been consulted, obviously he was not right. One of the unions, and perhaps the most important so far as the Post Office Department is concerned, was not even informed, let alone consulted. They are particularly worried about the matter because this announcement comes only weeks before negotiations are to begin in January between the Canadian Union of Postal Workers and the Post Office Department. They are concerned as to whom they will be negotiating for in this area and about the kind of confusion that may result in the negotiations.

In short, obviously the scheme announced is desirable, but we in our party will wait to see whether this Postmaster General will, unlike his predecessor, handle relations with the employees concerned in a human and decent way, in a modern labour relations way, and not in the oldfashioned way in which his department so far has functioned. I hope he succeeds. If he does, we will be glad to congratulate him. However, if he carries on as his predecessor carried on, not only every member of the House but every Canadian will be sure to condemn him and his department for inefficient, incompetent and, indeed, inhuman relationships.

[*Translation*]

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, the Postmaster General (Mr. Côté) has just announced that in the most important parts of the country, the department intends to integrate urban mail transportation services into the public service. He added that the measure would stabilize mail transportation.

If the new policy is implemented, I am convinced it will improve mail transportation services throughout Canada because they now present weaknesses. For instance, I noticed yesterday that the dailies from western provinces such as Alberta, and particularly those from Calgary, were not yet in the reading room of the House of Commons.

Mail from British Columbia often takes from 10 to 12 days to reach us in Ottawa. I hope the new policy of the Post Office Department will improve mail service by speeding it a little.

As a result of the new policy announced by the minister who tells us that he has consulted the unions interested in the transport of Canadian mail, I wonder like the hon. member for York South (Mr. Lewis) if the minister did indeed meet with all the unions concerned.

I also wonder whether that new policy was brought about by the Lapalme boys who are still demonstrating on Parliament Hill.

They have not yet been integrated into the Civil Service because there is a conflict between the government and the CNTU. Has the minister met with CNTU officials to solve the problem of the Lapalme boys? The department should find gainful employment for those who will thus be dismissed from private enterprise.

Mr. Speaker, we all hope that the Postmaster General will come to an agreement with the representatives of the workers, and even with the former employees of G. Lapalme Inc. I would not want us, for instance, to attach greater importance to the CNTU than to the workers.

If the object of this new policy is to increase the standard of living, the security of the individual who works or will work for the Post Office Department, regardless of what union he belongs to, I welcome it. Indeed, I hope the government will adopt measures to favour the individual and not some of the Canadian unions. Let that be understood.

I hope this new policy will encourage greater respect for the human being rather than favour the abstract organization we see at work across Canada.

At any rate, I am satisfied that the Postmaster General is anxious to improve the postal service in Canada. He is also eager that the employees involved get all the necessary consideration from the Post Office Department so that they have gainful employment which will guarantee their security.

• (2:30 p.m.)

Inquiries of the Ministry

[*English*]

INDIAN AFFAIRS

ALBERTA—RESOLUTION OF PROBLEMS—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O.43

Mr. Frank Howard (Skeena): Mr. Speaker, pursuant to Standing Order 43 I seek the unanimous consent of the House to move a motion of urgent and pressing necessity involving the widening gulf between the Indian people in Alberta and the government, the solution to which will require statesmanship on the part of the Minister of Indian Affairs and Northern Development (Mr. Chrétien) and not intransigence. I therefore ask leave to move, seconded by the hon. member for Comox-Alberni (Mr. Barnett):

That this House hereby gives its leave, pursuant to Standing Order 5, to the hon. member for Saint-Maurice in his capacity as Minister of Indian Affairs and Northern Development in order that he may proceed to Alberta to meet with the Indian people there, and we express the hope that such meetings will result in a favourable resolution of the problems confronting the Indian people.

Mr. Speaker: Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: The motion cannot be put.

ORAL QUESTION PERIOD

INDIAN AFFAIRS

LACK OF FINANCING PROGRAM FOR PROPOSED CULTURAL-EDUCATIONAL CENTRES—CANCELLATION OF INTERDEPARTMENTAL MEETING TO CONSIDER ALBERTA PROPOSALS

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I wish to direct a question to the Minister of Indian Affairs and Northern Development who I understand has promised to tell all today. Will the minister inform the House why the government has not proceeded with its intention to establish jointly a five-year renewable financing program for the support of native cultural and educational centres, particularly in view of the fact that the Indian Association of Alberta has spent approximately $160,000 on such a project since April 1, 1970, and also in view of the fact the Alberta project was number one on the government's list?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, we have been studying that problem for years. We have tried to grant more money to the Indian associations of Canada; that new program referred to by the hon. Leader of the Opposition is presently under study. When government policy has been decided on, I will be happy to announce it to the House.

[Mr. Caouette.]

[*English*]

Mr. Nielsen: Now answer the question.

Mr. Stanfield: Mr. Speaker, the minister has not answered the question. I specifically ask why a meeting of the interdepartmental committee on Indian and Eskimo affairs, called to consider the recommendations of the standing subcommittee on the Alberta proposal, was cancelled? It was designed to deal specifically with the question of cultural and educational centres. Why was the meeting cancelled? Why is it not now being held?

[*Translation*]

Mr. Chrétien: Mr. Speaker, I do not sit on that committee, so I do not know if the sittings have been cancelled. I can tell the hon. member that we have been discussing this subject for months with the officials of the Department of the Secretary of State and with the representatives of various Indian organizations in Canada but no conclusion has been reached yet.

[*English*]

INDIAN ASSOCIATION OF ALBERTA PROPOSALS FOR RECREATION PROGRAM—LACK OF APPROVAL BY TREASURY BOARD

Hon. Robert L. Stanfield (Leader of the Opposition): I have a question for either the Minister of Indian Affairs and Northern Development or the President of the Treasury Board. It relates to the program submitted by the Indian Association of Alberta concerning funds for recreational programs, particularly the Indian sports Olympics program—

An hon. Member: Come on!

Mr. Stanfield: I am imitating the Prime Minister when I stumble.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

Mr. Stanfield: I ask either minister why the proposals submitted by the association as long ago as January have not yet been approved by Treasury Board?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, obviously we receive, every day, hundreds of requests for more funds, from all sorts of people. The House may be interested to know that, at the time of my appointment as minister, no funds were available for the Indian Association of Alberta. Now, in 1969-70 we allotted $176,000 to those Indians and in 1970-71 we granted them $795,000. I am proud of that accomplishment, Mr. Speaker.

[*English*]

Mr. Speaker: Order please. The Chair will recognize the Leader of the Opposition on a further supplementary and then the hon. member for Skeena.

An hon. Member: Make it good.

Mr. Stanfield: It is hard to make it better with the answers I am getting, Mr. Speaker. If the minister is so

earnest in his efforts to co-operate with the Indian Association of Alberta, why has he not proceeded with the programs, particularly in the area of native educational institutions? Why has he not proceeded with the program that was authorized by the government? The minister has yet to give the House any explanation of why he has not proceeded with this program.

[*Translation*]

Mr. Chrétien: Mr. Speaker, I have stated that we are constantly striving to put new programs into effect. That is a very worthwhile idea and we shall consider it. Furthermore, we want to promote the development of cultural centres for the Indians, as we do for other Canadians. But I must say that the said program is not yet ready.

[*English*]

Mr. Frank Howard (Skeena): I have a supplementary question. Is the minister aware of a telegram that was sent to the President of the Treasury Board, the Minister of National Health and Welfare and Mr. M. Lalonde, Secretary to the Prime Minister, in October of this year in which the Indian Association of Alberta expressed concern about the delay in approving their recreational budget and their inability to take part in the National Health and Welfare fitness and amateur sport program? Is the minister aware of that and is he aware of the response by Mr. Lalonde which was inflammatory, offensive and added to the gulf of communication between these people and the department?

[*Translation*]

Mr. Chrétien: Mr. Speaker, I am not aware of the communication to which the hon. member is referring. The program involved comes under my colleague the Minister of National Health and Welfare and the application, indeed like any application, is now being processed by the government. If an announcement is warranted, it will be made in due course.

[*English*]

Mr. Howard (Skeena): I have one supplementary, Mr. Speaker.

Mr. Speaker: Order please. The Chair will recognize the hon. member for Skeena. Hon. members will notice that there are now five, six or more members wishing to ask supplementaries. I ask the co-operation of the House to go on with another subject in a few moments. For the time being, the hon. member for Skeena has the floor.

Mr. Howard (Skeena): Can the minister explain why in August he and his department completely abandoned and pulled back from all programs involving Indian people with the exception of those relating to community development?

Mr. Speaker: Order, please. I would think that question is debate. Is the minister rising on a question of privilege?

Mr. Chrétien: Yes, Mr. Speaker. The hon. member for Skeena is not being fair. I point out that $29 million is being spent in Alberta, including what is being spent by other departments—

Mr. Speaker: Order, please. When the question was asked I suggested that it was debate and not in order. There is certainly no question of privilege. That is further debate.

[*Later:*]

SETTLEMENT OF ALBERTA SCHOOL DISPUTE AS PREREQUISITE FOR ESTABLISHMENT OF CULTURAL-EDUCATIONAL CENTRES

Mr. Paul Yewchuk (Athabasca): My supplementary is directed to the Minister of Indian Affairs and Northern Development. Has the co-operation of the Indian Association of Alberta in settling the school dispute in northeastern Alberta become a necessary requirement for the initiation of the July decision to establish Indian cultural-educational centres and, if not, what is holding up this program?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, the two parts of this question are totally unrelated, and I already indicated earlier today why the program is not ready yet.

[*English*]

ALBERTA—REQUEST FOR INVESTIGATION OF PROBLEMS BY MISCELLANEOUS ESTIMATES COMMITTEE

Mr. G. W. Baldwin (Peace River): I wish to ask the hon. member for Laurier, the chairman of the Standing Committee on Miscellaneous Estimates, which is now dealing with supplementary estimates covering this particular subject matter, whether he will bring before the committee at once a motion calling upon the minister, Mr. Marc Lalonde and Mr. Harold Cardinal to appear before the committee so that a full examination and discussion can be held on this matter to see where the truth lies?

• (2:40 p.m.)

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): If I may direct myself to this question, Mr. Speaker, I personally would be very happy if the members of the Standing Committee on Indian Affairs and Northern Development would care to look into the matter. I have nothing at all to hide.

Mr. Speaker: Order. I have to seek the co-operation of hon. members. We have expended about ten minutes on this one subject. If hon. members think the whole question period should be spent on this one subject, then some of our colleagues will be disappointed. For the moment the hon. member for Peace River rises on a point of order.

Mr. Baldwin: On a point of order, in the hope that we might get rid of this contentious matter I would ask unanimous consent to revert to motions in order that I might make a request for the unanimous consent of the House to move a motion—

Mr. Speaker: Order, please.

Mr. Trudeau: Use one of the opposition days.

CULTURAL-EDUCATIONAL CENTRES—INVESTIGATION OF LEAKING OF CABINET DOCUMENT

Mr. Erik Nielsen (Yukon): May I ask the Prime Minister whether the RCMP have been called in to investigate the

leakage of the cabinet document dealing with the subject of Indian cultural-educational centres and which was produced on national television?

Right Hon. P. E. Trudeau (Prime Minister): I said yesterday that this matter was being looked into. That is all I intend to say at this time.

Mr. Nielsen: My question was specific. Have the RCMP been called in to investigate this particular leak?

Mr. Trudeau: At this stage I am asking the departmental people to look into the leak. We are more concerned with the moral implications of people taking into their own hands a decision to make public documents which it is their duty to protect.

* * *

TRADE

REQUEST FOR STATEMENT ON PROMOTION AND SALE OF AGRICULTURAL PRODUCTS IN EXPORT MARKETS

Mr. A. P. Gleave (Saskatoon-Biggar): May I direct a question to the Parliamentary Secretary to the Minister of Industry, Trade and Commerce as the minister is not in the chamber today. Having regard to the statement by the provincial Ministers of Agriculture calling for the formation of a national agricultural export development corporation, will the minister respond to the implied criticism of the government's export marketing policy make a statement on motions in the near future concerning the program his department is prepared to undertake for the promotion and sale of Canadian agricultural products in export markets?

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): I would be glad to take notice of the hon. member's suggestion and draw it to the attention of the minister when he returns.

Mr. Gleave: Is the parliamentary secretary also prepared to find out whether the minister would agree to appear before the Standing Committee on Agriculture to outline the programs and objectives of his department in relation to the export marketing of Canadian agricultural products?

* * *

GRAIN

REVISED STABILIZATION POLICY—ACCEPTANCE OF PROVINCIAL GOVERNMENT PROPOSALS

Mr. Speaker: The hon. member for Assiniboia.

Some hon. Members: Hear, hear!

Mr. William Knight (Assiniboia): Thank you, Mr. Speaker. Since the minister in charge of the Wheat Board has announced that a revised grain stabilization policy will be introduced into the House, can the Prime Minister or the Minister of Agriculture tell us whether it is the intention of the federal government to accept in principle the proposals of the ten provincial governments as presented to the outlook conference on November 22?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, the proposal contained in that document was brought to our attention only yesterday. As the hon. member knows, the minister responsible for the Wheat Board is out of the country on important business and it seems to me he should at least have an opportunity to look at it before making comment.

Mr. Caouette: They will ask the minister not to come back.

Some hon. Members: Oh, oh!

[*Later:*]

DESIGNATION OF PLACE FOR NEWFOUNDLAND AT AGRICULTURAL OUTLOOK CONFERENCE

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, my question is supplementary to the one to which the Minister of Agriculture replied a few moments ago. It has to do with the outlook for agriculture conference presently being held. At the beginning of yesterday's meetings was there a place set out for Newfoundland clearly designated in the same way as places were designated for the other provinces? If not, why not?

Hon. H. A. Olson (Minister of Agriculture): I think it was. I can recollect seeing the Deputy Minister of Agriculture occupying one of those seats.

Mr. Lundrigan: I asked the minister whether the province of Newfoundland was designated formally, as were the other nine provinces, by proper designation at the table at yesterday's meetings?

Mr. Olson: I cannot recall off the top of my head. If it was not, it ought to have been and I will check into it.

* * *

[*Translation*]

POST OFFICE

INTEGRATION OF TRANSPORTATION SERVICES—CONSULTATION WITH CNTU—REHIRING OF FORMER EMPLOYEES OF G. LAPALME INCORPORATED

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, my question is directed to the Postmaster General.

Further to the department's announcement of new policies today, can the minister tell us whether the CNTU has been consulted and also whether the ex-employees of G. Lapalme Inc. will be guaranteed employment with the Post Office in Montreal under the new policy?

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, the CNTU was not consulted since it represents none of the groups of employees to be involved in the program.

Mr. Caouette: Mr. Speaker, I have a supplementary for the Postmaster General.

Is he considering a review of the situation of the "Lapalme boys" in order to make jobs available to them with the department in the city of Montreal?

Mr. Côté (Longueuil): Mr. Speaker, that offer was made to them as far back as last April, and they rejected it. Since then, we have invited the former employees of G. Lapalme Inc. to join the Public Service, and if our offer is accepted, we will give the matter new consideration.

* * *

[*English*]

GOVERNMENT ADMINISTRATION

INVESTIGATION OF LEAKING OF GRAY REPORT FROM CABINET

Mr. Erik Nielsen (Yukon): Mr. Speaker, I should like to ask the Prime Minister whether the investigation into the leakage of the Gray report has yet produced any results, and whether the RCMP have been called in to investigate the leakage of that document?

Right Hon. P. E. Trudeau (Prime Minister): We will let the House know in due course, if we have found any results.

Mr. Nielsen: The second part of the question asked whether the RCMP had been called in to investigate not only the leakage of the draft but also of the cabinet document.

Mr. Trudeau: We are conducting the investigation in the best way possible.

Mr. Nielsen: Mr. Speaker, surely the House is entitled to know whether the RCMP have been called in to investigate this serious leak. The question was answered previously with respect to the leakage of another document.

• (2:50 p.m.)

INVESTIGATION OF LEAKING OF GRAY REPORT FROM CABINET—PUBLICATION OF RESULTS

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, perhaps I am getting into this a little late. Most of my questions have been answered, but I wonder whether the Prime Minister can give the House the assurance that the investigation being carried on now regarding the leakage of the Gray report will at least be publicized?

Right Hon. P. E. Trudeau (Prime Minister): Maybe the investigation will be leaked, Mr. Speaker.

Mr. Alexander: On a point of order, Mr. Speaker.

Mr. Speaker: Order, please. The hon. member is rising on a point of order. Hon. members will appreciate that we have had a number of supplementary questions on the same subject and we will be running short of time. The hon. member for Hamilton West is rising on a point of order, I believe.

Mr. Alexander: Yes, Mr. Speaker. Perhaps I was a little confused in asking the Prime Minister the question, but because of the seriousness of the matter I had hoped that he would give a credible answer. All I am asking him is whether the results of the investigation will be made public and, if not, why not?

Mr. Trudeau: Mr. Speaker, if the hon. member wants a serious answer to this he should reflect that the government's position is one of having hundreds of thousands of documents every year which are circulated among various people in the government service, and we cannot possibly have a policeman on each document or on each person who has access to a document. We take a serious view of these leaks not so much because of the harm they can do the government—I do not think anything has happened or will happen to the government because of them—but because, as I said a moment ago, of the moral aspect of the question involved. If individuals in the Public Service, egged on by the opposition in many cases—

Some hon. Members: Oh, oh!

An hon. Member: How do you know it is the Public Service?

Mr. Bell: Whom are you trying to protect?

Some hon. Members: Oh, oh!

Mr. Alexander: Carry on, Mr. Prime Minister.

Mr. Trudeau: Thank you very much.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. May we have order.

Mr. Ricard: That is a very low insinuation.

Mr. Trudeau: If individuals throughout the Public Service decide to take justice into their own hands and set themselves above those elected to represent the people, I think this is a very serious thing for the country, not for the government.

Some hon. Members: Hear, hear!

An hon. Member: How do you like that?

Mr. Ricard: St. Boniface, shut your big, tin mouth.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The Leader of the Opposition has the floor.

Mr. Stanfield: Mr. Speaker, a moment ago the Prime Minister used the expression "egged on by the opposition" in relation to the misuse, improper release or leakage of public documents. I ask him through you, Mr. Speaker, either to qualify that statement or withdraw it. As it now stands, it constitutes an imputation that myself or other members of the opposition have egged on members of the Public Service to do a highly improper and illegal act. I do not think, with all respect, sir, that is the kind of imputation the Prime Minister of this country, even when he is trying to be a clown, should make in this House.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The hon. member for Cape Breton-East Richmond wishes to rise on a point of order.

Some hon. Members: Oh, oh!

An hon. Member: Here we go again.

Mr. MacInnis: Mr. Speaker, my point of order arises from the statement made by the Prime Minister which would indicate that the leak has been traced to the Public Service in that he has reported that the opposition egged on civil servants to release such a document. If he has reached the point in his inquiry where the leak has been traced to the Public Service, he owes it to the House to explain who that public servant is. I suspect it was someone in his own department.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please.

Mr. Alexander: I have a supplementary question.

Mr. Speaker: Order, please. I suggest to hon. members that perhaps we should try again to continue with the question period. The Chair might recognize the hon. member for Skeena.

Mr. Trudeau: I rise on the point of order.

Mr. Speaker: Order, please. I understand the right hon. Prime Minister is rising on the point of order.

Mr. Trudeau: I apologize, Mr. Speaker, but I understood the Leader of the Opposition to have gained the floor on a point of order.

Mr. Baldwin: It was a question of privilege.

Mr. Trudeau: If it is a question of privilege may I comment on that same question?

Mr. Speaker: Order, please. My understanding was that the Leader of the Opposition had gained the floor for the purpose of asking a question. It might have been a question of privilege or a point of order and that is why I allowed the Leader of the Opposition to make his point, which I believe he has made.

Mr. Baldwin: Mr. Speaker, I rise on the point of order Your Honour has raised. The Leader of the Opposition rose on a question of privilege and asekd the Prime Minister either to qualify his statement, which was a direct implication against members of the opposition, which could mean this party or the parties to my left, or withdraw it. I think he should either do one or the other, and Your Honour, with great deference, should request him either to qualify it or withdraw it.

Mr. Speaker: Order, please. The hon. member cannot be serious in that suggestion. I suggest to him that he is asking another member of the House to withdraw an accusation or a charge. Charges are made by hon. members every day in the course of debate. Those charges are not always well-founded. Charges are made by one hon. member against another hon. member which are not always supported. It is not within the competence of the Chair to ask an hon. member to withdraw a charge he has made, whether or not it is right, whether or not it is founded on fact. This has nothing to do with procedure and, with respect, I suggest it is not for the Chair to invite or force an hon. member to withdraw a charge he has made against other members.

I appreciate that this is a valid point of order and I allowed the Leader of the Opposition to make this point. If the right hon. Prime Minister wishes to speak to the point of order in response to the Leader of the Opposition, or to the question of privilege, certainly he will be recognized for that purpose.

Mr. Trudeau: Thank you, Mr. Speaker.

Mr. Baldwin: This constitutes a criminal act under the Official Secrets Act. It constitutes a criminal conspiracy allegation against members of the opposition.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The Chair has recognized the right hon. Prime Minister.

Mr. Trudeau: I am very happy to hear the Leader of the Opposition applauded by his whole party.

Mr. Bell: Order!

Some hon Members: Oh, oh!

Mr. Bell: What has that got to do with it?

Mr. Trudeau: I am very happy—

Mr. Muir: Some of your party are not applauding you, fellow.

Mr. Trudeau: I am glad to hear him express—

Mr. Muir: Some of your members are not applauding you, especially Hellyer and some others.

Mr. Trudeau: Have you had a drink?

Some hon. Members: Oh, oh!

Mr. Ricard: Be a man!

Mr. Speaker: Order, please.

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. With great respect I suggest to hon. members on both sides of the House that this is not appropriate and proper behaviour for the House of Commons.

Some hon. Members: Withdraw!

Mr. Speaker: Order, please. I really think hon. members should perhaps try for the moment to move on to another subject.

Mr. Ricard: Are you proud of that remark?

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. I recognize the hon. member for Skeena.

Mr. Muir: Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: The hon. member for Cape Breton-The Sydneys is rising on a question of privilege. I apologize to him.

Mr. Muir: I apologize to you, Sir.

Some hon. Members: Oh, oh!

Mr. Muir: You are not shouting me down today. As I have said on other occasions, the right hon. member who is supposedly the Prime Minister of this country reached this chamber in the same manner as the rest of us. If he is not man enough to take heckling in this House—

An hon. Member: You can't take it yourself.

Mr. Muir: —and becomes childish and petulant and then sits down and sulks, throwing insults across the way, making the suggestion, sir, that someone has been drinking—

Some hon. Members: Oh, oh!

Mr. Muir: —or something along those lines, I think he should be brought to order and brought to task in the same way as any other member of this House of Commons. He has no right to cast reflections on the activity or conduct of any member of this House of Commons. If he is trying to destroy me as a member of this House—

• (3:00 p.m.)

Some hon. Members: Oh, oh!

An hon. Member: You are doing it to yourself.

Mr. Muir: I have plenty of time, Mr. Speaker, and I refuse to be howled down by the jackals opposite. I suggest, sir, honourable sir—

Some hon. Members: Hear, hear!

Mr. Muir: —that you—

An hon. Member: Sit down while you are ahead.

Mr. Muir: I have a right, sir—

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. The hon. member has the floor. I suggest to hon. members that the hon. member who has the floor should be given an opportunity to state his point. Hon. members have a duty to co-operate with one another and with the Chair to try to make this place a reasonable place for debate. For the moment, the hon. member has the floor and he should be allowed to state his point.

Mr. Muir: Thank you, Mr. Speaker. I am glad you are able to bring members to your right into line. I should like, sir, to ask you, in all common decency, to ask this member to withdraw the statement he made. I am completely serious and honest about this, Mr. Speaker. I am not going to have my character besmirched by that over there.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Muir: I am not going to. My people in Cape Breton-The Sydneys know my record and my background. I do not have to be slurred by something said over there by someone who is supposed to lead this country with decency and respect. I ask for withdrawal, Sir.

Some hon. Members: Hear, hear!

Mr. Speaker: The hon. member has very forcefully, and I think with reason, made his point on a question of privilege. I am not too sure whether I heard the words pronounced of which he complains, but certainly no hon. member in this House has the right to make a suggestion about another hon. member which would tend to affect his character. I am quite sure no hon. member or no right hon. member would want to do this. I certainly will hear the explanation by the right hon. Prime Minister if he has said words to the effect suggested by the hon. member for Cape Breton-The Sydneys. Certainly, I am sure the Prime Minister would want to indicate that he did not want in any way to affect the character of the hon. member.

Some hon. Members: Withdraw.

Mr. Trudeau: Mr. Speaker, I am in your hands on this. After I was trying to gain the floor to answer the question of the Leader of the Opposition, I was met by constant heckling from the hon. member in particular and rather than do as he suggested, sit down and sulk, I asked him if he had had a drink. If this is something which offends him, and if he is known as a drinking man, I wish to withdraw this.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

Some hon. Members: Withdraw!

Mr. Speaker: Order. The right hon. gentleman has said he is in the hands of the Chair. Of course, all hon. members have in this regard to follow the advice and guidance of the Chair. I would think it would be much simpler if the right hon. gentleman, having given his explanation, would simply indicate that he withdraws any imputation in relation to the hon. member, and then we will try to continue.

Mr. Trudeau: Mr. Speaker, I understand the gentleman is a teetotaler and therefore in anything I might have said along those lines I certainly wish to say there was no implication of bad conduct on his part. I will sit down, Mr. Speaker. Is that not sufficient?

Mr. Muir: Mr. Speaker, I thank the right hon. gentleman for his reply and for his apology. It is a serious matter. I have talked to him privately and he knows the situation. I thank him for his apology.

Some hon. Members: Hear, hear!

Mr. Speaker: I suggest the incident be closed on a note of charity. I think this is very becoming. The hon. member for Skeena.

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PENITENTIARIES

KINGSTON RIOT—INQUIRY AS TO REPORT OF COMMISSION

Mr. Frank Howard (Skeena): Mr. Speaker, I wonder if I might direct a question to the Solicitor General. Has he

yet received the report of the commission of inquiry headed by Mr. Swackhamer in respect of the riot and other events at Kingston earlier in the year? If so, can he tell us when he will be making it public? If he has not received it, can he give us any indication when he expects to receive it?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): No, Mr. Speaker, I have not received this report yet, and unfortunately I do not know when it will be handed to me.

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FEDERAL-PROVINCIAL RELATIONS

DISAGREEMENT BETWEEN OTTAWA AND QUEBEC RESPECTING FINANCIAL ARRANGEMENTS—REQUEST FOR JOINT COMMUNIQUÉ

Mr. René Matte (Champlain): Mr. Speaker, I should like to put a question to the Prime Minister.

In view of the obviously contradictory attitudes of the Quebec Premier and the Prime Minister of Canada concerning the course that they want to set for various administrations, from the social and economic points of view, does the Prime Minister intend to prepare a joint communiqué with his colleague—I was going to say his pupil—Mr. Bourassa so as to inform the House and the people on the actual situation which exists now between Quebec and Ottawa?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I did understand the question, except for the essential part of it. This would be a communiqué on what? The hon. member might perhaps repeat his question. I did not understand too well. What is the point in litigation?

Mr. Matte: In order to clarify my question directed to the Prime Minister, I would merely like to add, Mr. Speaker, that it has to do with the different positions taken by the Premier of Quebec and the Prime Minister of Canada with respect to tax arrangements, from the points of view of social affairs administration and the Regional Economic Expansion Department, since different interpretations have been given by the Premier of Quebec.

Mr. Speaker: Order, please. The hon. member has now given an explanation and time is running out.

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I really cannot do what the hon. member suggests, that is write a joint communiqué. Premier Bourassa is opting for regional expansion. Apparently, he did not say what the press has attributed to him. The matter is settled. He has been misquoted, he did not say what the opposition suggests he said on the grounds of some reports.

If he now wants to say something else, it should be made clear.

[Mr. Howard (Skeena).]

[*English*]

HOUSING

TORONTO—EFFECT ON SCHOOLS AND PLANNING OF MAIN SQUARE COMPLEX—NECESSITY FOR CONSULTATION BY CMHC BEFORE EMBARKING ON SIMILAR VENTURES

Mr. S. Perry Ryan (Spadina): Mr. Speaker, in the absence of the Minister of State for Urban Affairs who is responsible for Central Mortgage and Housing Corporation I put this question to the Prime Minister. As Main Square, a 1,078 suite, high-rise complex in Toronto was altered from a private development to a CMHC innovative housing development with disastrous effects on planning and schooling in two metro boroughs, will the Prime Minister assure the House that he will insist upon proper CMHC consultation and planning before it embarks on similar ventures?

• (3:10 p.m.)

Mr. David Weatherhead (Parliamentary Secretary to Minister of State for Urban Affairs): Mr. Speaker, Main Square in Toronto is a project of over 1,000 housing units under the innovative housing program, over 500 of which will be low rental income units. The dispute at present appears to be between the Board of Education of Toronto and the Toronto City Council as to whether the board has made enough input into their planning procedures. But I think there are only about 72 schoolchildren involved in this project, and the allegation that a new school is required for these 72 children is somewhat ridiculous.

MAIN SQUARE, TORONTO—CMHC POLICY REGARDING GRANTS TO AMERICAN DEVELOPERS

Mr. S. Perry Ryan (Spadina): I would ask the parliamentary secretary whether it continues to be government policy to permit CMHC to give a capital handout of almost $14 million to American developers, such as Victoria Wood Development Corporation Limited in the Main Square case, without any capital contribution from such American developers?

Mr. David Weatherhead (Parliamentary Secretary to Minister of State for Urban Affairs): There was a $1 million contribution by the developers in question, namely, in holding the 75-year lease. But I would say to the hon. member that we would be happy to discuss this at the time of adjournment if he wishes to do so.

MAIN SQUARE, TORONTO—REQUEST FOR STATEMENT BY MINISTER

Mr. Andrew Brewin (Greenwood): In view of the various problems that have arisen in respect of the Main Square development, will the parliamentary secretary suggest to the Minister of State for Urban Affairs that he make a statement in the House about the development of this project?

Mr. David Weatherhead (Parliamentary Secretary to Minister of State for Urban Affairs): I will be happy to answer any further questions at this time, but I will certainly relay the request to the Minister.

GRAIN

LIFT PROGRAM—REQUEST FOR EXPLANATION OF ERRORS REQUIRING REPAYMENTS BY FARMERS

Mr. Jack Murta (Lisgar): My question is for the Minister of Agriculture and is in connection with the payments under the Lift program. Will the government give a full explanation to the western farmers of the mistakes which occurred that require the government to request such extensive adjustments of the Lift payments?

Hon. H. A. Olson (Minister of Agriculture): I do not believe that we will reveal the contents of individual files to the public. It is standard practice in all departments that confidential or personal information respecting the operation of an individual farm is not made public. But I will certainly give the hon. member an undertaking that we will give some explanation of the nature of the disagreements. As I said in the House some time ago, most of it is caused by the fact that the figures in the application do not correspond with either the photographs or other evidence as to what the actual acreage was.

PROPOSAL BY PROVINCIAL MEMBERS OF AGRICULTURE RESPECTING ESTABLISHMENT OF COMMITTEE ON FEED GRAIN MARKETING

Mr. Jack Murta (Lisgar): I should like to ask the Minister of Agriculture a supplementary question regarding the agricultural policy that has been discussed by the provinces in the last few days. Since the provincial ministers have asked for the immediate establishment of a committee composed of representatives of the federal government, the Wheat Board, the Livestock Feed Board and the provincial governments on a national feed grain marketing board—

Mr. Speaker: Order, please. Will the hon. member ask the question? We are running short of time and the question seems to be rather long.

Mr. Murta: I am coming to the end of my question, Mr. Speaker. In view of the recommendation that these various groups be represented on the board and should report back to the government within three months, is the government going to consider this recommendation from the provinces?

Hon. H. A. Olson (Minister of Agriculture): We had a meeting yesterday afternoon with all the ministers, we had another meeting from 8.30 to 1 p.m. today and we are meeting again at 4.30. I can advise the hon. member that there are a number of matters under consideration, but we have not yet reached a detailed discussion of that particular proposal.

* * *

INDIAN AFFAIRS

REQUEST FOR REPRESENTATIONS CONCERNING REMARK BY PROVINCIAL JUDGE

Mr. David Lewis (York South): I have a question for the Minister of Indian Affairs and Northern Development arising out of a serious and shameful statement made the other day by a provincial judge in Ontario, Judge Collins of Sudbury, with regard to the Indian people of this province and country. I appreciate the fact that Judge Collins is under provincial jurisdiction. I want to ask the minister whether he has made representations to the Attorney General of Ontario critical of this shameful remark by the judge and perhaps requesting that the judge be fired for treating citizens coming before him in that way?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I agree with the hon. member in saying that if the remarks imputed to the judge are those he made they are totally unacceptable, and I shall inquire to find out what steps I must take under such circumstances. Only, I would not want to ascribe to him—

[*English*]

Mr. Speaker: Order, please. The hon. member for Lambton-Kent.

Mr. Lewis: I have a supplementary question, Mr. Speaker.

Mr. Speaker: We are running short of time. Perhaps the hon. member for Lambton-Kent might allow the Chair to recognize the hon. member for York South on a supplementary question, following which the Chair will recognize the hon. member for Lambton-Kent.

Mr. Lewis: In view of the fact that the statement by Judge Collins was made a few days ago, may I ask the minister whether the department has started an investigation, or is the matter just being considered now? Will the minister inform the House eventually what steps he is taking, if any?

[*Translation*]

Mr. Chrétien: Mr. Speaker, I will be pleased to inform the House and the hon. member of the steps we will take in this case.

* * *

[*English*]

GRAIN

ESTABLISHMENT OF COMMITTEE ON FEED GRAIN MARKETING

Mr. Mac T. McCutcheon (Lambton-Kent): My question is for the Minister of Agriculture. Is it the government's intention to establish a committee composed of representatives of the federal government, the Wheat Board, the Livestock Feed Board and the provincial governments regarding national feed grain marketing?

Hon. H. A. Olson (Minister of Agriculture): That is essentially the same question as was asked by the hon. member for Lisgar a minute ago. I think the same answer is applicable.

Inquiries of the Ministry

• (3:20 p.m.)

THE CANADIAN ECONOMY

NUMBER OF GRANTS APPROVED BY EMPLOYMENT SUPPORT BOARD—LENGTH OF TIME NECESSARY TO APPROVE APPLICATIONS

Mr. Maurice Foster(Algoma): My question is directed to the Parliamentary Secretary to the Minister of Industry, Trade and Commerce. Have any grants been approved yet by the Employment Support Board for companies adversely affected by the U.S. 10 per cent surcharge, and can the parliamentary secretary say what time span companies can expect to elapse for the processing of applications from the day an application is received until a decision is made by the board?

Mr. Bruce Howard (Parliamentary Secretary to Minister of Industry, Trade and Commerce): About 186 applications have been received thus far involving some 9,000 or more employees. The normal time span varies from a few days to two or three weeks.

* * *

ADMINISTRATION OF JUSTICE

GRANTING OF PAROLE TO NELLES KIDNAPPERS—REFUSAL TO RETURN LICENCE TO PERSON CONVICTED OF IMPAIRED DRIVING

Mr. A. D. Alkenbrack (Frontenac-Lennox and Addington): My question is directed to the Solicitor General who I believe has some authority over the National Parole Board. It pertains to the permissive society now flourishing in Canada. Can the Solicitor General explain to me and to the House why the parole board is granting parole to the convicted criminal kidnappers in the notorious Nelles case in 1969, after only one-sixth of their sentences have been served, while the same parole board will not grant the return of a driving licence to a penitent constituent of mine?

Some hon. Members: Oh, oh!

Mr. Alkenbrack: They laugh on the government benches, but this is a serious matter. The same parole board will not grant the return of a driving licence to a penitent constituent of mine who has served more than half his licence deprival sentence for impaired driving. Could he answer that question?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, I am not in a position to comment on the points raised by the hon. member, but he knows very well that the National Parole Board is an independent body, according to Parliament's decision. On the other hand, the hon. member should know that the Senate has decided to examine the policy and procedures of the National Parole Board. We shall co-operate with the Senate and we shall also—

[*English*]

Mr. Alkenbrack: Mr. Speaker—

[Mr. Olson.]

Mr. Speaker: Order, please. I suggest to the hon. member that perhaps we might go on to the next question. From a procedural standpoint, it seems to me that the hon. member's question is objectionable. I appreciate the fact that he is submitting an argument in support of a proposition. In this respect, perhaps he might consider that the representation has been made.

Mr. Alkenbrack: I want to put justice in perspective in this case. May we debate this at ten o'clock, Mr. Speaker?

* * *

REGIONAL ECONOMIC EXPANSION

GRANTS TO QUEBEC COMPARED WITH OTHER AREAS

Mr. Doug Rowland (Selkirk): My question is for the right hon. Prime Minister. It refers to a document which, I hasten to add, is not secret. It is called "Maintenant Québec". The document states that the federal government has spent or allocated some $270 million in Quebec City and the immediate area. I am not saying the money is not needed, but I want to ask the Prime Minister if he will give his assurance to the House that similar amounts per capita are being spent in other designated areas of Quebec and the rest of Canada which are not directly represented by the Minister of Regional Economic Expansion?

Right Hon. P. E. Trudeau (Prime Minister): Much more, Mr. Speaker.

* * *

[*Translation*]

AGRICULTURE

QUEBEC—MEASURES TO COMPENSATE CERTAIN POTATO GROWERS FOR LOSSES SUSTAINED

Mr. Roland Godin (Portneuf): Mr. Speaker, I should like to put a question to the Minister of Agriculture.

Has he examined the representations made by potato growers from Portneuf, Montmorency and Champlain who, as a result of excessive humidity last autumn, lost 50 to 60 per cent of their crop? If so, could the minister tell me what steps he intends to take in order to help those producers solve their financial problems?

[*English*]

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, I have had some representation in a general way. I have not had specific complaints or requests for assistance from the producers involved.

Mr. Speaker: Order, please. I apologize to hon. members who have not been called today but they have been noted. I have taken into account that there were questions of privilege and points of order and to that extent I have extended the question period to try to allow as many hon. members as possible to ask questions. I have tried to note those who have not been successful today, and I will try to give them priority tomorrow. Orders of the day.

• (3:30 p.m.)

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Monday, November 22, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Laniel in the chair.

The Deputy Chairman: In accordance with the statement of the Parliamentary Secretary to the President of the Privy Council, as recorded at page 9777 of *Hansard* of November 22, 1971, the committee will now proceed to consideration of Sections 21, 25, 46 to 48 inclusive, 59, 64 to 66 inclusive, 87 and 124, all dealing with mining and petroleum.

On clause 1—section 21: *Cost of borrowed money.*

The Deputy Chairman: Shall section 21 carry?

Mr. Nielsen: Mr. Chairman, I have already set down some of the views I have with respect to the mining industry in the debate on the general provisions of Bill C-259. I have spoken of the harmful effects of the legislation on prospectors, who will virtually be put out of business. I have also spoken of the restrictions that are being imposed, not only by Bill C-259 but by other restrictive legislation before the House, and of the disastrous effect that these restrictions will have on the growth of this industry. I want to approach an analysis of those sections of the bill in a general way, from the point of view of what is desirable in this country, and how we should be treating this industry, indeed any industry.

However, I intend to confine my remarks to the mining industry. Others on this side of the chamber will be speaking on the measure as it affects coal and timber resources, and yet others will be speaking of the manner in which the oil and gas industries will be affected. As I say, I want to confine my remarks generally to the hardrock mining industry. I want to approach the subject by suggesting at the outset to the government that what it should be doing, instead of applying suffocating restrictions, is providing incentives for the industrial growth of the country, and in particular of the mining industry.

Under existing legislation, tax treatment of the mining industry is contained essentially in the income tax regulations, and it now appears that this concept is to be carried forward in Bill C-259. This is one of the major criticisms that the industry has of this manner of dealing with its taxation. There is no way that the industry, dependant essentially upon large amounts of risk capital, can plan sufficiently far ahead—in some cases it has to plan five to seven years ahead—with any accuracy if the rules of the game are going to be changed half way through the planning period, or indeed month by month as is possible if this whole operation is going to be covered by regulations made by Governor in Council.

I make specific reference to section 65 of the bill, which is found on page 155, where the following is set forth between lines 22 and 27:

> There may be deducted in computing a taxpayer's income for a taxation year such amount as an allowance in respect of an oil or gas well, mineral resource or timber limit, if any, as is allowed to the taxpayer by regulation.

There is the power to tax. Another criticism can be made with respect to that kind of regulation, namely, that the power to tax is the power of Parliament, and that is where it should reside. But this section of the bill would give that power to the Governor in Council. It seems to me that that is the ultimate in the weakening of the power of this place, passing the power to tax over to the Governor in Council.

In order to achieve a new tax treatment quite similar to the old one, namely, that tax treatment of the mining industry is to be contained in subsequently prescribed regulations, the government has seen fit to issue occasionally its general intentions. These intentions have been released in the form of vague, poorly phrased proposed regulations. Furthermore, it may be shown that the spirit and intent of certain of these proposed regulations seem to change with each new issue of them.

Specific reference is made here to proposals made by the Minister of Finance in August, 1970, on the subject of eligible expenditures to earn depletion. At that time it was proposed to expand these eligible expenditures to include, first, the cost of new facilities located in Canada to process mineral ores to the prime metal stage and, second, certain expenditures in connection with a major expansion of an existing Canadian mine.

On July 6 of this year the Department of Finance issued further proposed regulations to apply to the mining and petroleum industries. Included in these new regulations were a series of proposals that, as they now stand, are not only ambiguous but contradictory to those of August, 1970. This is another example of the changes proposed for the act introduced by the Minister of Finance, followed by a second batch of proposed changes and a third batch of proposed changes. The same thing is happening with the proposed regulations that are being issued, all of which is causing extreme difficulty, if not making it impossible for the mining industry to make any plans at all based on the so-called proposed regulations.

Such changing attitudes by the government in its proposed tax regulations have contributed in no small measure to an unsettled business climate in Canada's mining community. Specific reference is made here to a submission by Noranda Mines Ltd. to the Standing Senate Committee on Banking, Trade and Commerce. I am sorry I do not have the page number, but the committee report reads:

> Noranda has undertaken a $120 million program of expansion in the province of Quebec, relying on our understanding of the Minister of Finance's announcement of August, 1970 that all of these expenditures would be eligible to earn depletion. Based on the spirit and intent of that announcement, there is no conceivable reason why all of these expenditures should not earn depletion. Now we find that $40 million of these expenditures will not qualify.

This submission by Noranda Mines continues:

> We were led to believe that the announcement of August, 1970 was specifically designed to encourage developments of this type. Had we not believed that all of the expenditures involved would have earned depletion, the project would probably not have proceeded, at least on its present scale. Changes in the intent of the

August, 1970 announcement at this stage are clearly inequitable, to put it mildly.

Not only are the changing attitudes of government toward certain sectors of the economy inequitable, but it is becoming more apparent that the government is also becoming increasingly restrictive. Specific reference is made here to the restrictive attitude of the government toward the natural resource industry in general, and toward the mining industry in particular. Subject to further clarification it now appears that the proposed tax regulations will have the effect of withdrawing exemptions for prospectors, and I have mentioned that; replacing the three-year tax-free period for new mines after 1973 by accelerated depreciation rates on some assets of that new mine; earning a depletion allowance of $1 for every $3 of certain expenditures. This elimination of the three-year tax exemption period for new mines, particularly in the northern regions of the country, is going to have an absolutely devastating effect, not only on the exploration and search for new mineral deposits but also on the bringing into production of new mines. In addition, the regulations will discontinue shareholders' depletion allowances. Obviously, such measures are restrictive and if implemented, could seriously hinder the orderly expansion of one of our most important industries, the mining industry.

At a time when the government is showing more manifestations of its restrictive policies, as in the field of foreign ownership, serious consideration must be given to the effect such restrictive policies will have on the ability of the individual Canadian to invest and participate in the growth of our domestic natural resources. Specific reference is made here to the existence of drilling funds. I have mentioned this on a prior occasion in debate as an example of how the United States policy toward investment funds is actually hindering the development of Canadian resources, because Canadian investment dollars find it a good deal more attractive to find their way into the United States and come back here by way of investment capital rather than being put directly into investments at home.

American tax laws favour the use of essentially private capital for these drilling funds in a risk-taking venture, such as oil or gas exploration, by granting certain incentives to individuals willing to take such risks. These drilling funds were discussed in some detail by me in this House on October 18 of this year. How much better it would be to gain more control over our own resources by attracting more Canadian investment dollars in our resource development industries, and by providing incentives at home at least equivalent to those being provided by the United States government to their investors, than to take restrictive measures in the hope that those measures will be the be-all and end-all of repatriating our resource industries.

The point to be made at this time is that rather than adopt a restrictive policy toward ownership and development of resources in this country, much more consideration must be given to policies that further individual initiative and reduce state interference and control to a minimum. Quite obviously, one means of achieving such a policy of individual initiative is to establish tax incentives comparable to those in the United States that encourage an individual to invest more private risk capital in Canada's natural resources. The influx of large amounts of such domestic capital into Canada's resource industries will provide an opportunity that will allow concerned Canadians to express their feelings about foreign control of these resources in a more positive manner than could ever be achieved by the main recommendation of the Gray report, that is, the setting up some sort of screening process to direct the inflow of investment capital in this country.

The principles of tax incentives as against tax restrictions can be applied to a wide field. It has already been indicated that tax incentives for individuals to invest in Canada's natural resources are a suitable means of providing an avenue for greater individual participation in the growth and development of our economy. One further area that relates to tax incentives and the mining industry must be mentioned. This area is the field of environmental control and pollution abatement by the mining industry.

The latest Department of Finance news release on tax reform proposals for the mining industry referred to certain allowable assets eligible for accelerated depletion under regulations not yet published. Although the list of eligible expenditures included buildings, mining machinery, social capital and such items, no mention was made of the cost of pollution abatement equipment necessary to meet industry emission standards. Surely, this is one incentive that the government should be holding out to this industry in order to meet the increasing threat of pollution.

In summary, it may be said that although the principle of tax treatment by regulations prescribed subsequent to enactment of Bill C-259 allows some flexibility, particular caution must be exercised at this time that these proposed new regulations remain consistent and in the best interest of the country. If indeed the government intends to proceed in this fashion on the matter of writing the requirements into acts so that the mining industry knows where it stands and we must have regulations, then I submit these must be consistent and in the best interests of Canada. It has already been shown that since the first public appearance of the proposed new tax regulations both the spirit and intent of certain of these regulations have changed. How many more regulations are there to come and how will these differ from those presently proposed?

Of equal or perhaps greater importance is to assess the new tax proposals and to evaluate their potential contribution to the socio-economic interests of Canada. It is apparent that the present government intentions are to further restrict development and ownership at a time when serious consideration must be given to an incentive tax program. To this end, it is now proposed that rather than adopt restrictive measures, tax incentives be made available to achieve the following objectives. We must first strengthen the domestic mining industry to the extent that it is able to compete with international concerns. It is not so important to look at any tax advantages the domestic mining industry may have relative to other domestic industries, but to see what disadvantages the domestic industry has relative to international concerns. If the government does not think that is important, let us

analyse for a moment the burgeoning development of mineral industries in countries like Australia.

• (3:40 p.m.)

Second, we must provide a climate that encourages individual initiative and risk capital investment in domestic natural resources. A comparable scheme to the American drilling funds must be actively considered in the broader context of Canada's mining industry. Third, we must provide tax incentives for environmentally conscious industry. Serious consideration should be given to including costs of pollution abatement equipment in the list of expenditures eligible for accelerated depreciation.

Others on this side will deal with the specifics of these and other proposals, with specific parts of the resource industries of the country and the effect that this tax reform bill will have on them. In a very general way, I have tried to point out to the government that what we require for the development of this country is an incentive approach rather than a restrictive approach.

Mr. Saltsman: Mr. Chairman, there has been much discussion in this country about incentives for mining industries. At the moment, it appears that all the representations made to the government about removing the great advantages that have been given to the resource industries of Canada have met with little success. The government has ducked its responsibilities. It has backed away from its original position, and has backed away from recommendations in the Carter commission report to the effect that the resource industries should be treated in relatively the same way as our other industries are treated, and that special concessions given to those resource industries over the years have been inequitable and unfair. I submit that those advantages have been positively damaging to the economic future of this country. We have paid out money to destroy our own economy. We have given tax concessions and received little in return.

I realize that the provinces of this country which almost totally depend on resource development will find the proposition I am putting before Your Honour difficult to accept. I can imagine hon. members saying, "It is fine for the hon. member for Waterloo to say that. He comes from an industrialized area of Canada. It is fine for him to be an advocate of the manufacturing industries, but where does his position leave, say, British Columbia, Alberta or the Yukon? I admit that there are difficulties connected with the position I am adopting.

On the other hand, I think we should discuss these matters frankly. Quite often debates in this House on the merits of resource industries as against those of manufacturing industries take on the appearance of a civil war. Often those debates transcend party lines, support for one or other of the propositions being put forward being divided along provincial lines rather than along party lines. That is understandable. However, the position we face is serious. Unless we can resolve this problem and stop seeing ourselves as a country of fractious segments, there will not be a country called Canada. We shall not be able to develop effective trade policies, and we shall not be able to develop an effective tax system. We must find some way to resolve this particular difficulty.

I hope hon. members listening to me will give me the benefit of the doubt when I say that I am speaking not only for Ontario and for the highly industrialized parts of the country, but I am speaking for all Canada. I am very much concerned about what is taking place. Canada is being excluded from virtually every major market for manufactured goods in the world. The same applies in many cases to our agricultural products. The United Kingdom, which has long been a traditional market for us, will adopt many of the restrictive measures of the European Economic Community. Many difficulties are in store there for our grain farmers. The United States is becoming increasingly protectionist. I feel that this United States sentiment will not disappear quickly. Notwithstanding the possible removal of the 10 per cent surcharge in the near future, the protectionist sentiment of the United States will increase. That country is looking inward. I do not think that the United States has embarked on these measures merely because the Prime Minister of Canada invited the premier of Russia and president of Yugoslavia to this country. That is what some hon. members have suggested, and I do not believe it. These United States moves were on the books long before these visits took place.

Surely, hon. members are not suggesting that Canada should not try to maintain relations with other countries of the world and that we should not make an effort to resolve many international difficulties that we, a member of the world community, face. When we look at Japan, what do we see? There is a market in Japan for our raw materials and some of our foodstuffs, but there is no market for our manufactured goods. When we look at the American position, what do we see? It has become clear, I think, that the United States wants from Canada raw materials and energy supplies, and no more than that. I am sure that some people in Alberta will applaud that. They will say, "This is great for Alberta." No doubt some people in British Columbia say, "We are shipping coal to Japan, and that is great for British Columbia." There is only one problem connected with this, Mr. Chairman. If we pursue a policy of exporting only raw materials and of encouraging, through our tax system, this kind of export, we shall in the end have opted out of nationhood. There will be no future for us as a country and we might as well realize it.

We could argue that in terms of coal, iron ore and oil, we have at the moment a position of considerable advantage so far as the United States is concerned. As I say, we could argue that and say that simply by increasing exports from primary industries we would increase the per capita income of Canadians. There is only one big "if" in all this. If we do that, we will not be able to maintain a population of 22 million people. We will have to cut back on our population sharply and export our people, as Ireland did many years ago. There is no way that we can sustain the present population in Canada and accommodate in employment the number of people presently in the labour force if, in future, we emphasize the export of our raw materials. The raw material industries are capital intensive industries. They are not large employers of labour. According to figures I have seen, the raw material industries employ about 150,000 people. They provide about 150,000 jobs out of a total of more than 3,500,000

jobs in the country as a whole. That shows how serious the problem is. We must decide whether we are to be exporters of raw materials or the manufacturers of goods and providers of services.

When we were starting out as a new country and did not have our present population or infrastructure, we had to depend on what was traditionally called a fish and fur economy. What else could we do but export our resources, resources such as timber and minerals? Today, however, the choices open to us are different. Actually, we do not have a choice if we wish to maintain our population. The idea of depopulating Canada is—well, it is unthinkable. It is not acceptable and I do not know how it could be done. That is to say, I do not know how one could say to the young people of this country, "There is no future for you here; all we are doing is exporting raw materials. That is what we are encouraging through our tax system. You had better find yourself another country in which to live." I say this with the utmost seriousness. At the same time I say to those hon. members who come from resource rich provinces, "I understand your position; yet you must also understand the awful dilemma facing this country."

I would never suggest for a moment that we should cut back on the present rate of production in the mineral industry. That is not what I am suggesting, nor is any member of my party, I think, suggesting that. We are suggesting that we should look to the future and not encourage the export of raw materials from Canada either directly or indirectly through the tax system, as at present. We should instead find a way of saying to the resource provinces "We will meet your grievances. We understand your needs. We understand that this will have some effect on your future development, therefore, we will have an overall industrial policy for Canada that will compensate you for some of the development that may be forgone by you. Where that is not possible, we will at least have a provision for sharing the rewards of industry and resource development equally on a per capita basis to stop this constant civil war, this schizophrenia that exists within the boundaries of this country and which will ultimately destroy this country unless we find a way of resolving it."

• (3:50 p.m.)

I realize that some of what I say sounds a little dramatic. I do not wish to sound dramatic. This is something about which I feel very strongly and something which has been too long neglected. The kind of debate we are having today has often been turned into one of the east versus the west, as though we were enemies and not part of the same community and commonwealth. Therefore, in my remarks today I propose to examine some of the mythology—perhaps I should not say "mythology" because some members may take exception to that. I wish to examine some of the things—we have always believed about the resource industry and its value to Canada as a whole. I want to see to what extent that concept really bears examination and to what extent it really has validity for a country that has a choice of becoming a manufacturing nation or continuing to be what is often called the greatest underdeveloped country in the world.

[Mr. Saltsman.]

I wish to quote some words of Mr. Ralph Nader who is visiting Canada. This statement is reported in the Ottawa *Citizen* for Saturday, November 20, and is a direct quote:

"As long as you are an extractive super-colony, and as long as decisions affecting U.S. investment in Canada swirl around U.S. considerations, the Canadian interest will come out second best."

Those remarks were made by an American. He said other things along the same line. A few weeks ago another American visited Canada on a mission for a group of businessmen in the United States. He made the following remark which was reported in the November 17 edition of the *Globe and Mail*:

"If I were a Canadian—which I sometimes wish I were—I would be less concerned over the temporary surcharge and more concerned over your exports of raw materials to the United States. It is not fair for Americans to use up Canadian resources faster than Canadians use their own."

This statement in the *Globe and Mail* is attributed to Mr. C. F. Hachmeister. We have a lot of resources in this country. I am not trying to denigrate for a moment the scope of our resources. However, regardless of that scope, they are still finite. There is a limit. In a number of years, we could remove them all. We could go further afield into more expensive and more difficult extractive areas, but what happens when the resources give out? What are we left with? What does this country do for an encore when it has exhausted its resources? We must not forget that as vast as the resources of Canada are, the insatiable appetite of Japan and the United States will consume them at such a clip as to leave us aghast.

In the early days, we thought that pollution was no problem. We said "Look at our beautiful rivers and waterways. Look how fast they flow to the oceans and lakes. What are a few bits of dirt?" We learned to regret that position. The smokestack in the city was a sign of progress and satisfaction. We are now in danger of destroying ourselves because of the close proximity of those smokestacks. The dye, slag and chemicals pouring into our rivers were considered signs of progress. We were wrong. We were wrong when we cut down certain areas of our forests and did not replace these areas with tree cover. Who thought it would be a mistake to take trees out of a country like Canada that had so many trees? As rich in resources as we appear to be, and as infinite as these resources may appear at the moment, they have a limit. If we do not husband them carefully and decide on their allocation, we will not have any resources. We will not survive, except perhaps as some northern slum of the United States.

An interesting item appeared in the October 29 edition of the *Globe and Mail*. It is an example of the kettle calling the pot black. The item deals with the Canadian Petroleum Association and reads:

—the mining industry will carry a 21 per cent collective tax burden while the petroleum industry will shoulder a levy of 36 per cent after 1976 when the legislation comes into force.

This is absolutely shocking. Imagine the mining industry getting away with paying only a 21 per cent tax while the dear old petroleum industry has to pay 36 per cent. It is shocking to both sides. At the moment, some estimates indicate that the oil industry is only paying a 6 per cent tax on its profits and the mining industry is only paying 13 per cent. It can be seen how seriously we are disadvantag-

ing those industries and how unfair we are vis-à-vis the mining industry versus the oil industry. Nevertheless, I wonder how much sympathy we should allow ourselves to have when we consider that every other industry in Canada is paying the full tax, around 50 per cent, and in many instances providing far more employment than either the mining or oil industry.

It is not fair to those industries that are paying their full share of taxes to continue that practice, while the resource industries receive special privileges. Any kind of special privilege in society, whether it be a special privilege for one individual in contrast to another or one industry in comparison to another, arouses resentment. It does not increase the feeling of co-operation in society or the sense of belonging to the same society. There is a cause for grievance and division. So it should be. We like to think of ourselves as a fair society and a fair country. However, as long as we have tax laws on the books that treat one group of investors more favourably, for no good reason, than another group of investors, it is going to be difficult to maintain any kind of pride in the degree of equity that exists in Canada.

Another argument that is often used is that because other countries grant concessions to mining industries, most of the capital that goes into the mining industry, or for that matter the oil industry, is specific capital. I grant that the people in the mining business are in the mining business. They are not likely to go into the foam rubber business. If you do not provide the same kind of opportunities and the same kind of concessions in Canada they might get in Nigeria or Chile they will go elsewhere in the world, although they may have some reason to regret a decision to go to Chile as they may if they decided to develop mines in Ireland. Of course, these companies are helping to bring about this kind of talk. The distinguished hon. member for Yukon made that argument in his remarks a few minutes ago.

• (4:00 p.m.)

Unless we are prepared to give them the same benefits here in Canada they will go elsewhere, but this presupposes a number of things; that resources in Canada are equivalent to resources elsewhere, and therefore we have to give exactly the same concessions. In many cases our resources are richer and by giving the same concessions we are augmenting the profits of the companies. If they do not get what they want in the way of decent taxes and concessions they may not act in the national interest, perhaps not deliberately but because the activity of the company does not conform with our long-term outlook and planning. That being the case, why would we want them anyway?

There is considerable evidence to indicate that because we have been so generous in our tax system in respect of resource development, we have attracted much more money into these industries than even the market system would justify. The kind of argument advanced by the hon. member a moment ago cannot be justified in a free enterprise system or even in a social democratic system. A social democrat is more inclined to believe in planning and looking ahead to the future. He believes the people should have a greater say in determining their own destiny instead of leaving this to impersonal market forces. The social democrat is appalled at the idea that concessions should be given which frustrate the long-term objectives of the nation.

The Deputy Chairman: Order. I regret to interrupt the hon. member, but I must do so in order to inform him that his time has expired.

Mr. Knowles (Winnipeg North Centre): Carry on.

The Deputy Chairman: Does the committee consent to the hon. member continuing?

Some hon. Members: Agreed.

Mr. McBride: For one minute.

Mr. Saltsman: Thank you, Mr. Chairman. I note the generosity extended to me has been somewhat tempered by a time limit of one minute, and I shall try to respect that.

Mr. Knowles (Winnipeg North Centre): He didn't mean it.

Mr. McBride: I did so.

Mr. Saltsman: My concluding point is that in no philosophical system could we really justify a distortion of our tax system in order to bring more mining activity to Canada. After all, the people working on the Barber commission were not social democrats. Those people believe in a free enterprise system and their argument is that by providing these exaggerated benefits we have hurt ourselves and distorted the proper functioning of our economic system.

I hope to have an opportunity to say a few words later on in this debate. Let me conclude with those arguments and by expressing my appreciation to hon. members for the extended time they have permitted me.

Mr. MacKay: Mr. Chairman, at the outset I should like to say that my remarks will be confined to section 65. I should like to say a few words with specific emphasis on the timber industry and coal mining. At the outset, I should like to comment briefly on the remarks of the hon. member for Waterloo. I found much in his very fine address with which I can agree. I should like to say, however, that with regard to the natural resource industries it is a fair comment that perhaps one should remember when one is tampering with industries of this magnitude, and accusing them of having special privileges, at least by reference, that it is upon this very important sector of the economy that we must depend to receive the impetus this country needs for its continued progress and development. Certainly, academics cannot provide it nor, with respect, can civil servants or politicians. There is a question as to whether those in the service industries can provide the necessary expertise to generate wealth and create prosperity. When one considers this country has always been primarily dependent on the success of these primary industries, I think perhaps in some cases at least, there is a case to be made for making sure that if they do not have any special privileges, these resource industries are handled with great care.

As far as the timber industry is concerned, I do not intend to say very much but, for the record, I think in

considering the effects of section 65 on the timber industry the government has already recognized to some extent that other natural resource industries such as mining, oil and gas, require certain earned depletion allowances and expenses. If they made those concessions, as rightly they should, on a comparable basis for the pulp and paper industry this would have an equal effect. It would then be equitable and logical to consider giving this industry a system of earned depletion comparable to some of the depletion allowances which exist in respect of other natural resource industries.

For example, I think a depreciation allowance on anti-pollution equipment necessary to meet new emission standards would be worth while. It would make good sense, as well as good ecological practice, for pulp companies to improve their facilities with the very latest equipment. I think significant mill expansions at this time might be questioned. However, in so far as market conditions permit, there should be some concessions made there. As anyone knows who has worked on certain logging projects, there are some primitive conditions. Among the expenditures eligible for allowances would be social costs relating to the installation of roads, camps and other facilities for the employees.

It is with the coal mining industry that my thoughts are this afternoon. This is a very important industry, not only to Canada but to my province and to my constituency. It would appear that the national coal industry is fairly healthy. It may even be said to be in a "turnabout" position, and it might even be said it will expand rapidly during this decade. In 1969, for example, domestic coal production from all provinces was something over 10 million tons, and at the present time it is greater than that. In 1970 it was 16.6 million tons, up about 55 per cent. I see the parliamentary secretary smiling. Perhaps he doubts the efficacy of our research department, but according to the information I have this year's production will be over 20 million tons.

As far as the eastern coal industry is concerned, we do not have the benefits of long-term contracts with Japanese purchasers. As everyone knows, our coal industry is in serious trouble. This is because the government in its wisdom has decided to permit United States coal, from states like Pennsylvania and Kentucky, to come into the largest domestic market in this country, namely Ontario. This is possible now because, as a result of the Kennedy Round, the duty is off this coal. At the same time the government has seen fit to drop, to a large extent if not in fact entirely, the subsidy payments which permit transportation costs to be kept within reasonable limits in order that the maritime coal industry can compete in Ontario. As an example, the latest figures show that the production of coal in the Maritimes is down sharply. It would appear this is a result of a deliberate federal policy to stabilize maritime coal production at what could be said to be the subsistence level.

• (4:10 p.m.)

For example, New Brunswick coal production declined by 43 per cent in 1970. In Nova Scotia, coal production declined by 19 per cent as compared with 1969, from 2,621,000 tons to 2,122,000 tons. In the west, British Columbia's production increased by 280 per cent; the increase amounted to 132 per cent in Alberta, and in Saskatchewan it was 89 per cent. There are certainly reasons for this. With all deference to western coal, it is of a much lower quality than the coal of Nova Scotia and eastern Canada generally. It is sub-bituminous. In fact, the so-called red coal of Saskatchewan is not much better than peat in terms of thermal efficiency. By contrast, Nova Scotian coal is almost up to the anthracite level in qualify and is in great demand when it is available. The drastic decline in our coal production came about, as I understand it, because of the removal of the subvention payment made by the federal government in respect of transportation costs.

Returning to the specific difficulties which the mining industry will encounter and relating them to section 65, it seems to me the key to this situation is that we cannot treat coal in the same way as other minerals are treated. For example, when we talk about exploration costs we must realize that most of the areas in Canada where coal exists have been known for many years, and there is really not much by way of exploration costs that the mines can write off. This is not, of course, the situation in which the nickel and copper mining industries find themselves. Again, the provisions with respect to earned depletion allowances are impracticable for maritime coal producers, simply because, as I understand it, in order to qualify they are obliged to increase their production, or increase their capacity to produce. But under present conditions it is hardly likely, as statistics show, that they will be able to do so. In fact, instead of production increasing by the necessary 25 per cent in order to qualify, in all likelihood production will decline still further unless drastic steps are taken.

At the present time coal producers enjoy certain advantages in the same way as do gold producers. Under the regulations now in force, gold producers benefit from a depletion rate amounting to 40 per cent of production profits or $4 an ounce, whichever is greater. The comparable figure with regard to coal is 10 cents a ton. Under the new tax proposals, as I understand them, effective January 1, 1972 these special rates will be replaced by earned depletion allowances identical to those available to other producers of minerals. I suggest this is a wrong approach because it is unrealistic as far as coal is concerned. It would seem to me that the intention of the federal government toward coal mining in Nova Scotia is to allow the smaller mines to operate without assistance until they are forced to shut down. I would point out that the unemployment resulting from such a course would affect about 5,000 miners at least, not to mention their families.

I have recent correspondence from the Minister of Energy, Mines and Resources concerning the McBean coal mine in Thorburn. From this correspondence it is clearly evident that the government has no interest in modernizing this mine or taking constructive steps to increase its productivity by starting a new working level. In fact, it appears that the government is content merely to phase this mine out. This is a serious matter. Where there used to be literally thousands of miners working in Pictou County, for example, there are now only a few hundred, and when the McBean Colliery is closed, as now it appears certain to be, and the Drummond Mine in

Westville, the only other existing mine, ceases production, there will not be one place in Pictou County where coal is obtained, though millions of tons are available. A day will come, Mr. Chairman, when Canada will need the coal which is available in the East River Valley of Pictou County, as it will need the coal which is available in the rest of Nova Scotia. It will then be a case of starting from scratch, working with untrained personnel, very likely under emergency conditions.

One of the major provincial problems facing the operators of coalfields, at least in Nova Scotia, is that though the reserves are abundant, mining techniques are antiquated. In the west, on the other hand, coal is being produced by using the most modern machinery in conjunction with open pit mining. Leaving aside the question of the ecological damage which is done by strip mining, productivity and efficiency are certainly greater than can be expected from underground mining, even though, as I say, the quality of the coal produced in the west is not as good. Unless the government realizes that the mining industry does require special attention, particularly in Nova Scotia, we shall lose this industry completely. This may well result in another Glace Bay dilemma such as arises when one supports a marginal operation without attempting to improve it.

At a time when Canada's domestic market is using increasing quantities of imported coal, some initiative must be shown by the government so as to de-emphasize dependence on countries abroad and encourage domestic production and the development of mines, for the enrichment of the nation as a whole. I do not wish to get into a discussion about the merits of what Devco is doing in Cape Breton. It is not my field. However, it seems to me that the operation has not been a resounding success and that unless more attention is paid to the real needs of the coal industry conditions will soon be so bad that we might as well forget about it in eastern Canada. In western Canada there have at least been interesting concepts, such as the unit train. I suppose this development has been the result of a co-ordinated effort between provincial and federal government departments. I know of no such concepts having been introduced in eastern Canada, although one might think from the superior quality of coal in eastern Canada that a scheme of this kind would be particularly worth implementing.

In conclusion, it appears to me that coal, as I said before, should not be treated as just another mineral. It has special problems arising from its location, the difficulty of obtaining trained labour and the cost of transporting it to market, not to mention the effect of foreign competition, mostly from the United States. Any stable industrial economy needs an industrial base. Coal will be essential in the future if we are to make the best use of our primary resources. If we are to have cheap hydro-power available in Nova Scotia, coal will still be needed to help operate thermal generating plants. Coal is required in connection with our steel industry in eastern Canada.

The federal government should make immediate efforts to modernize our mines so that they can ultimately become viable. If we do not single out the coal mining industry as requiring some help, particularly in certain regions, we shall lose the industry, though the time will come when the demand for coal will justify the moneys which would, could and should be spent at this point, quite apart from the benefits in employment and resulting social benefits. You will never find a better group of men than the coalminers. They work hard. They risk their lives and all they want is a chance to earn an honest living and produce benefits for this country. So far, they have done so with notable success. It should be a shame to lose this vital part of our economic life through unwillingness to make concessions to this industry, particularly in Nova Scotia.

Mr. Barnett: My hon. friend from Waterloo was unduly sensitive, it appeared to me, because he happens to represent a constituency in a manufacturing area in a part of the country which members from the far west sometimes refer to as the wicked east. As a member who spent all his life in the two westernmost provinces of Canada, who spent at least ten years of his life in a mining community and who has developing mines in his own constituency, I thought it might be useful if I participated for a few minutes in this debate to indicate my complete support for the approach to this whole matter as presented by the hon. member for Waterloo. Anyone who has lived in the atmosphere of a mining town and anyone who understands how completely dependent on a mining economy a particular area is—and the Yukon territory is a particular example—readily understands the concern of an hon. member such as the hon. member for Yukon, and indeed all of the members who have a high level of activity in their part of the country for the income tax law as it relates to that industry.

• (4:20 p.m.)

I should like to make clear, however, that it is a matter of regret to me that in this bill the government has rejected the approach suggested by the Carter commission. The Carter commission, as I recall its recommendations in summary, suggested, in thinking of the long-term situation in this country and of the future in particular, as well as its wealth in the form of non-renewable resources, that we should consider the timing and degree of our exploration and exploitation rather than have that exploration and exploitation left to the whims and fancies of the people actually engaged in the mining industry, or to the short term world market conditions which might prevail in respect of the salability of any particular metal at any given time. As the hon. member for Waterloo suggested, I feel it is important that we think in the longer term. Some of us from time to time have had an opportunity to travel within the boundaries of our great neighbour to the south. We have seen rather vivid examples of what has resulted within the boundaries of that country because of the traditional method of exploitation of non-renewable resources. Some of us suggest that while we still have time in Canada we should begin to think about the whole question of the manner in which these precious substances are drawn from the ground and our approach to that operation.

The lure of wealth, of course, has been at the root of the whole philosophy of mining as it has developed on this continent, stemming I suppose primarily so far as the whole western part of the continent is concerned, from the days of the great gold rushes. At that time men from all corners of the globe, some of the keenest, most adven-

turous, strong-minded and able bodied men, were drawn to the search for a precious metal. As a result of this situation, there emerged a whole pattern of attitudes and law. This, I believe, has been carried forward to this day and is fostered by the application of the kind of income tax laws we have had and will continue to have if the proposals in this bill pass in their present form.

We are all well aware of the fact that the mining industry, its associations and organizations, continually over the years have bombarded us with argumentation concerning the necessity for the special spurs that are needed to enable them to go out and find new mines. I suggest that even from the most practical point of view that argumentation becomes less valid as time goes on, partly because of the development of new technology, partly because the approach to the development of a new mine becomes increasingly a matter of scientific appraisal of the natural resources and their potential. As a result, when a decision is made to commit money for the development of a mine there is much more likelehood that the mine will, in fact, bring returns to the investors. I am speaking now about the serious type of mining, the type of mining that is carried on to draw wealth from the ground rather than the type of mining in which promoters are more interested in mining the more gullible members of the general public through the stock exchanges of the country.

I have a very basic disquiet about the way in which we are moving in this whole process. I feel this is something which requires a considered approach at the national level. Unless and until a new philosophy is enunciated in Parliament which would change our approach to tax laws, I believe it is virtually impossible for any particular area of the country to do anything but go along with the process of developing resources from a purely local point of view, even though that development may result in rather limited benefits. There is the example of a large mining corporation in my constituency which is just getting into production. In fact in the next month I believe they expect the first shipment of ore to leave the mine. This is a tremendous mining enterprise. The concentrators are designed to mill something like 33,000 tons of ore a day. With the already established reserves, there is a life expectancy for that mine of 25 years at that rate of mining. In the particular area in which it is located it will have a real impact upon the viability of the community. The particular community affected will probably double in size. Many of the amenities which can be had only in a community of reasonable size will result because this mine is coming into production.

As the member representing that area I certainly have not objected to the development of that particular mine in that particular location. It would be foolish for me to do so. It would be silly of me to suggest that this mine not be developed at that particular place when I know the general policy of the country is that such mines are to be developed wherever any particular mining company might decide it has the opportunity to do so. The fact remains that 25 years is not a very long time in the history of a country. The children of the people who will be working that mine will be reaching the point at which they will be presumably looking for productive work at about the time when the projected life of the mine expires.

[Mr. Barnett.]

• (4:30 p.m.)

This, of course, raises the kind of question that was raised by the hon. member for Waterloo, namely, what happens to the children of the current generation of miners at that mine? At the end of 25 years there will be a big hole in the ground and, under the current mining laws of the province of B.C., that kind of open mining operation will have to be completed in such a way that there will be at least some degree of restoration of the landscape. One proposal was that there be a new lake there, about half a mile wide and two or more miles long, that it be landscaped around the edge, and that a new recreation area be created. As it happens, on Vancouver Island there are a number of lakes already in existence. Of course, the same is true of many parts of Canada. Recreation areas are very nice, but even though one may be able to enjoy an inexpensive holiday in a recreation area of that kind, it is rather necessary that there be an economic base for the people who may want to use the recreation facilities from time to time. So the ore from that hole goes across the Pacific Ocean, the profits from the operation go across the border to the south, and in 25 years we will have a nice new lake in Canada. In the meantime, of course, incomes will have been provided for 400 or 500 people for 25 years. I suppose that this is not something to be sneezed at.

Those of us who live in the midst of this sort of thing have perhaps more cause to be concerned about it than have members who live in manufacturing centres, such as the hon. member for Waterloo. In the national interest we may or may not need the development and export of the ore from that particular mine at this time. But the result of the approach we are taking in our income tax law is to continue to encourage this helter-skelter, haphazard development of the extractive industries. This type of development I suggest—and I would like to emphasize this point because I do not think the hon. member for Waterloo made this quite clear in his speech when he spoke about resource industries—is in an entirely different category from that of renewable resources, whether that relates to products from the farms or the products of the forest. This latter type of activity will go on without any special or direct kind of encouragement such as, for example, has been provided for the extractive industries like the mining and petroleum industries.

All we are saying—and, as I understand, all that Mr. Carter said in his report—is that these extractive industries should be treated for income tax purposes on the same basis as all other industrial enterprises. If it was deemed to be in the national interest to accelerate the extraction of petroleum, of copper or of iron ore at any given time, we should do it directly above the table so that we know how much it is costing us. In this way we could tell whether this kind of expenditure was or was not in the national interest. As matters stand, the only way we can really come to grips with this matter is to discuss it indirectly when the Income Tax Act is opened up from time to time. I suggest that this is not the best way to approach this matter. I suggest that despite the kind of briefs we sometimes get—and they certainly come from organizations in my province, and the B.C.-Yukon Chamber of Mines makes the position clear to us from time to time—I am convinced that if these special provisions were to be

abolished it would not mean the end of the mining industry in Canada.

I am convinced that where there is a viable market for a mining commodity, that commodity will be produced because we know we have the natural resources to enable us to do so. Let the market be the yardstick as to whether or not we are going to have an increase in copper exports, just as it is in connection with the development of the pulp and paper industry in this country. If we find that the economic situation in that particular field is in a state of decline, if there is tangible evidence that it is necessary to accelerate the exploration for new sources of this kind of raw material, then let this Parliament decide that it is in the national interest to do it at a particular time and let Parliament appropriate the money for it to be done.

Some hon. Members: Hear, hear!

Mr. Barnett: This, among other things, would bring a new rationale into the kind of thinking which prevails in the mining industry in this country. It would put an end to the everlasting beseeching and begging for more and more special concessions with which we are assailed by the mining interests today, and have been yesterday and the day before that. They would know that they could produce the minerals that were needed. They would know that if there was a real need, and it was in the national interest to open up new resources in new areas or to start more intensive exploration in already known mineral zones, they could present a straightforward case to the government, and that Parliament would be prepared to give it the kind of consideration it deserved. But as long as we continue this basic approach that is still being carried forward in this so-called tax reform law we will be besieged, and so will the Minister of Finance, for a little more and a little more. Frankly, I am very disappointed that the Minister of Finance and the government were not able to see the logic of the position that was put before the people of Canada and this parliament by the Royal Commission on Taxation.

Mr. Dinsdale: The subject matter that is before the House today in this long continuing debate on Bill C-259 will, I am sure, have a sympathetic ear from the parliamentary secretary to the Minister of Finance who has been guiding the debate for most of its period in the House. Recently he was very disturbed in this House at the impact of the latest decision by the National Energy Board with respect to the curtailment of the export of oil and gas resources, and of gas in particular. I do not think it is necessary to belabour the point to convince the hon. gentleman that what is contemplated in the sections of this bill with respect to the resource industry in terms of tax reform is not in the best interests of that industry.

• (4:40 p.m.)

This afternoon I would like to point out that the sections of the bill which we are debating have the same basic weakness that we found in other parts of the bill. I think the assessment of this debate given in editorial comment by the *Financial Times* of November 22 is worth quoting to underscore the basic objection that members of the Official Opposition have raised to most of the sections of the bill. Certainly it applies to the sections covering the resource development industry. The editorial reads in part:

> In one way, Mr. Benson has a point. It really does not matter whether the MPs debate every clause of the bill. As delegates to the Canadian Tax Foundation conference sadly noted, the MPs are completely out of their depth in trying to debate or to understand the bill.
>
> After several months of intensive effort, the most expert of the tax experts are only slightly less baffled than they were at the beginning.
>
> The attitude of the Tax Foundation members . . .is one of fatalism and resignation. The tax changes are coming. Let them come. Somehow, we will muddle through.
>
> The immediate result will be something akin to chaos. As it stands, the bill is a no man's land of ambiguities, obfuscations, and ill-defined intentions, entirely surrounded by uncertainty. It is going to take months and years of working experience to find out how the new system actually works, and what inequities it embodies.

I do not want to be too specific with reference to the bill, but I do want to spend a few moments pointing out to the government that obviously it is not aware of what it is doing to certain important segments of Canada's resource industry in the reforms contemplated by the bill. As I have also already indicated, the protests by the parliamentary secretary with reference to the petroleum industry are indicative that he is in sympathy with this viewpoint.

I want to discuss the impact that the bill will have on the continuing development of the Canadian north. The Canadian north includes, in particular, the Yukon Territory and the Northwest Territories. It also includes the northern parts of the prairie provinces, of Ontario and Quebec, all of which form part of the Great Canadian Shield. The immediate effect of this bill will be to slow down the encouraging development that has been taking place in this whole area.

Even at this stage of anticipation when the shadow of implementation is hovering over the business community, when the threat of implementation becomes more real with each passing day, there is a hesitancy, and uncertainty in the market, all of which is reflected in the daily stock market reports. If the government proceeds to implement the bill in its present terms the impact on the north will be devastating. I make this point because the minister in charge of northern development has already revealed the thinking of the government on these matters through his action on Bill C-187 which was designed to bring about certain reforms, as he called them, in mineral development in the Yukon Territory.

The hon. member for Yukon, and other members on this side of the House who have been closely associated with northern development, took a strong stand against Bill C-187, with the result that the minister made a statement recently in the Yukon saying he will not be proceeding with the bill. He realizes he did not consult closely enough on it, and was not fully aware of the serious impact it would have on the development of minerals in the Yukon. Bill C-187 now lies in a state of limbo. In the light of the minister's comments, I imagine that it will remain there, or that if it re-appears it will be in greatly amended form along the lines recommended by spokesmen for the Official Opposition.

In this regard, I do not understand the attitude of members to my left concerning the impact that this bill will have on northern development. Recently the leader of the NDP said that the best solution for northern minerals was to freeze development and keep them in reserve. I have listened to the two spokesmen for that party who have spoken in this debate thus far, and while they did not go to quite that extent, the implication is that we should preserve, reserve and conserve non-renewable resources of the north for the benefit of future generations. Imagine what would happen if that were applied in the case of Thompson, Manitoba, which is represented by the former minister of highways of the province of Manitoba. Resource development by the International Nickel Company of Canada at Thompson has had a tremendous impact on the whole economy of Manitoba.

When I was minister of northern affairs, we used to have a slogan that I think is apropos at this juncture of our discussion. It went something like this, "Woe unto them who sit on their frozen assets." This is the policy that NDP spokesmen have been recommending this afternoon, and it is not only the NDP group who have made this statement. The government party has been what might be termed "Johnnies come lately" in the whole process of northern development. This can be illustrated by the reservations they had with respect to development of the Pine Point railway. This made possible the development of the lead-zinc mine at Pine Point and has largely been the basis of the great upsurge in resource development in the Great Slave lake area of the Northwest Territories. Yellowknife, the capital of the Northwest Territories, has become a modern metropolis through the impact of this one resource development. It would never have taken place had not the government of the hon. member for Prince Albert taken the risk which has always been typical of great development on the Canadian frontier, a risk taken over strong protestations of the then Liberal opposition, against the completion of the railway into the Pine Point community.

• (4:50 p.m.)

The same applies to oil exploration in the Canadian north. It was a small group of domestic minors—and I might add that is m-i-n-o-r-s as opposed to the foreign majors in the oil industry—who in 1960-61 gathered together sufficient capital to make it possible for Canadians to carry out the first oil exploration in the high Arctic at Winter Harbour on Melville Island in 1961. That was entirely a Canadian effort and is one of the great epics in Canadian resource and frontier development. This group was headed by Dome Petroleum under the leadership of Jack Gallagher, a Canadian active in the oil industry in Calgary who I am sure the parliamentary secretary knows intimately, and made possible by the vision and skill and pioneering spirit of another Calgarian, a comparatively young man named Peter Bawden who took in his drilling crew and drilled the initial well. I think the hon. parliamentary secretary will have good reason to become more familiar with Mr. Bawden as we move forward into the inevitable confrontation of democratic politics in the forthcoming election.

Nothing should be done to discourage this type of initiative, Mr. Chairman, and this is precisely the point made by the hon. member for the Yukon. He wants incentives for Canadian participation in resource development to be expanded so that by getting more Canadians involved in the process we can repatriate ownership of our resource industry by positive means rather than the negative means of a screening process or some such measure. It was because the Canadian government of 1957-63 introduced regulations which gave some preference to Canadian exploration companies in operations in the high Arctic that we got that first pioneering oil venture. It was a very simple process. If a discovery was made the regulations ensured that Canadians had a chance to participate and to manage the enterprise.

Mr. Chairman, the parliamentary secretary is thoroughly conversant with these matters and is just as concerned as hon. members on this side of the House about their harmful effect on resource development in Canada, so why does he not take the necessary initiative and amend the act? We have had hundreds of amendments already. The tax reform bill could be amended in such a way that it would encourage rather than discourage Canadian participation in the development of our northern resources in particular but our resources in all parts of Canada.

The hon. member for Galt went to great pains to point out that he was not speaking against the best interests of the western provinces—

Mr. Orlikow: He was not?

Mr. Dinsdale: —with reference to the policy that he was enunciating. As I listened I was persuaded that Shakespeare had some relevancy here—"Thou dost protest too much"—

Mr. Knowles (Winnipeg North Centre): He is the member for Waterloo.

Mr. Dinsdale: Waterloo—that is very appropriate. He was protesting too much because he went on to enunciate precisely the thesis he was repudiating.

Mr. Gilbert: You did not understand.

Mr. Dinsdale: I hope the hon. member for Broadview will listen carefully, because obviously he does not understand either. He was enunciating the thesis that the so-called underdeveloped parts of Canada, the parts that are underpopulated and lack political impact in Ottawa because of that very fact, are being governed through Ottawa as if they were a colony of Ontario or Quebec. This is exactly the thesis propounded by the hon. member for Waterloo this afternoon. He even quoted that great American defender of the consumer, Ralph Nader. I am surprised that someone from his party would quote an American source because of their attitude toward our friends to the south, but Mr. Nader was quoted by the hon. member for Waterloo as saying—

Mr. Nielsen: Capital is from Waterloo.

Mr. Dinsdale: —that Canada must not become the extractive colony of the United States. I would paraphrase that statement and say that the west and the north must not become extractive colonies of Ontario and Quebec.

Mr. Barnett: That is what we are now. That is the problem. That is what we are trying to get away from.

Mr. Dinsdale: That is the thesis that my friend from Waterloo was supporting. He also made a great deal of the fact that we are exporting most of our resources to the United States. I should like to point out to him that recently Japan has become a great market for the minerals of the Yukon territory. Were it not for the opening of this market in the early part of the sixties there would be no new Imperial Mine operating just outside Whitehorse, nor would there be the Anvil Mine which has been of great benefit to the Yukon Territory and has given employment to the Indian population by bringing the mineral from the mine to the railhead and trans-shipping it across to the open port and on to Japan.

The Chairman: I regret to interrupt the hon. member. I must do so to advise him and the committee that his time has expired.

Some hon. Members: Carry on.

The Chairman: The hon. member may carry on if there is unanimous consent of the committee. Is there such consent?

Some hon. Members: Agreed.

Mr. Dinsdale: Thank you for your courtesy, Mr. Chairman. I shall be very brief because I was just coming to a conclusion. We are concerned about what will happen to the Canadian resource industry when these resources have become exhausted. By the same token, Mr. Chairman—and the hon. member for Waterloo made much about this point—we are part of a world economy and of a world market. We must consider our international responsibilities. What will happen to Japan and its teeming millions if these resources are not available to the people of Japan? The hon. member was contradictory in his argument in that sense, in one breath preaching international brotherhood and in the other supporting the thesis that we must sit on our frozen resources until such time as we can use them for the maximum benefit of Canada exclusively.

• (5:00 p.m.)

Mr. Nielsen: Frozen assets?

Mr. Dinsdale: I mentioned frozen resources. I have already made that point.

An hon. Member: Is that the Salvation Army position? Shame.

Mr. Dinsdale: I think that is a very good position for someone in that category to espouse; namely, that we should take seriously our responsibilities for brotherhood internationally as well as domestically.

Mr. Gilbert: Who said anything about frozen assets?

Mr. Nielsen: At least the hon. member was not being hypocritical.

Mr. Dinsdale: Mr. Chairman, I say, now that these interjections have concluded, that I will leave this in the hands of the parliamentary secretary. He is fully conversant with the subject. I trust he will take the necessary action to bring about equity and fair treatment for all parts of Canada, and that not only the central part of Canada will be so treated.

The Chairman: Order, please. Before recognizing the hon. member for Winnipeg North it is my duty, pursuant to Standing Order 40, to inform the Committee that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Winnipeg North Centre—Pensions—Old age security—Inquiry as to increase and lowering of eligible age; the hon. member for St. John's East—Regional Economic Expansion—Re-evaluation of policies in light of criticisms; the hon. member for Vancouver-Kingsway—Health—Family planning conference—Request for publicity campaign because of increase in illegitimate births.

Mr. Orlikow: Mr. Chairman, this afternoon we heard a number of speeches by hon. members of the official opposition. The hon. member for Yukon spoke, as did the hon. member for Brandon-Souris. They were critical of the government's income tax bill, arguing that it will reduce or eliminate incentives which have been given in the past to the mining, oil and gas industries and that this will lead to a cutback in the development of those industries with consequent, deleterious effects for this country. The proposals in this tax reform bill affecting the mining, oil and gas industries do not in any real way do what members of the Official Opposition have charged. Actually, if there is one thing that is obvious, it is that these proposals continue the special tax concessions which in the last 25 years have been available to the mining and petroleum industries. These concessions were unjustified because the industries in question are, for the most part, foreign owned and capital intensive. They make use of a relatively small amount of labour. By asking for further concessions for these industries the Conservative party, in my mind, is betraying the real interests of the Canadian people. It seemed to me that the Conservative opposition wanted the government to make further concessions in this area. It has proposed that present concessions be continued.

The hon. member for Brandon-Souris chided my colleague, the hon. member for Waterloo. Although the hon. member for Waterloo had said that he did not want to see any conflict between our provinces, between the west and the east, his position, according to the hon. member for Brandon-Souris, was essential pro-Ontario, a position which is inimical to the western provinces. I say to the hon. member for Brandon-Souris that, in adopting our position, we do so in the full knowledge of what we are doing. We are adopting the same position which the NDP government of Manitoba has adopted since being elected. Let me put on record, for the benefit of the hon. member for Brandon-Souris, what the Minister of Finance of the province of Manitoba said in his budget speech on April 30, 1970. Talking about the white paper which this government had produced on tax reform, the white paper which, in a watered down version, is being implemented in the tax proposals before this committee, that Minister of Finance said:

Our main objection is that—contrary to the Carter Commission recommendations—the federal proposals are more concerned to

tax according to how money is earned rather than according to how much. This is contrary to "ability to pay" as a basis for taxation—

The proposals do not meaningfully redistribute income beyond the present structure. The biggest saving for a low-income person—$127 for a married man with two children and $4,000 a year. But if you were to earn over $50,000—there are actually provisions for reduction in tax. At $100,000 the reduction is $5,423—

Then the minister went on to say this about depletion allowances:

Depletion allowances and other resource industry incentives, etc., are still going to operate—these may well be wrong in principle—whatever the basis for computing them.

Then, he went on to say:

we—

Meaning the government of Manitoba,

—support the objective of making resource development in Canada more responsive to the particular needs of Canadian communities and citizens. This is not a passing comment. We seek tax proposals aimed to achieve greater responsibility to the community for enterprise deriving its main profits from the resources which belong to the people. The first major resource taxation concept to be questioned is that involved in depletion allowances. Why, for example, should only the private investor be compensated for depletion of resources and not the people and communities to whom the resources belong? Far greater concern should be given to the workers and communities who come to depend on the resource industries for their opportunities. It is they who will be the real losers through the depletion of natural resources. If firms continue to receive depletion allowances in any form, it is essential that such compensation be shared with workers and dependent communities.

I ask the hon. member for Brandon-Souris to remember who took the losses when the uranium mines at Elliot Lake closed down because there was no longer a market for uranium. It was not the companies, which had earlier written off their investment. It was the workers who purchased homes at Elliot Lake. It was the government of Canada which, through Central Mortgage and Housing, had invested money in homes and it was the provincial government of Ontario which had built schools, roads and provided all the other services. The industry got off scot-free; the people paid through the nose. That is what the hon. member for Brandon-Souris wants to continue and to extend.

An hon. Member: Shame.

Mr. Orlikow: We are not alone in our position on this matter. Before the present Minister of Finance ever became a cabinet minister he made some useful and interesting speeches in the House. I wish he would take part of an evening off to read some of the speeches he made while he was still a leading member of the opposition. I am talking about 1962, the year of which this afternoon's question period reminded me. It had that kind of spirit. I wish to quote two paragraphs from a speech which the present Minister of Finance made on November 9, 1962. He dealt with the policy of the then Conservative government as it affected the oil and gas companies. He said:

• (5:10 p.m.)

I can think of no other industry (oil and gas) in Canada in this favourable position.

I would think the next thing to consider is, who is going to benefit from these tax concessions contained in resolutions 6 to 10? Foreign control and ownership of this industry has been increasing and this legislation, I submit, will do nothing to discourage foreign ownership and encourage Canadian ownership.

An hon. Member: He was right.

Mr. Orlikow: In the same speech, he said:

We must, Mr. Chairman, find ways—and the next Liberal government will find ways—of returning the control of our natural wealth to Canadians while, at the same time, assuring foreign investors that they will be fairly treated by our government.

That speech could have been made by the hon. member for Waterloo. In fact, it has been made by him. The only difference is that when the present Minister of Finance moved from this side of the chamber to the other, he forgot everything he said before he became a member of the government. He immediately proceeded to continue the policies which had been implemented, not by the Conservative government which he helped to replace, but by former Liberal governments in 1947, 1948 and 1949.

To show that the position we are taking is not based purely on political partisanship, I wish to quote briefly from a couple of editorials which appeared in a newspaper which is not far removed from the Liberal party and its policies. This editorial, entitled "Oil men don't need tax gifts from Canada", appeared in the March 1, 1967 edition of the Toronto *Star*. I quote:

The commission—

That is the Carter commission.

—proposes to take away two cosy privileges enjoyed by these industries at the expense of the ordinary taxpayer—depletion allowances and the three-year tax exemption for new mines.—

The three-year tax exemption applies also to mines. A mining company enjoys an exemption for the first three years on income earned from a mine newly brought into production.—

The special favors enjoyed by the two industries are extremely expensive. In 1964, it is estimated, they cost the federal treasury more than $150 million. This is about the equivalent of the government's combined spending in 1965-66 on the Canadian Broadcasting Corporation, the Central Housing and Mortgage Corporation, and grants to universities.

Does this government propose to change that situation through this legislation? Not really. They changed the format of the concessions, but the concessions remain essentially the same.

I wish to quote from an editorial which appeared in the December 11, 1967, edition of the Toronto *Star*. It is entitled "Mines should pay fair tax share". I quote:

How can Finance Minister Mitchell Sharp justify his decision to dig new tax revenue out of the ordinary wage earner while continuing to provide special tax privileges to big business—notably the mining industry?

The Carter Royal Commission on Taxation found that mining, along with the insurance and petroleum industries, was a potentially rich source of tax revenue that had long been enjoying unnecessary exemptions.—

The Carter Commission considered these exemptions unjustifiable. It recommended that the depletion allowances be eliminated immediately, and that the other privileges be phased out over a period of five years.

That seems to be squarely in line with what the Minister of Finance said in 1962 before he became the Minister of Finance. However, we have had no action by the government. Without a doubt, the most important speech made on taxation in recent years, and I believe in giving credit where credit is due, was the speech made by the hon. member for Duvernay. This is the speech which led to his

resignation. He did not just put on the record a theoretical argument. This is the same argument I am trying to make, but he did it much better than I.

Mr. Mahoney: Why don't you just file it at this time instead of reading it again?

Mr. Orlikow: I suppose the reason the parliamentary secretary makes that stupid interjection whenever I quote from this speech is that he is embarrassed. When I make this kind of speech, I can be written off as a radical, a socialist and a person who never had to meet a payroll. All those things are true. However, when the hon. member for Duvernay makes that speech, he speaks as a professor of economics, a very successful businessman, the former president of the Montreal Stock Exchange, a former and one of the most effective ministers of revenue that any government in the province of Quebec ever had. The only difficulties the hon. member for Duvernay ever had were those which followed the terrible mistake he made when he decided to enter federal politics as a Liberal. From that time until he quit the cabinet, he made mistakes. The reason the parliamentary secretary always makes that idiotic interjection when I quote from this speech is that it embarrasses him. He knows that a lot of people who are still afraid and still worry about the New Democratic Party, will pay attention to an argument put forward by a man with the stature of the hon. member for Duvernay.

I remind the parliamentary secretary that when the member for Duvernay made that speech to the 300 academic, government, business and labour economists attending the meeting of the Canadian Economics Association, he was greeted with a standing ovation which the newspaper people who reported the proceedings said had never happened in the history of that organization. It may be that the hon. member for Duvernay was wrong, and that his argument could be shot full of holes. If this is so, I would like someone who knows a little more about economics than the Parliamentary Secretary to the Minister of Finance, and that is not very difficult, to reply to that speech. I am sure the Canadian Economics Association would be more than happy to invite the Prime Minister or the Minister of Finance to their next annual meeting. While they may not be economists, they can get the assistance of the best economic advisors in Canada. They can get some help in writing their speeches.

I am sure the Canadian Economics Association would be happy to have one of those exalted gentlemen appear before them and rebut the speech made by the hon. member for Duvernay. That has not been done here or anywhere else in this country. The reason is that essentially the government has no answer. The best defence then is silence, except, of course, for the stupid interjections by the parliamentary secretary. The tables produced by the hon. member for Duvernay in his speech were taken from government reports. If they are wrong, I am sure the officials will quickly pass a note to the hon. member for Calgary South telling him they are incorrect. They go to the heart of the question we are discussing today.

• (5:20 p.m.)

In his speech, the hon. member for Duvernay used the table which is entitled "A Comparison of Book Profit Before Taxes and Taxable Income by Selected Industries". It covers the years 1965 to 1968, the latter being the last year for which figures are available. The table is arranged in three columns showing, respectively, the type of industry concerned, the taxable income received by that industry and the percentage of profits which were really taxed. For example, the retail trade earned book profits of $1,620 million. Its taxable income was $1,445 million. It paid tax, therefore, on 90 per cent of its profits. The wholesale trade earned profits of $2,066 million Taxable income amounted to $1,802 million. It paid taxes on 87 per cent of its taxable income. The construction industry earned book profits of $993 million, on $643 million of which it paid taxes, that is to say, on 65 per cent. The manufacturing industry showed profits of $12,745 million and paid taxes on $8,052 million; in other words, on 63 per cent of its profits.

Now, let us consider the industries we are discussing today. The metal mining industry showed profits of $1,707 million. Its taxable income was $222 million. In other words, it paid taxes on 13 per cent of its profits.

An hon. Member: Shame.

Mr. Orlikow: The mineral fuel industry showed book profits of $795 million and paid taxes on $45 million, or 5.7 per cent of its book profits. Other mining enterprises showed profits of $374 million and paid taxes on $120 million, that is, at a rate of 32 per cent.

Members of the official opposition have been telling us this afternoon that these industries should continue to receive the concessions they have so far enjoyed. Indeed, they argue they should be given even greater concessions. Mr. Chairman, I do not care whether the government of Canada or the government of any of the provinces is a Liberal government or a Conservative government or a Social Credit government or an NDP government, it would still be obliged to collect taxes to meet the cost of the services it provides to its citizens. This is a simple matter. If one industry or another does not pay its fair share of the taxes, then other industries will be called upon to pay more than their fair share. When the hon. member for Yukon says we should continue to make concessions provided to the metal mines, which pay tax on only 13 per cent of their profits, or to the mineral fuels industry which pays tax on only 5.7 per cent of its profits, he is telling us, in effect, that the taxes which the construction industry, the manufacturing industry and the retail trade must pay ought to be increased, or that the personal income tax of those who live in Montreal, Toronto, Winnipeg, Vancouver, and, indeed, the Yukon, must be increased to pay the taxes which those industries were permitted to escape paying. This may suit the hon. member for Yukon, Mr. Chairman, but it does not suit the members of the New Democratic Party. What he is suggesting is that we continue a system of taxing the poor to benefit the rich. He is advocating socialism for the rich, capitalism for the poor. That certainly does not suit me or members of my party.

I wish there were time in which to continue to put on record in detail the arguments advanced by the hon. member for Duvernay in his speech. I shall end by stressing once again the major points he raised. We can adopt a system of taxation which is mutual, which treats all industry equally, which collects the same rate of tax from every

business, allows the same concession and opportunities to write off depreciation and other expenses or we can establish a system which, because we wish to achieve certain objectives, favours one type of industry as against another. The point which the hon. member made so effectively was that in a country such as Canada, where the rate of unemployment is the highest in the western world, a country where unemployment has run at a seasonally adjusted rate of more than 6 per cent in every month for the last 17 months, we should surely be encouraging those industries which employ people.

Mr. Gilbert: Incentives.

Mr. Orlikow: Precisely. Incentives for industries which employ people. And those are the manufacturing industries.

Mr. Nielsen: What about the ripple effect?

The Chairman: Order. I must interrupt the hon. member to advise him that his time has expired.

Mr. Rose: Continue.

The Chairman: The hon. member may continue if there is unanimous consent.

There is no such consent.

Mr. Nielsen: On a point of order, Mr. Chairman, I did not hear any hon. member say no. It has been the practice during this debate to permit members to continue speaking if they wish to do so.

An hon. Member: I thought it was one of his own hon. friends.

The Chairman: The hon. member for Yukon has raised a point of order. The Chair asked whether there was unanimous consent. With respect, it is not for the hon. member to hear. It is for the Chair to hear and I can tell the hon. member I heard the word "No" quite distinctly. Thus, under the rules, I cannot permit the hon. member to continue.

• (5:30 p.m.)

Mr. Peddle: Mr. Chairman, in view of the fact I am following the hon. member I want to make it clear that I did not say "No." I will have difficulty using up my allotted time.

I agree with the editorial referred to by the hon. member for Brandon-Souris. Very few Members of Parliament are really qualified to discuss this tax measure. Most hon. members are out of their depth when they attempt to discuss this 5½-pound bill. I doubt if any other country in the civilized world has ever put forward a measure which weighs so much or was so complicated. I want to deal with it very superficially; I am not going into detail because I feel if I did so I would not know what I was talking about, as suggested in the editorial. The parliamentary secretary must be given credit for doing an excellent job. At least he pretends he knows what is going on and looks as if he knows. There is an award given in Hollywood for which I have no doubt the hon. member will be nominated next year. I believe it is called the Emmy award.

[Mr. Orlikow.]

For all practical purposes the majority of mining activity in the province of Newfoundland is located in my constituency of Grand Falls-White Bay-Labrador. I use the federal name rather than the federal-provincial nomenclature. I refer to it as Newfoundland rather than the province of Newfoundland and Labrador. Federally it is the province of Newfoundland, which includes Labrador. We have in my riding the iron ore operations at Buchans which has been going on for several decades, providing a decent living for several thousand people. Close by we have the mining operation at Gullbridge, the mining operation in the Green Bay area, the tremendous Iron Ore Company of Canada operation and Wabush Mines in Labrador west.

The Iron Ore Company of Canada is going ahead with a big development. Present expansion plans at Labrador city, which is the location of the Iron Ore Company's operations, will double the present capacity of about 15 million tons. This will amount to 16 million tons of pellets, 10 million tons of concentrates and 5 million tons of raw ore.

Three or four miles away we have Wabush Mines Limited. In February of this year the company put the damper on an expansion plan amounting to some $140 million because of, to quote Mr. Griffith, chairman of Stelco, the unfavourable tax climate and other things. It seems to me very strange that the Department of Regional Economic Expansion has embarked on a program of pouring millions of dollars into various industries, some of which in my opinion are so harebrained that they do not have a chance in the world of succeeding.

The government has put up 20 per cent or 30 per cent of the capital cost of some of these ventures in the hope they will provide jobs at a cost of $1,000, $2,000, $3,000, $4,000 or $5,000 each. On the other hand, we have a situation like Wabush Mines where the company has poured hundreds of millions of dollars into the operation and is now contemplating a big expansion but cannot go ahead with it because of the general tax climate. When this postponement became public knowledge the Minister of Finance very glibly said the company had not come to him for assistance. He said if they did so, he would be glad to talk to them but they had not made representations so we would have to wait.

I do not think that is good enough. The Iron Ore Company of Canada is operating largely with United States capital, and a good deal of the capital of Wabush Mines is U.S., but I cannot go along with this attitude of the government. I cannot go along with the idea that we can afford the luxury of telling the United States, Germany, France or other countries that we are masters of our own destiny and do not want their money. I feel so strongly about it that I would call this attitude irresponsible. Every time I hear this suggestion it reminds me of the story about the flea crawling up the elephant's back, intent on rape.

Mr. Baldwin: You mean the mouse.

Mr. Peddle: Perhaps it was a mouse, but with a flea it would be more dramatic and even more difficult. Seriously, I cannot go along with that suggestion because I have seen the conditions which exist in certain parts of the country. While Ontario may have reached its apex, along

with parts of the west, in Newfoundland we have not reached the luxurious position of being able to turn down capital or take it only on our own terms. I think it was the president of Industrial Acceptance who said some months ago that a dollar knows no nationality or, if you want, a buck is a buck. I find it hard to sit quietly and listen to these suggestions of irresponsible people who think we can control our own destiny.

I wonder how much foreign investment these people have already discouraged as a result of such irresponsible remarks. How many firms, groups and consortiums have wanted to invest in Canada but because of this kind of talk and fears as to the crazy laws this crazy government might pass have not taken a chance? This can be compared to the situation which still exists in Quebec because of the threat of separation. This threat has discouraged all kinds of investment in that province; no one there will deny that. Such idle, irresponsible talk has created this problem in Quebec.

The Department of Regional Economic Expansion has had to use funds designed for less affluent areas of the country to entice back to Quebec some of the industries the province has lost. They have used these funds throughout the province, but also in the city of Montreal. This is a very serious situation. I cannot buy the suggestion that this country of 20 million people does not want U.S. or other foreign investment.

At this point I am speaking specifically about the area of Labrador, in the province of Newfoundland, and my riding of Grand Falls-White Bay-Labrador. Here we have an area of some 110,000 square miles. Common sense tells us that Labrador City, Wabush and other areas were developed because of United States investment in projects such as the air force base which we are thankful is in our province.

• (5:40 p.m.)

Then there is a swing of people along the coast of Labrador who live in semi-primitive conditions. When I go into this area I see the difference between the conditions on the coast of Labrador and those in the ultra-modern towns of Wabush and Labrador City, where they have every amenity apart from a road to get out. They have a good airline, golf courses, curling rinks and decent, well heated homes.

Mr. Thomas (Moncton): And good bars.

Mr. Peddle: And good bars, if you like. I do not care where the investment comes from. People in Ontario, part of the west and parts of Quebec may say they do not want any foreign investment, but I can say from experience that we want this investment and we do not give a damn where it comes from. A buck is a buck. We have a huge territory in Labrador. As I have said, I cannot go into the specifics of this bill because I would not know what I was talking about. However, with this huge territory and its riches in ores, common sense indicates that this government owes it to the people of Canada and to people of our province to provide every possible incentive to see that the territory is developed and not discouraged.

As I mentioned earlier, there is the example of Wabush Mines which abandoned its development plans involving some $140 million, which would have meant so much to the area. They were hung up on the government's indecision and on the threat of this terrible white paper. The parliamentary secretary is yawning.

Mr. Mahoney: Believe me, it is cumulative.

Mr. Peddle: I can appreciate that. The problem as I and the majority of people of Canada see it is that this has been a government of confrontation. It seems the government has wanted to confront everybody with a white paper which staggers them so that they do not know whether they are coming or going. There would seem to be an attitude of hit the Catholics, hit the Protestants, hit the French, hit the English and everybody with the threat of the white paper.

Mr. Mahoney: On a point of order, Mr. Chairman, would the hon. member care to clarify his "hit the Catholics, hit the Protestants" statement?

Mr. Peddle: I do not think the parliamentary secretary should be so sensitive. It is a figure of speech. I could have said hit the Russians and every other organized group with a white paper that would stun them. I say this is a cowardly way to govern, and the parliamentary secretary knows this. A government that is elected by the people should have the intestinal fortitude to govern without trying to cover every track they make politically. The government should be prepared to introduce tax changes which would encourage investment. It should do this on its own initiative and not after meetings with labour and businessmen of the country, and other types of cowardly actions.

Cowardice is what this is, and the signs are that the Canadian people are catching on to this. I think the parliamentary secretary knows this, despite my belief that he is doing a good job of bearing up under the pressure of this debate, although I doubt whether he knows very much more about the tax bill than I do.

Mr. Baldwin: Mr. Chairman, I concur with the last remarks of my hon. friend. Never did one poor, lone parliamentary secretary do such a reasonable job with so little to work on. I think he should be congratulated for that, especially when he has to push back-benchers to one side as they raise unruly heads of revolt against this bill. I think the parliamentary secretary is not doing a bad job under the circumstances.

I have a particular interest in this issue. I agree with what has been said on this side of the House, with a sharp distinction between my colleagues and any hon. friends to the left, including the hon. member for Winnipeg North when he spoke about poverty on one hand and wealth and industry on the other. Of course, that is the result of a mixed economy. We have a mixed economy, part of which is represented by individual incentive. Obviously, the part which is poverty stricken is that which is represented by the socialist aspect of the economy.

This is borne out by the fact that when we were dealing in this House a number of years ago with the question of developing the mining areas of the north and were seeking a policy, members of the government party—who were then members of the Official Opposition—strengthened by members of the New Democratic Party struggled

desperately against the attempt by the government to successfully develop these mining areas. When we attempted to bring wealth into the north it was the Liberal Party, aided by their kissing cousins, the New Democratic Party, which did all it could to stop the construction of the Pine Point railway which led not only to the development of the mining area but to incidental progress.

This is the point I want to make. I went into the north country well over 42 years ago. After seeing what the government is doing here, I sometimes think I should have stayed there. In any event, we knew there were resources. We talk about gas and oil. In 1920, 1921 and 1922 an attempt was made, using the tax laws as they then were, to develop the oil and gas resources which were within 40 or 50 miles of the town of Peace River. A few years before I arrived there a program had been launched by Imperial Oil and other local companies. There was no interest and no possibility of securing from eastern Canada the kind of capital that was required at that time. There was some local capital and know-how but it was completely inadequate because the people who had the capital in the central part of Canada said they would have nothing to do with the program. This stands as mute testimony of the abortive attempt to develop 50 years ago the gas and oil resources of that area—wells which had been capped and wells which had been running in tar for some time.

• (5:50 p.m.)

Going up and down the river, as I did for many years, travelling 300 or 400 miles into the north, I saw evidence that there must be an attractive policy with regard to our tax laws in order to maintain the steady flow of capital required to promote these resources. If we had waited for the Liberal government and the money which they were able to mobilize, nothing would have happened in the development of the mineral, gas and oil resources of northern Canada.

Not only what happens there, but the incidental effects are important. I spoke about the Pine Point mine which was opened up under a very acceptable agreement reached between the government of the right hon. member for Prince Albert, the mining companies, the railroads and other people who were interested in developing the north and seeking out resources. People were prepared, when they saw evidence that a suitable climate was to be provided by the government under the tax laws and the agreements which were entered into—transportation agreements and those involving the construction of the railroad—to undertake this development.

This brings me to what the hon. member for Duvernay said, namely, let us cut out all expenditures for the development of our natural resources and concentrate on manufacturing and on what he calls the labour-intensive industries. I do not dismiss this, but I say to members of the committee that we no longer have the labour-intensive industries which we had some years ago. If this country is to remain competitive with regard to its manufacturing and industrial resources, it must do so on the basis of automation, economy through scientific improvement and the means we use to develop our manufacturing industries.

One need only examine the statistics of the Department of Regional Economic Expansion to note the millions of dollars which have been spent. I will not go into the question of where they were spent—I would not be allowed to do so even if I wanted to—but it obviously takes a tremendous amount of money today compared with 20 or 30 years ago to develop jobs in the manufacturing industry, which apparently the hon. member for Duvernay is contemplating. That situation no longer applies. When you develop a natural resource such as gas, oil or minerals, there are incidental and ancillary effects which have a great impact upon our economy.

There is a farm just across the river from the town of Peace River. There is a hill there. When I first went to that country over 40 years ago I could stand on top of this hill, and look down and see no development. Just a few years before I arrived there, people were crossing the river by ferry. There was no highway to Edmonton. There was a railroad but only one train a week. There was no means of transportation to go north except boat to Hudson Bay. There were boats which went north during the brief navigation period in the summer. But after the benevolent policies of the Conservative government of the right hon. member for Prince Albert—

Some hon. Members: Hear, hear!

Mr. Baldwin: —with the tax benefits which were available and the first-class agreements which were entered into—the hon. member for Brandon-Souris was then minister of northern affairs and did a great deal of work in this connection—immediately we saw not only the development of the mine at Pine Point but other incidental growth. Logging camps were established, mills developed, highways were built, bridges were built. Today I can go to the same hill, look down, and six miles away I see a modern airport at which jets can land. Because of the development of the gas and oil industry in the north, more planes are landing and taking off than at any other comparable place on the North American continent.

I see bridges built and highways going north. I see highways travelling into the north, and I see a railroad. From this hill I see where the railroad branches off and trains go into the Northwest Territories. These are things which lead to growth and to the employment of people as well as to the development of the great northern parts of our country.

I can hear the parliamentary secretary sighing. He may have heard all this before but it is about time someone on that side of the House listened and believed, because are the things which lead to the development and growth of the north, which is required—not the stultifying, limited sort of development-arising from the tax proposals which this bill envisages with relation to the gas and oil industry; not the kind of policies which this government envisages with regard to the development and flow of capital into this country.

I say to you, Mr. Chairman, and to members of the committee that there is no one simple, magic formula which effectively deals with this problem. It needs a continuing influx of capital under conditions which must be acceptable to the people of Canada. It needs tax laws and a tax climate which will persuade people to invest in development. Too often in our tax laws we punish the

worthy, those whose efforts lead to growth, and we reward unduly the unworthy. These are matters which we must consider if we are to have tax laws and a tax climate which will lead to the development of the country, in particular that part of the country which I know well.

May I call it six o'clock, Mr. Chairman?

The Chairman: It being six o'clock, I do now leave the chair, to resume the same at 8 p.m.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Shall section 21 carry?

Mr. Woolliams: Mr. Chairman, I think I should put on record that the proposals affecting resource industries as they appear in Bill C-259 are substantially similar to those outlined in the white paper and as modified by the letter sent by the Minister of Finance on August 26, 1970, to the provincial ministers of finance.

The bill does go somewhat further in that it provides for the deduction of foreign exploration and development expenditures on a limited basis, an expanded qualification of mining assets eligible for a tax write-off and an extension of the 25 per cent depreciation allowance until 1976. Although these modifications of the white paper proposals may not appear to be very significant, they should be considered in light of the over-all fundamental changes proposed for the treatment of corporations and shareholders generally. As in the case of international taxation, the bill relies heavily on regulations which cannot be issued formally until the bill is enacted.

One of the great criticisms with respect to the resource industry is that most of the tax law governing it is imposed by regulation. In Parliament we have enacted statutes with provisions for the establishment of regulations. Parliament gives a wide ranging stamp of approval to certain principles and then cabinet writes the regulations. Therefore, so far as this debate is concerned it is difficult to determine what the law will be affecting resource industries because most of it is unwritten law and unwritten law is the most dangerous because such law can be changed at any time without Parliament's approval or knowledge.

Having said that I would like to point out that resource industries mean a lot to western Canada. The expansion of those industries, whether they be petroleum, coal or other mines, depends on the system of taxation governing them. By way of introduction, it is rather interesting to look at some of the history of the philosophy that prevails in western Canada. The Calgary *Herald* is the main newspaper in Calgary. It has the biggest circulation, along with the *The Albertan.*

Mr. Nielsen: It is the organ of truth.

Mr. Woolliams: That may well be so. It had this to say in 1867, and it is as true today as it was then:

The fisheries are a valuable property.

Then it went on to deal with trade with the United States, as follows:

Anything consistent with reason we are willing to grant to our neighbours; but it is rather hard to threaten to cut us off from the American continent simply because we are not prepared to yield them equal rights in a source of wealth which, on their own admission, belongs exclusively to us.

That may be too narrow a regional position, but it seems to me as I listen to debates in this House that we in Parliament are divided not so much by parties as by regions. I think that is quite true. If you listen to somebody from western Canada, they speak as a westerner and about the resources they have. The following appears at page 98:

• (8:10 p.m.)

In 1896 the Calgary *Herald* noted with approval that a candidate had said "let a man be either a Liberal or a Conservative, he must be a northwest man first"—

They use the term "northwest" when they mean a westerner.

—"and for party afterwards." . . . "Country before party."

This country is still divided basically by regions rather than political parties. We must have an amalgamation of interests across the board and such union creates political parties. Those interests, representing various regions, form the national purpose which makes this Parliament function.

As I said earlier, the health and growth of the economy of western Canada depends on the tax picture. The first anomaly that I notice in all the rules and regulations that have been and will be laid down is that some people think we can cut off foreign investment, that we can have a screening system. I have here a copy of the Herbert Gray report, whether legitimate or illegitimate—though nobody denied it during the question period.

Mr. Nielsen: It is a bastard.

Mr. Woolliams: The selective approach of this screening process determines how control of investment will be exercised—where it is going, to whom it is going, how it is going and when it is going to be made. A screening method, of course, is totally inadequate and irresponsible as far as western Canada is concerned.

The decision made a few days ago by the National Energy Board of Canada with reference to the export of natural gas to the United States has to be mentioned in this debate. It is rather interesting to read what the president of an oil company had to say on this matter. I know some who look with scepticism at presidents of oil companies—

An hon. Member: Right.

Mr. Woolliams: You say "Right", but I do not want to get into an argument with you. I do not look with scepticism at any organization, whether union or corporate. As I have said before, corporations are healthy, and when they operate in a tax climate that gives them help we can have some degree of full development and full employment. That should be the aim. The president of Imperial Oil Limited, Mr. J. A. Armstrong, is quoted in an article in

the Winnipeg *Free Press* of Tuesday, November 23, 1971, as follows:

—warned Monday of serious political and economic effects if Canadians submit to the "myth" that Canada's oil and natural gas should not be exported to the United States, but preserved for domestic use.

J. A. Armstrong called the revenue effects of a decision not to export "disastrous". He plegged the immediate revenue loss at over $1¼ billion a year and said it would hit both the Canadian petroleum industry and the governments which are the royalty owners.

Naturally, in the west we are interested in royalties. When Mr. Douglas, the former leader of the NDP, was Premier of Saskatchewan he realized then, as Premier Schreyer realizes now, that foreign capital is needed for the development of resources and for full employment. Mr. Douglas said that, and Mr. Schreyer made it very clear on television the other night. But I do not want to digress, Mr. Chairman. The article continues:

The political effects would arise from a reminder that the United States supplied Canada with petroleum until the mid-fifties and on an emergency basis after the closure of the Suez Canal.

The worst consequence of a decision not to export Canadian resources would be the effect on investment spending. Mr. Armstrong said. "The investment spending by private industry would dry up completely and there is no conceivable set of conditions or incentives that government could provide that would prevent this from happening."

Mr. Armstrong said that Canada has two options—to develop or to stagnate its petroleum industry. He called a decision to sit back and refuse to export resources and concentrate on production for the domestic market a vote for stagnation.

"With the world's largest growing market for petroleum energy at our doorstep and with the great potential for crude and natural gas development in the frontiers, it would be a catastrophe if Canada does not capitalize on this unique opportunity not only to strengthen its economy but to assure itself of a plentiful and secure supply of oil and gas in a very uncertain world," he said.

The National Energy Board Friday turned down applications to export some 2.66 trillion cubic feet of natural gas to the United States.

I pause there, Mr. Chairman. Prior to these applications coming before the National Energy Board they were examined by the Alberta Conservation Board. The decision of the National Energy Board questions whether we have enough natural gas to meet Canada's domestic and industrial needs forseeable for the future. In the Borden report our proven reserves were estimated at 23 trillion cubic feet. According to the National Energy Board we do not have that kind of reserve, and if this is so then the way to get the reserve is through development. The way to encourage development is by an attractive tax climate. The reserves are there in the ground.

That leads me to a few more quotations from the remarks of the president of Imperial Oil. Commenting on the board's decision, Mr. Armstrong said:

—there is a difference of opinion in Canada as to the surplus of natural gas in the immediate future.

I agree with the Prime Minister on a point of law. If the National Energy Board makes an affirmative decision, the cabinet can approve or negate it. That is sound law, and in that regard the Prime Minister stands on all fours with the National Energy Board Act. However, if the decision is negative, the cabinet may not be able to change it. The only recourse is appeal to the Supreme Court of Canada under section 18 of the National Energy Board Act on a question of law or a question of jurisdiction, which does not help us in this field.

[Mr. Woolliams.]

At the moment we are debating the tax bill, whether we are going to get development and what kind of tax climate we will have in light of the fact that the National Energy Board turned down applications to export natural gas worth $1½ billion each year. That is half a billion dollars more than the new budget for the whole of Canada.

Having, in my opinion, quoted the law correctly the Prime Minister should now take two decisions. First, the government should ask the National Energy Board to review its decision. In the event that the board maintains its decision, the government should review the tax climate of this nation, because it is stagnating development in our country and that is why we have unemployment to the degree that now exists. I want to be very positive and that is why I make these suggestions.

• (8:20 p.m.)

Second, since the act does not permit the cabinet to review decisions which negative or turn down applications, I hope the government will bring the members of that board before the Standing Committee on Energy, Mines and Resources so that parliamentarians may examine them. Their decision came as a shock to western Canada and should be shocking to all Canadians. We want to determine on what basis they estimated reserves and if they think that, given the tax climate which is being discussed in this debate, reserves will increase.

I hope the members of the board will be called before the committee. I should like the privilege of cross-examining the chairman of the board and its members. If anyone says that would be an unusual procedure, I say hogwash. On previous occasions when the standing committee has asked for it, those gentlemen have appeared before the committee. I have often recommended in committee and to the government that the staff of the board be increased to a level that is commensurate with the board's responsibilities under the National Energy Board Act.

In light of the tax climate being created today and the resulting uncertainty, I recommend, first, that the government ask the National Energy Board to review its decision. It should bear in mind the revenue that can be generated in Canada as a result of developments within the industry. I am speaking of benefits which will come from tertiary industries and from exports.

I recommend, second, that the gentlemen of the board be called before the standing committee so the committee may examine them and find out exactly why they decided to veto the decision of the Conservation Board of Alberta. When we have heard the evidence we can say whether that decision should stand or fall. To me, coming from western Canada, the board's decision is shocking. The royalties from this industry which flow to provincial governments of western Canada, and the revenues that indirectly flow into the coffers of the federal government, are substantial. Therefore, when legislating new tax laws we must be very careful.

I now continue quoting what Mr. Armstrong is reported to have said, according to the Winnipeg *Free Press*:

"The United States only takes our reserves for security because we're close. One or two more tankers from the Persian Gulf to the U.S. market and we're out," he answered.

By 1980, he estimated that Canada would be supplying about 4 to 5 per cent of U.S. demand for oil and gas.

We went to bed, so to speak with one-eighth of the world's supply of coal in Alberta. All the arguments that my friends to the left raised in this debate were raised years ago. They sound wonderful on the hustings, but they are no good for employment. They are beautiful for winning votes, but no good for the economy of the country or the economic well-being of the average man. We went to bed in the twenties and the thirties with our coal; and who in Alberta or anywhere else in Canada now wants to go to bed with our natural gas? I continue quoting:

Mr. Armstrong estimated capital requirements of the developing Canadian petroleum resources in the next decade at $25 to $30 billion.

The article refers to $25 to $30 billion. That sounds like a lot of money. A capital gains tax is to be introduced through this bill and, while it sounds good on paper, it will rob the average Canadian of any incentive to invest in resources. That is the anomaly of it. It may be funny; my expression of going to bed with our gas. I think it is funny and I said some time ago that it was funny. One sometimes has to show how funny a thing is in order to demonstrate how tragic it is.

Having said in my opening remarks that the regulations I am talking about are similar in nature to those contemplated in the white paper, let me show what the great experts said in committee. I am about to read excerpts taken from official report No. 33 of the Standing Committee on Finance, Trade and Economic Affairs. These proceedings took place on April 16, 1970, at 3.40 in the afternoon. I should like to put some questions and answers on the record because my hon. friend opposite from Calgary felt that the answers were not as suggested in another debate. Actually, we were debating another section of the bill. I directed my first question to Mr. Bryce, the economic adviser to the Prime Minister. I asked, "Did you assist in the drafting of the proposals." Mr. Bryce answered:

Normally the government does not reveal who did what within it, but it is well known that Mr. Brown and I did assist in drafting these proposals.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member, but his time has expired.

Some hon. Members: Carry on.

The Deputy Chairman: Does the committee agree unanimously to the hon. member continuing?

Some hon. Members: Agreed.

Mr. Woolliams: I appreciate the committee's courtesy, Mr. Chairman. I will not be unduly lengthy. I can speak again after an interval. My party has asked me to place on record a few facts which are important to western Canada and to Canada as a whole. My next question was:

Does the white paper proposal on taxation abolish the distinction between capital gains and income, and treat capital gains as ordinary taxable income?

Let me digress for a moment. The United States and Great Britain have capital gains taxes. Farmers I was talking to the other night in Manitoba were shocked to hear that any capital gains they made would be added to their income and that half those gains would be taxed at ordinary income tax rates. Yet here we are dealing with the resource industry. Surely we want to encourage economic development. How will that development come about if you say to investors in resource industries, "We will take the cream off the top of the milk in the can and all you will have left "is skim milk". And then you are asked to make butter. Out of what?

That is how ridiculous this law is and that is what it will do to our resource industries. I know that my friends to the left say that the white paper did not go far enough. They found out exactly how far the white paper went only when its proposals affected the Saskatchewan Wheat Pool. They did not think they would lose any rural seats in Saskatchewan.

An hon. Member: But we have just won a seat.

Mr. Woolliams: Sometimes it takes a little time for the correct facts to be known. The rest of my question was as follows:

For example; if a person has a taxable income of earned $10,000 from wages, and earns $10,000 on the stock market, what is the rate of tax on $10,000 capital gains?

Mr. Brown answered:

Half of it will bear the progressive rate as if that gain was a taxable income today.

In other words, one half of the capital gain will be taxed at progressive income tax rates. The provisions of the white paper basically have been incorporated in Bill C-259, so that when you talk about the white paper you are talking about Bill C-259. I then asked whether the capital gain would not be added to taxable income in that year. Mr. Brown answered, "Yes, sir." Actually, I asked the following:

An ordinary landholder who bought some land, then sold it and in that taxable year, whatever year it might be, he made $10,000. I am asking you, under the ordinary rules, would not that capital gain be added to his taxable income in that one year?

Mr. Brown answered, "Yes, sir." I then asked:

Yes, so basically, although you have mentioned some exceptions and I am prepared to determine those in a few moments, what the chartered accountant of one of the national firms said is true, that the distinction between capital gains and income will be virtually abolished because in many cases—I have given you two or three illustrations, but I am sure you could give me more than I have given you because you are far more knowledgeable in this field—it will merely be added to the taxable income and become taxable in that year. Is that correct?

Mr. Brown answered, "Yes, it is." Mr. Chairman, I want to drive this point home because it is important to farmers and to those investing in the resource industries. Half of any capital gain is to be included in income and will be taxed at progressive income tax rates. What are those progressive rates? They are not 25 per cent or less, as in the United States or Great Britain. They run as high as 61 per cent in Canada, a new country. And then some Members of Parliament say we do not need foreign investment! That is the anomaly I see under this tax bill.

• (8:30 p.m.)

How can hon. members, no matter on which side of the House they sit, believe that we do not need foreign investment? We are going to ask Canadians to invest in their industry and at the same time tax them on capital gains at

the rate of 61 per cent for those in the top tax bracket. If that is not an anomaly we have never had one in politics. That is why there is stagnation today in the development of our mines and resources and it will stagnate even more.

The National Energy Board has taken the position that we do not have the reserves. I want to read the report about reserves. That is a matter of opinion, not evidence. Opinion evidence must be given different weight than real evidence. How can you encourage further development of the natural gas and petroleum industries if you do not have a tax climate whereby people will invest their money? I quote:

> Is the difference then between the United States and Great Britain's capital gains tax that they, the United States, have special rates on capital gains and rates on taxable income in the ordinary way. Is that not correct?

I asked further questions as follows:

> MR. BROWN: In his answer he agreed with me pointing out that the tax in some cases is 25 per cent and some cases would be 27.5 per cent with a surtax. He also added that some of the states also have an additional tax in addition to the federal tax.
>
> MR. WOOLLIAMS: I will deal with the exception in a moment, because I am well aware that it could go up to 80 per cent under certain circumstances for a period of years. But, forgetting that exception, the maximum Canadian rate could be as high as 50 per cent.
>
> MR. BROWN: Yes, sir.
>
> MR. WOOLLIAMS: And that is considerably higher than the United States and Great Britain at the present time.
>
> MR. BROWN: I think that as a rate that is true, sir.

I put this to the parliamentary secretary. With a new country, a country developing its mines, petroleum, natural gas and all its industries—which is the very foundation of our economic growth and the growth of employment possibilities which will take people off the breadlines and get them working—you need investment in those resources. Without it, you have stagnation. With stagnation, you have unemployment. With high taxation like this you will continue to have unemployment until it becomes something you must learn to live with. There is no solution to this kind of problem.

An hon. Member: The NDP have it.

Mr. Woolliams: I read what the Premier of Manitoba said, as follows:

> If I cannot get investment from any other source, I will get it from the United States.

It depends on where you are sitting and whether you are wooing votes or have the responsibility of running a province or country.

Some hon. Members: Hear, hear!

Mr. Mahoney: I'll buy that.

Mr. Saltsman: Would the hon. member permit a question?

Mr. Woolliams: Certainly. I always like questions.

Mr. Saltsman: I would like to ask a question related to investment and unemployment. The hon. member said that one of the reasons we have such a high level of unemployment is that we are not encouraging investment. My recollection is that in 1960, 1961 and 1962, when the hon. member's party had some responsibility for governing this country, we had a rate of unemployment of something over 10 per cent. At that time we had far greater incentives to investment in Canada: we had a dollar that was rising rapidly. How does the hon. member relate that to unemployment?

Mr. Woolliams: We took office in 1956. I do not want to get into a side issue. I am not here to defend, but I shall answer. I am not here to defend what happened to Mackenzie King, Bennett, Diefenbaker, or anybody else. I am debating a tax bill and what in my opinion is sound economics. But I can answer the question. The hon. member knows as well as I do that when we took office in 1956 there was unemployment.

An hon. Member: 1957.

Mr. Woolliams: Yes, 1957. But 1956 was the beginning. There was unemployment in the United States as well as in Canada. Mr. Sharp and Mr. Winters both admitted on the election platform that unemployment had dropped to lower than 6 per cent by 1962 because of the programs put into effect by the Diefenbaker government.

Some hon. Members: Hear, hear!

Mr. Woolliams: I am not going to get into side issues. That is when the boom started. If the hon. member for Waterloo wants to go back 20 or 30 years I would ask him, why did Clarence Fines, the CCF provincial treasurer, leave Saskatchewan with approximately $3 million? I do not know. Answer that one. Why did some become very rich? They were socialists and were preaching that religion across the land. I could ask other questions but nobody has a monopoly on political morality in this House. I again quote:

> Mr. Bryce, thinking of the questions that I have put and the answers Mr. Brown had made to those questions, it is possible under the white paper that for a period Canadians could pay as high as 80 per cent capital gains tax under certain circumstances. I will give you an example, if there is any question about that.

I gave him an example. Mr. Bryce replied:

> Oh, on certain transactions, in the first year of the new system as proposed, yes.

For two years we debated the white paper. For two years investment and business in this country were threatened. They were threatened until this bill was introduced. Now the rate is up to 61 per cent. We were threatened with a tax on capital gains, on investment of possibly 80 per cent. In light of the atmosphere since this government took office, scaring away development, investment and exploration, how can our economy not be stagnated at this time?

If the National Energy Board says we do not have enough resources, I do not agree with them. But they have the jurisdiction. As a parliamentarian, I have only the right to criticize. I want them to appear before the committee so I can hear their evidence. If there are not the reserves, the answer is to put capital and men to work. You cannot have prosperity and economic development when you are stagnating industry by taking away Canadian capital. The government says it can do things better. It says it will handle the money. That is the record of what took place in committee.

Under our tax law, much of the tax treatment of the oil industry is contained in regulations. It appears that this concept is carried forward in Bill C-259. The concept that I have read from the white paper has been carried into the resource industry, although the government has seen fit to issue a series of vague proposed regulations since the white paper of November 7, 1969. Most of the regulations proposed by the oil industry were included in a news release by the Department of Finance on July 6 of this year. These regulations are permissible—this is referred to in sections 65 and 66 of Bill C-259—but they are not included in the bill. It is the intention to evaluate these proposed regulations with full understanding; however, they are likely to be changed. Obviously, anticipation of such changing regulations has contributed in some measure to the present instability in our business community.

• (8:40 p.m.)

Before making an assessment of the proposed tax regulations it may be appropriate at this point to discuss some aspects of Canada's present energy position—I have already discussed certain of these aspects—and consider the manner in which a restrictive tax treatment can greatly influence Canada's future position. At a time when more and more Canadians are concerned with the future of Canadian independence, little is being done by the government to encourage the investment of private risk capital to develop our resource frontiers. That, basically, is the weakness of the tax policy presented to us. Particular reference is made to the existence of drilling funds which under United States tax laws favour the use of essentially private capital in a risk-taking venture, such as oil or gas explorations, by granting certain incentives to individuals willing to take such risks.

My next recommendation is this: Our tax laws in relation to the resource industries should offer far more incentives that the United States system because we are competing against the United States capital. If we can create a better atmosphere we could hope to attract Canadian investment in Canadian industry on a larger scale. The end would be achieved not by regulation but by the individual initiative. This is one of the factors which should have been considered when this bill was in preparation, particularly with regard to competition in the resource industry. Remember, when we are dealing with a resource industry we are dealing with an international industry. I have heard people say it is a terrible thing that it should be international. But of course it is international. It is international because oil, natural gas and minerals are found almost everywhere in the world. The companies concerned must operate in various countries in order to remain in a competitive position and be able to pay a fair wage to their employees and provide a fair standard of working conditions.

Through a fair system of tax write-offs and depletion allowances, United States tax laws have created a means by which individual Americans can participate not only in the development of domestic resource frontiers but also in the development of Canadian resources. If Canadians are concerned about the influence of foreign control over some of our industries, then establishment of Canadian tax laws providing parity incentives for private risk capital is a necessary prerequisite to give Canadians the opportunity to invest in their own resources.

We should make Canadian industry fully competitive. We talk about foreign investment but we refuse to give the same competitive shake to Canadians. What kind of law is this? What kind of economic system is that? When you read just one side of the story it sounds good. Thank goodness that in justice, whether it is economic or judicial justice, there are two sides to every story. Quite obviously, a fair competitive basis with comparable tax incentives for Canadians is a much better means of giving Canadians the opportunity to gain or preserve control of their resource industries than the presently proposed screening mechanism of the government.

Let us look at this proposed screening mechanism, a description of which is to be found at page 21 of "The Canadian Forum"—the leak! This is a government of many leaks. In my submission it is one big leak after another. The Secretary of State for External Affairs should be called the chief of many leaks. The following is what it said about the screening process:

> A screening process could be the least protectionist and hence the least costly of the possible policy alternatives because of its flexibility. It could, in fact, contribute to the efficiency of the Canadian economy. It could seek to reverse procurement decisions which were based on arbitrary and non-economic factors which contribute neither to the welfare of the particular Canadian firm nor to the country as a whole.

I pause here. Would any provincial or federal government in existence in the forties, before Leduc No. 1 was brought in by Imperial Oil to give us the first major oilfield in Alberta, have agreed to put money into that project? Here I agree with the Prime Minister. I have already quoted the Prime Minister twice tonight with approval, something which is rare for me. The right hon. gentleman said this country was run by a group of experts and not by parliamentarians elected by the Canadian people. Well, I do not want a bunch of bureaucrats determining whether a well should be drilled for natural gas or petroleum, because I do not trust their judgment. In the field of incentive, people take risks, sink mines, drill shafts and create economic growth which brings jobs for men and women. That is what incentive is about.

Some hon. Members: Hear, hear!

Mr. Woolliams: At a time when we are talking about unemployment every day, the government is considering setting up a system of selection to determine through a government agency or somebody in the public service where, when and in what manner funds should be invested. I think the history of western Canada might have shown very little development if policies of this kind had been decided in some office in an ivory tower. I think the parliamentary secretary would agree with me, because I read some remarks he made recently relative to the export of gas. This is why I say we are divided in this House by regions, on occasion, rather than by narrow, party politics. I read further:

> In those cases where procurement from the parent is in the best interests of the firm but not necessarily in the best interests of the long-term economic development of Canada, a screening process could bargain for the location of the next expansion in Canada in cases where this is economic.

Does any hon. member believe for one moment that the Sudbury mines would have been found by bureaucrats sitting in an ivory tower? Do they really believe there would today be an oil and gas industry in Alberta if decisions had been left to some bureaucrat? I do not believe so. It was only in the field of competition, through the interplay of action, knowledge and investment that the growth of this country took place right from the Maritimes to Victoria. Development has gone on in this country on such a scale in the last hundred years as to be unrivalled anywhere except perhaps in the United States.

An hon. Member: And where did it get us?

Mr. Woolliams: I don't know where it got you. But I do not want to get off target. I shall not listen to a lot of nonsense.

An hon. Member: We are having to.

Mr. Woolliams: Everybody has a right to take part in this debate. I have only spoken once, and I felt I should enter into the discussion at this point. If hon. members disagree with me, I shall be happy to listen to them carefully.

An hon. Member: We shall do that.

Mr. Knowles (Winnipeg North Centre): We just don't believe it.

Mr. Woolliams: It continues:

The new production facilities in Canada could serve, for example, the Canadian and European markets with the MNE acting as a channel for Canadian exports to European subsidiaries. The extent to which the screening process can secure this type of investment for Canada will depend upon many factors including the costs of production, access to foreign markets, transportation costs, etc.

All the factors will be put through a computer. But the information fed into a computer is only as good as the knowledge that goes with it. Does anyone imagine we could have achieved our present economic growth had the suggested screening method been in operation? I recall the days when Mr. Pearson criticized my right hon. friend from Prince Albert during the years he was Prime Minister for taking initiative in the development of the north. Let us suppose Mr. Pearson had still been in the public service and had been given the job of deciding whether or not any development in the north should take place. All we would ever have up there would be igloos. And if we had taken that kind of advice, the CPR would never have been built. The Grits said it would never pay for the cost of the axle grease.

• (8:50 p.m.)

Whenever we get rules and regulations and people interpreting them, we should look out because expansion is likely to be nil. That is what is wrong with this tax bill. That is why I refer to the tax bill and its link with screening and regulation. We have reached a point in this country where we have an NDP government, because the Prime Minister and two of his henchmen sitting over there walked out of that party because of a deal, went over to the government party and took office as NDP members under the name of Liberals. That is what we have.

Some hon. Members: Hear, hear!

[Mr. Woolliams.]

Mr. Woolliams: It does not make any economic sense to have this screening process that apparently seeks to ensure, for the Canadian supplier, an opportunity to compete for supply contracts. But that is what we are linked with in the tax bill. This bill is an unwritten book of regulations. When the regulations are written, unless they are leaked to us they are hidden laws. That is the only way we find out about them, because we cannot pry answers from the government.

A glance at the proposed tax amendments and regulations of Bill C-259 immediately raises the question, what are these measures intended to achieve in the energy sector of our economy? Let me deal with Canadian energy policy as it fits into taxation. Predictions for the remainder of this decade are that the demand for minerals and energy resources will accelerate at an unprecedented rate. By 1980 the United States will consume over 80 per cent of the world's mineral and energy resources. That figure is based on what an economist says. Canada, through its proximity and close affiliation to United States markets, must formulate a Canadian resource policy. Perhaps it is time we had a national resource policy, but such policy must attract Canadian companies to develop our own resources for Canadians.

I do not know what is meant by a continental energy policy but I have always maintained that this was dangerous. Deals have been worked out, like the national oil policy, whereby we permit the eastern market, divided by the Ottawa Valley, to obtain crude oil from other countries provided we can serve the northwestern United States market. We started off by supplying that market with 250,000 barrels of crude per day, with a target of 800,000 barrels per day. We managed to achieve the goal of 800,000 barrels per day, and even the Minister of Energy, Mines and Resources admits that. If a decision arrived at is such that in the near future central Canada needs more natural gas and energy than was estimated, then let us get on the job and build pipelines to bring it here. Let us survey central Canada to find out whether more energy is needed. If more energy is needed, let us obtain signed purchase contracts so that western Canada can then properly assess the need. The need could properly be assessed by the National Energy Board and the Alberta Conservation Board. In any event, let us make an assessment now of our energy requirements.

An hon. Member: You can take gas to the Maritimes.

Mr. Woolliams: Yes, we could take gas to the Maritimes. In order to have the kind of vitality we need in the industry, we must have a tax atmosphere which encourages investment, and we must have markets. I say, let us build the pipelines to the eastern market. If we are to be nationalists in respect of one area, we must be nationalists across the board. We have pools of natural gas and petroleum in Alberta and it may be that policies can be worked out to supply eastern markets. This is a field for the experts, not for parliamentarians. But if we are to have a national policy we must work out some deals. If we are to keep our gas in the ground waiting for something to happen somewhere else, then surely we have a right to build a pipeline and market crude petroleum and crude natural gas in the Montreal area. In this way we could keep the western economy healthy.

I have made several recommendations not only in respect of taxation but in respect of markets. In relation to this question it is interesting to read what was written recently in a Winnipeg paper:

> Government economists as soothsayers have a very mixed reputation. We have been, throughout our history, a capital-short nation. It was rather generally assumed, until recently, that for purposes of development—which is very important to national unity—we needed all the savings we could get, both domestic and foreign. The revised view evidently is that, in the domestic sense, we are much stronger than we assumed and that foreign capital, although it should not necessarily be excluded, is something to be feared and screened and regulated. It is at Canada's door pressing to get in and the role of a protective government must be to admit it only on prescribed conditions. In similar fashion, we screen immigrants lest subversives or insufficiently close relatives gain access to the country.
>
> But the the economists may be at fault in their readings of the signs and portents. In a brief submitted last week to the Ontario securities commission, two brokerage firms made two points rather forcefully. The first was that Canadian demand for both debt and equity capital will increase significantly in the next decade. The second was that the United States, far from attempting to force investment upon us, may be more disposed to end the privileged exemption from the interest equalization tax which Canadian issues have enjoyed since 1963 and from other restrictions on direct foreign investment imposed in 1968 on U.S. firms. If these propositions are sound, the government has brought itself to the present somewhat embarrassing situation by tackling the wrong problem in the wrong way at the wrong time.

I will deal with another subject later, but those are my final words at this time. We are tackling the bill at the wrong time, and we are doing so at the expense of development, when we have high unemployment and a high cost of living. We have economic stagnation and a problem with the United States in respect of the surtax. We have a floating dollar which is just about at par with the U.S. dollar. We are putting our industry at a great disadvantage.

If we are to have full employment in this country we must have expansion. It does not take an economist to figure that out. To get expansion we must have investment in the resource industry. This industry needs large amounts of capital in order to find the resources and get them to the market. You can only obtain the capital with which to find the resources if you have a tax climate which encourages Canadians to invest in their own resources.

In addition, Canadians should have a better deal in the tax world than foreign investors in Canada. Under this bill they are put at a great disadvantage. This is shown by the questions and answers I read. This bill should go back to the drafting board. I have seen fights in caucus. I have never been in cabinet, but I assume the same fights go on there. This may be a fight between interests in one region and those in others, or interests in one group. But if we can succeed in what we must do we will attain expansion and full employment.

• (9:00 p.m.)

[*Translation*]

Mr. Caouette: Mr. Chairman, I listened very attentively to the remarks of the hon. member who has just resumed his seat, the hon. member for Calgary North (Mr. Woolliams), to the effect that Bill C-259 certainly does not promote individual initiative nor private enterprise. This bill results naturally from the white paper tabled several months ago already and which did not seem to please the Canadian taxpayers as a whole. Whether the matter under consideration be section 21 or any other provision of this bill, we are faced with a tax reform which consists of taking away from those who have in order to try to give a little to those who have less. And by applying that policy, I suggest that we will surely come to a situation whereby more and more will have nothing and fewer and fewer will have something.

And if the government wonders why Canadians are hesitant to invest in new industries or in secondary industries, or to increase their production, it is simply because they are not interested in wasting their time for the pleasure of paying taxes.

We are complaining that, in the mining sector, for example, companies have to shut down because they are taxed too heavily. We have typical examples of this situation in northwestern Quebec. There are other examples in northeastern Ontario and in the Sudbury area.

Everywhere, in every area, people are disgusted, discouraged, and they cannot be blamed indeed.

We, of the Social Credit, have asked for many years that the income tax be reduced, and the ensuing decrease in income compensated by new credits created by the Bank of Canada. Of course, some find this amusing, and we keep on asking the Americans to come and invest here. We are surprised to see that they are increasingly embarrassed to invest in Canada because taxes are too high. In fact, some American companies now say they are willing to go back to the United States, and to sell from there their products to Canada, for it will cost them less to produce over there.

Mr. Chairman, I do not believe any of us can work miracles. One thing is sure, though: we hear more and more people say that we should take over the control of our national economy; more and more members of the NDP, of the Progressive Conservative party, and even of the Liberal party say: Let us take back the control of our economy. At the same time, the Prime Minister of Canada (M. Trudeau) says that 60 or 70 per cent of our economy is in the hands of Americans. Why? Because such a system was set up. The saints in Heaven or Brother André did not suggest that we ask the Americans for permission to develop our natural resources. And let us make no bones about it, because our Canadian companies, the Quebec, Ottawa or Manitoba governments go and beg in the United States for funds to develop hydro-electric projects. Manitoba and Quebec, for example, have borrowed $50 and $75 million respectively. The premiers of those two provinces do not come back from the United States with a bag full of American dollars. They come back with figures and promissory notes for the reimbursement to the United States of $75 million by Quebec and $50 million by Manitoba.

Mr. Chairman, the Americans do not base their $75 million on their wealth, but on the development of our resources. This is why, we say: Why are those figures written by Americans when they could have been written by the Bank of Canada? Those then would be figures that belonged to us and not to others, and that is the only way to regain control of our economy.

Yesterday, I heard the Quebec Premier, Mr. Bourassa, state that the James Bay development, which will cost $6 billion, will permit us to finally become masters of our economic destiny. Where shall we find those $6 billion? Mr. Bourassa gives the answer: In the United States. If the Americans finance the James Bay development, to whom will it belong? To us or to American financiers? We will still be in the same hole!

So, I ask those who have drafted Bill C-259: If the Americans can write those figures for the development of James Bay which belongs to us, why is Mr. Rasminsky not able to write some? Does he lack knowledge? Can he not add? Can he not state clearly that we can make the figures agree with the development of our natural resources? It is not a question of writing any figures, as the hon. member for Papineau (Mr. Ouellet) takes pleasure in repeating throughout the province of Quebec, but figures based on something real, that is the development of our natural resources.

• (9:10 p.m.)

Mr. Chairman, we have been discussing this famous tax bill for months. We consider it by groups of clauses, in order to take a little money from some to try and give it to others. About 80 per cent of everything that will be collected will be used to pay a larger bureaucracy, one that will keep us still more ignorant, and this, because we do not want to tackle the root of the problem. We stagnate, we procrastinate in the present system, and here in this House, members spend their time repeating speeches, quoting figures, when the legislation aims simply at confiscating private property and destroying personal initiative.

Mr. Chairman, with regard to personal income tax, the government said it could not afford to set the exemption at $5,000 for married people and at $3,000 for single persons.

Recently, the Senate Committee on Poverty published a report which may be related to Bill C-259, since its aim is to eradicate poverty in Canada and to provide a guaranteed annual income. For 35 years we have been calling this the vital minimum. Senator Croll just found out that we must come to that. The Prime Minister believes that a guaranteed annual income makes sense but that we cannot afford it. The hon. member for Papineau and the Minister of National Health and Welfare repeat the same thing: We cannot afford to do it, it would cost too much!

Mr. Chairman, should a war break out tomorrow, the question of millions or billions of dollars would be put aside. We would get into it to the limit of our physical capabilities. Financing would be available to the extent of our possibilities. We would not ask ourselves: Can we afford it? We would be told instead: This is an emergency!

Mr. Chairman, the present situation is one of emergency since terrorism is closing in and revolutionaries are disrupting the country. In fact, when we witness complete dissatisfaction at all levels of society, I say we are in a situation of national emergency.

We say that, in this country, everything that is physically feasible should be financially possible through the use of our financial institution par excellence, the Bank of Canada. That does not mean we should nationalize the chartered banks. Not at all! Let them operate with private enterprise. But the government should take its responsibilities with regard to the public sector of our national economy.

What did the provinces, municipalities and school boards talk about when they met with the Prime Minister last week? What matters were discussed? Did they talk about the constitution? No! The Constitution is something like moving fine amendments, like talking literature to a poor chap who is dying of hunger! He does not listen too carefully, because he is not interested in literature or sweet nothings. When he is hungry, he wants to work and to earn a decent living.

What were the provinces talking about? Bill C-259. Even if they do not say it too often, all provinces face the same problem: lack of money. And the federal government shows up with a bill of some 725 pages to inform us that it has no more money than the provinces.

Thus, as the conference came to an end after three days, the representatives of the provinces went home, thinking: We had three days of discussions and we will meet again in three or six months. What for? In order to say: we still have no money. Let Ottawa give us some. Let them tax Canadians and give us what the money collected. All the provinces are asking for a better distribution of public funds in every field.

Mr. Chairman, we have have those federal-provincial conferences for ten or twelve years, but they did not solve anything because the federal government has the last word when it comes to credit and currency. The Constitution gives the federal government complete jurisdiction—through Parliament, of course—over matters of currency and credit, and this is why we say to the Minister of Finance (Mr. Benson), to the Prime Minister, to the government and to its members that the public sector of our economy—provinces, municipalities, school boards, and so on—should be financed through interest-free loans granted by the Bank of Canada. Provinces, municipalities and school boards would then have a chance to be more creative and to promote private enterprise and individual initiative.

I do not think, Mr. Chairman, that the bill will solve anything, even if it is carried unanimously. It does not contain any solution. We have to prevent this outdated system from exploiting us as it is doing at present.

A while ago, I mentioned a $75 million loan obtained by the Quebec government from the United States only a few weeks ago at the interest rate of 9¼ per cent over 25 years. Over 25 years, we shall have paid $225 million in interest only and still owe $75 million.

Now, on exactly the same day the Quebec government borrowed in the United States, Mr. Paul Gérin-Lajoie, representing the federal government in the underdeveloped countries assistance program, was in India and granted that country a $40 million interest-free loan, refundable after 60 years. However, 60 years hence, the Prime Minister will be 113 years old, which means that he will no longer be here.

Mr. Chairman, again I am in favour of assistance to foreign countries, but if we are in a position to provide interest-free loans to India, why can we not also provide

interest-free loans to the city of Hull or to the provinces of Manitoba, Quebec and Saskatchewan?

More recently, we granted Yugoslavia a $140 million loan I believe, for a hydroelectric project or for setting up a TV broadcasting system. Apparently we can afford that. In fact, a foreign visitor to Canada never goes back home without a generous loan from the federal government.

As for the provinces, they have to go back empty-handed, not richer than they were before. And we call this a Canadian government for the Canadian people.

Mr. Chairman, I am not surprised to see the government's popularity going down in western Canada, where I was last week. I am not surprised to see the government loosing seats in by-elections as we have seen recently. I am not surprised either to find the people thoroughly disgusted, because there is nothing to offer except taxation bills to take away from those who have very little to give to those who have nothing.

• (9:20 p.m.)

Mr. Chairman, we will not go very far this way. I said earlier that we are in a national emergency situation and this is true. Nobody is happy. The students, the fathers and mothers, the handicapped, the pensioners, the senior citizens, the private businessmen are not happy. I am receiving many letters from business executives who complain that the government is eroding their profits and is compelling them to borrow money at exceedingly high interest rates to keep on operating. I said earlier that the province of Quebec is paying an interest rate of 9¼ per cent to the United States; the Bank of Canada has just cut its rate down to 4¾ per cent. I recently asked the Minister of Finance why the provinces should not be allowed to borrow from the Bank of Canada at 4¾ per cent instead of having to borrow from the United States at 9¼ per cent. The minister replied that such was the consensus. We must accept things as they are. Under the law the Bank of Canada has the right to make loans to the provinces, but only for a period not exceeding six months whereas New York financiers may make loans for 25, 40 or 50 years. All we would have to do would be to replace the words "six months" in the Bank of Canada Act by 25, 30, 35 or 40 years. That is the only thing to do. The Minister of Finance knows that but he has not got the courage to take his responsibilities, to so instruct the Bank of Canada. He knows the government has the power to instruct the Bank of Canada. Mr. Rasminsky also knows it quite well.

Mr. Chairman I am nearly through on the subject. Instead of introducing a bill of that nature and saying that we cannot afford to establish a social security system in Canada, let us try to see if Canada can produce enough to meet the needs of its population. This year the national output will total $90 billion and the national income will total $65 billion. How can we logically buy a production of $90 billion with an income of $65 billion? Ask the Minister of Finance or any economist in Canada. There is a difference of $25 billion between the production of Canada and its income when the stores, the factories and the warehouses are overflowing with all sorts of products. There is overproduction and we still hear people talking about increasing our production when we do not even have time to deal with the problem of distributing our wealth. The only way of achieving better distribution of our wealth in Canada is to increase the purchasing power of the consumer by distributing a national dividend, as advocated by the Créditistes, and through a guaranteed minimum income, as was recently suggested by Senator Croll who only touched on the problem now facing Canada. When we are in a position to guarantee economic security, social security to the population as a whole then we will have fewer terrorists, revolutionaries, bomb blasts and disputes.

We have a solution, Mr. Chairman. In concluding my comments on Bill C-259, I would state that even if we were to spend six months debating this legislation, it would not improve the economic situation of Canada nor would it generate a single new industry. On the contrary, existing industries are being driven out and prevented from expanding because people are being discouraged. And when someone is discouraged, nothing could entice him to take risks. It is precisely because nobody wants to take risks anymore that the government is taking away from us whatever we have. By avoiding risks, industries remain stagnant thus creating unemployment.

The unemployed are complaining. Even if new legislation provides increased unemployment benefits, the problem will not be solved. One or two years hence, we will still be facing the same situation because we will not have really come to grips with the problem.

The Créditistes have a suggestisn to offer. It matters very little whether the government considers it or not. One thing is certain which is that the Canadiin people are about to accept that solution to their greater advantage.

[*English*]

Mr. Burton: Mr. Chairman, I think members of this committee should be fully cognizant of the fact that when we are dealing with matters such as those presently before us we are dealing with national policy. We are determining what will happen to Canada and what kind of nation we will be in the future. Make no mistake about that, Mr. Chairman. I think no member of this House should be under any illusion in that respect. The policies we adopt as a result of this tax bill will influence the future of Canada. They will have a distinct effect upon what Canadians and other people do in Canada.

Earlier this evening the hon. member for Calgary North referred to action taken by governments in Saskatchewan and Manitoba, governments of the same political persuasion as my party. He pointed out that a former Premier of Saskatchewan, the hon. member for Nanaimo-Cowichan-The Islands, had to take action to encourage oil development in that province. That is quite correct, Mr. Chairman. His government had to encourage oil development in Saskatchewan because of the framework within which national policies were operating. Under those national policies, agriculture—the basic industry of western Canada—was being ignored. Provincial services were being pinched and squeezed at every twist and turn. The cost of transportation in the west was constantly rising. All this was putting Saskatchewan and other prairie provinces in a real economic bind.

Under those national policies, secondary industry development was encouraged to remain away from western Canada. Those policies were structured in such a way that western Canada did not benefit from the development of

secondary industry. The government of Saskatchewan had to move to secure a piece of the action, to bring about the type of development that was so badly needed. I think it did a much better job than was being done at that time in other parts of Canada. It protected the people's interests. It devised new means of ensuring that the people of the province would get a fair return on their resources.

In particular the CCF government introduced the feature of the net royalty lease which resulted in oil companies large and small having an opportunity to get into the development picture. This also helped Canadian companies such as Co-op Refineries to take part in the oil game; and I may say that Canadian companies have not been able to play the same sort of role in other provinces. Here I refer to Alberta.

This is the type of policy we must follow in order to ensure that our people get a fair shake. But that policy was promptly cancelled by the Liberal government which took office in Saskatchewan in 1964. That government was more interested in getting a quick buck from the sale of leases or of particular parcels of land. Now I am happy to see that the new NDP government in the province of Saskatchewan is once again bringing into effect the net oil royalty lease program.

The hon. member for Calgary North also referred to statements made by the Premier of Manitoba. I listened to those statements when watching television. I point out that the Premier made it quite clear that if he had a choice between no development, between no investment and foreign investment, then in carrying out his responsibilities as Premier of the province he had no alternative but to ensure that there would be some degree of development by encouraging whatever foreign investment was necessary.

I think the hon. member for Calgary North and others who take a similar line of argument have missed the basic point—that responsibility rests here in Ottawa, in this Parliament, to ensure that there is an adequate national policy that will bring about the degree of development that we need and in a way that will work in the best interests of the Canadian people. We have a responsibility to ensure that that kind of development policy is carried out. We have never had an adequate development policy from either Liberal or Conservative governments.

When we look at the proposals placed before us in this bill concerning the basic resource industries of mining and petroleum, what do we find? We find special concessions. We find special deals that are available to no other sector of the Canadian economy. I ask the government, Mr. Chairman, to give me one example of how the proposals contained in this bill serve the principle of equity. Is there any degree of equity in the proposals concerning mining and petroleum? I suggest there is not. I predict that the Liberal government will rue the day they allow this bill to pass with the type of concessions contained in it. The people of Canada will realize what a sham this so-called tax reform legislation is.

• (9:30 p.m.)

Some hon. Members: Hear, hear!

Mr. Burton: The fact is, Mr. Chairman, that this bill is a gigantic giveaway, a sellout, handout of Canadian resources and Canadian wealth. Let us compare what is being done for the giant oil companies and giant mining companies on the one hand, while on the other people interested in co-operatives and credit unions have to scramble in order to maintain any semblance of justice in their treatment under the proposed legislation. We debated this matter last week and I do not intend to go into it again now.

We have here a good example of the priorities of the Liberal government. They are prepared to give concessions and handouts to large corporations and cartels, but when it comes to an organization that is attempting to help people and where people are attempting to help themselves we find the government putting the squeeze on. What sort of justice is this? It will not produce the new, just society we heard so much about. Furthermore, when discussing the concessions contained in Bill C-259 as they affect basic resource industry, we must see how they influence economic development in Canada. I suggest they produce very serious and bad distortions of our economic development. I think we should keep this in mind.

In his remarks the hon. member for Calgary North said that if we ensure that there is good deal for the mining and petroleum companies, that will bring new jobs and new development and help to produce full employment. I believe I quote the sense of his statement correctly. But, Mr. Chairman, I suggest to the committee through you that more people in Canada are affected by the well-being and welfare of the co-operative and credit union movements in this country than are affected by the activities of the mining and petroleum industries.

Just where are the government's priorities going at the present time? We need to use some sense when discussing these points. When this type of development is encouraged, jobs will be created and there will be some economic activity—but this is really not the rationale. The question we must consider is whether it is the best type of development, whether it is the best use of the resources, whether it is the best investment and whether it is doing the best possible job for Canada. I suggest that the type of priorities the Liberal government will give to those industries in this legislation will not produce the best possible results for Canadians.

If I understand some statements correctly, there are people who would like to see an even better bill as it affects the mining and petroleum industries. Mr. Chairman, they have had certain concessions made to them as embodied in this legislation and in statements made from time to time by the Minister of Finance which extend the present situation until 1976. At the same time, there are suggestions that the tax system is stifling development in the basic resource industries in Canada. What more do they want? The only thing I can suggest is that they want the entire country. I am not prepared to see that happen.

When deciding on our tax policy and our development policy we will have to decide on certain priorities. We will have to decide if the structure of our tax system and development policy will be carried out in a way that will produce the best possible development for Canada. The Carter report which was tabled in 1966 came out in favour of the principle of tax neutrality; in other words, that the tax system should be structured in such a way as not to

encourage or favour one type of development against another. That is really a classic capitalistic approach to taxation, but obviously the government has rejected it, particularly with regard to the treatment of the mining and petroleum industries.

We must decide whether this is the best type of priority to give Canadian development and if it is the best way to serve the interests of the Canadian people. I have yet to hear a defence from the government to the effect that this is the best way to serve our interests.

We also need to look at the nature of the industries benefiting from some of the concessions allowed in this legislation. Most industries are foreign-owned; I think this is recognized and acknowledged. As a matter of fact, the hon. member for Calgary North earlier this evening made reference to the fact that the petroleum industry is largely international in nature. That is known to all of us. What makes me rather sad is that people seem to be prepared to accept this type of structure and even further distortion of that structure. They are prepared to accept this international structure and the fact that people outside Canada will determine what is best for us and what sort of development will be carried out in this country.

This is what our national debate is about at the present time. Are we going to allow this situation to continue? Is this the type of Canada we want? I suggest that in the area of basic resource industries we must come to grips with the question. Recognizing what the situation is on an international scale, there are some things that Canada can do. Why is the Canadian government not setting up some form of consortium to deal with the entire complex of energy resources and the development of those resources from the production of the raw material to the finished products?

I think we have some of the necessary elements within the structure of government that would enable the government, through a properly established Canada Development Corporation, to take a lead in this field. Why is it not possible through Panarctic Oils, through Northern Transportation Company, through the Northern Power Commission and industrial complexes such as Polymer to set up an energy complex that could serve the industries of Canada and be a model for the world? It would put us in the forefront of industrial development.

There are other things we can do. We can work with the co-operative movement. It has a well established oil refinery in the city of Regina which is a source of pride to the people of my riding and to Saskatchewan. We have some oil activity by the co-operative movement in western Canada. There are many groups in many areas with whom the government could initiate and encourage effort in development. There are other groups which could take part in national development. I suggest that is the type of thing we should encourage if we are to see a rational development of resources in this country and change the direction of development so that it serves the interests of the Canadian people first, rather than the interests of foreign shareholders.

• (9:40 p.m.)

We must also recognize that some of the industries which benefit from these concessions create only a low level of employment; the ratio of employment to investment is very low. This fact must be kept in mind when deciding our priorities in respect of development policy. It is clear that tax policies as embodied in Bill C-259 encouraged this type of development in Canada rather than other types of development which would be of greater benefit to the Canadian people. Therefore, there must be some change in emphasis.

We must bear in mind that the international companies to which I referred earlier operate only from self-interest. We have such companies in western Canada. Companies like Imperial Oil have carried on exploration and development activities in Alberta, Saskatchewan and, to a degree, in Manitoba. What happened with regard to these companies? They employed different crews for different jobs. They employed management people, office people, service people, and so on, in each of those provinces.

Then the companies decided to centralize their operations. First, they were going to centralize their operations in Edmonton or Calgary. Of course, certain people in western Canada said they were doing this because of the socialist government of Saskatchewan, or for any number of different reasons of that sort. Yet when the change of government took place in Saskatchewan in 1964, when a Liberal government took office and embraced the philosophy of private enterprise in all its forms, the exodus continued: the oil companies kept pulling out of Saskatchewan and moving their offices to Edmonton and Calgary.

Mr. Guay (St. Boniface): That was because of the NDP government.

Mr. Burton: If my hon. friend had been listening he would have heard me say that this happened during the regime of the Liberal government in Saskatchewan. The hon. member should take note of what happened after the Liberal government took office. Apparently everything was fine; yet, some of these companies moved, as I say, to Edmonton and Calgary, the homeland of free, private enterprise. But what is happening now? In many cases they are moving from Edmonton and Calgary to Toronto. They are moving some of their facilities out of the west altogether. They are serving their own corporate interests first, second and last. It does not matter to them whether they are helping or hurting the areas from which they have taken their resources as long as they get their profit from the enterprise.

We see another example of this when we examine the actions of Imperial Oil in western Canada in centralizing its refining operation entirely in Edmonton and closing down operations in Calgary, Regina and Winnipeg. In each of the three prairie provinces refineries will be closed. That company does not think of the welfare and well-being of the community or province in which it enjoyed privileges and benefits over the years. It is thinking solely of its own corporate interest. I suggest that the day is long past when we can allow this sort of situation to continue.

The Chairman: Order, please. I regret to interrupt the hon. member. I do so to advise him and the committee that his time has expired.

An hon. Member: Continue.

The Chairman: The hon. member may continue only if he has the unanimous consent of the committee. Is there such consent?

Some hon. Members: Agreed.

An hon. Member: No.

The Chairman: There is not consent.

Mr. Guay (St. Boniface): I agree, Mr. Chairman.

Mr. Burton: Thank you, Mr. Chairman. I have a few more remarks to make.

The Chairman: Order, please. The Chair asked if there was unanimous consent for the hon. member to continue and determined that there was not consent.

Mr. Knowles (Winnipeg North Centre): The hon. member concerned changed his mind.

The Chairman: The hon. member for Churchill.

An hon. Member: Who said "No"?

Mr. Guay (St. Boniface): I did not say "No".

Mr. Simpson: Mr. Chairman, we have heard diverse views this evening on the type of consideration that should be given under the Canadian tax structure to developers of our resource industries. I was interested to hear the views of the hon. member for Regina East who tried to compare the benefits accruing to Canadians from the mining industry with the benefits accruing to them from co-operatives and credit unions.

Many members of the committee, myself included, spoke the other evening when the committee was considering the tax structure and proposals affecting co-operatives and credit unions. Those who spoke were justified in defending credit unions and co-operatives and in opposing the measures affecting those organizations which the government wishes to incorporate in this tax bill. I point out to the hon. member for Regina East that when he talks about people deriving benefits from credit unions and co-operatives he is referring to a great number of people, but the benefits which credit unions and co-operatives make available are comparatively small. On the other hand, he ought to take note of the fact that the mining industry of Canada employs directly about 150,000 people.

Of course, we must bear in mind that that is not the total extent of tht industry's impact on employment in Canada since for every employee in the mining industry there are seven or eight who work in other parts of Canada in industries associated with that industry. Their employment is assured because of the operation of our mines. So we are really talking about 150,000 people who are directly employed in the mining industry of Canada, and when we consider the over-all effect of that industry on the economy we are talking of approximately one million people employed in industries which depend directly on mining.

Before I deal further with how the tax structure affects the mining industry I should like to show briefly how some of the tax changes proposed by the government affect directly one of the most important elements of the Canadian mining industry's economy. I am talking about

[The Chairman.]

the person who is responsible for the establishment of mines in Canada, the original prospector. The Canadian mining industry is our most important industry, accounting for more than 40 per cent of our export dollars, with well over 25 Canadian communities being entirely dependent upon it.

It would be hard to conceive a Canadian economy without the financial contribution of mining companies such as Bay Mining and Smelting Company, International Nickel Company of Canada, Sherritt Gordon Mines, Consolidated Mining and Smelting, Noranda, Falconbridge, etc. In trying to assess the effects of the proposed tax changes upon this industry one may well start at the very beginning of it all, the prospector. Who among us, except the present government, would begrudge the original prospector and his courageous grubstakers the tax free earnings for which they may very seldom, if ever, qualify?

• (9:50 p.m.)

As has been mentioned during this debate, the prospector's work is arduous and demanding. Although the prospector can take full credit for the original discovery of all our operating mines, very seldom does he experience a big strike. It is a retrograde step to take incentive from the prospector. I suggest to the government that the prospector and his grubstakers need more incentive, not less.

It is safe to say that if it had not been for the prospector and the willingness of such concerns as the mining companies which I have mentioned, the Hudson Bay Mining and Smelting Company, Sherritt Gordon and International Nickel, to invest hundreds of millions of dollars in their findings, northern Manitoba would still be a sleeping wilderness. I might add that a substantial amount of the capital invested in this area was from foreign sources which some people in this House so roundly castigate.

The mining industry presents quite special characteristics and risks, many of which are unlike those encountered in other industries. Mining is concerned with a non-renewable resource and the success or failure of mining operations depends entirely on the inherent unpredictability of ore bodies. Furthermore, the establishment of a producing mine frequently entails the complete build-up of new infrastructures, particularly in the more remote areas. Thompson, Manitoba, is a good example. In the year 1961 the population of Thompson was about 1,300. In 1963, just two years later, the population of this rapidly growing town had increased to approximately 7,000. The present population of Thompson is estimated at 23,000.

It is expected, justifiably, that the population will surpass 25,000 within the next few years. Here we see the development of an area which 11 years ago was nothing but forest, bush and rock. It is now one of the most modern cities in Canada. In a period of 11 years, the population has increased to 23,000. Can we imagine the number of families who have been dependent upon the mine for their livelihood?

I can also speak of the city of Flin Flon, Manitoba, where I have resided for a number of years. Tens of thousands of wage earners have raised their families in this town and have made it their home. They have found that it has a very fine atmosphere in which to raise a family. All this has come about through private investment and, to a large extent, foreign investment in Canada.

I am sure all members agree it would be a very fine situation if Canadians could come up with a system whereby most of our resource industries could be financed through Canadian investment. This government has come forward with a number of suggestions which have proven to be of no avail. No one has yet come up with the answer for which Canadians are looking. I am sure that everyone will agree that it would be a wonderful situation if we could arrive at that. However, we must face reality. If we are to have development in Canada, particularly of the resource industries, we must look for investment from wherever we can get it.

As the hon. member for Calgary South said, we hear a great deal of criticism from members of the NDP. They are continually saying that this is not the thing for Canadian industry. However, where do they go to get capital when it is necessary to float loans for the province of Manitoba, and I suppose, now, the province of Saskatchewan? The first place they go is across the border, the United States. This again proves that if the money that is needed is not available in Canada, we must face reality and turn to where it is available and people are ready and willing to invest in our country. As I said before, if we can come up with satisfactory measures whereby Canadian capital assumes far greater control over our industries, particularly our resource industries, we will all be very happy to see that day.

With regard to the development of our country, I am sure we all agree that if it had not been for private enterprise and initiative our resource industries would not have been developed. Canada would have been much more backward than it is today.

Some hon. Members: Hear, hear!

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

PENSIONS—OLD AGE SECURITY—INQUIRY AS TO INCREASE AND LOWERING OF ELIGIBLE AGE.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, on Monday, November 8, during the question period I addressed a question to the Minister of National Health and Welfare (Mr. Munro) concerning the Old Age Security Act. In particular, I reminded the minister that during the debate on that act last December he made the statement several times that the basic amount of the pension was not necessarily frozen at $80 a month but could be increased by Parliament at any time. On the basis of that assertion, as recorded at page 9409, of *Hansard*, I put my question to the minister in these words:

—is the minister, in view of the needs of our pensioners, now considering an increase in that basic amount?

• (10:00 p.m.)

The reply of the Minister of National Health and Welfare was at least clear and direct. It was in these words: "Not at this time, Mr. Speaker." So I put to the minister a supplementary question in these terms:

Then is the minister considering the lowering of the eligible age for those who are prepared to retire from the labour market?

And the reply was as follows:

Mr. Speaker, as we indicated, I believe in our white paper on income security, we see this as a future trend. In terms of immediate action the government does not have any plans at this time.

My question was thus in two parts. On the one hand it asked for action to increase the basic amount of the pension paid under the Old Age Security Act, which at the moment is $80 a month; on the other hand, it asked for a new departure, namely, the lowering of the age at which a person might receive old age security benefits on the understanding that such a person would withdraw from the labour market.

I posted this two-part question for a "late show," Mr. Speaker, because it seemed to me that both parts of it are extremely important. Although we may not get finality by way of an answer in a "late show" period I believe this is one of the areas we ought to keep alive until we win. I assert as strongly as I can that the amount of the old age pension must not be left at $80. One of the reasons I feel pensions should be increased at this time is to offset a suggestion made in a report from the other place to the effect that old age security benefits might be wiped out and replaced by another program suggested in that report. It seems to me that the universal nature of old age security provisions is still one of the best things we have established in this Parliament and I believe the government should underwrite that good piece of legislation by increasing the amount, and that it should do so very soon.

The other part of the question is, I submit, of equal importance. The minister referred to future trends. The day will come when retirement at an earlier age will be a fact in our society. In light of today's unemployment among young people I believe we should start that day now. I suggest, therefore, as clearly as I can, that both old age security and benefits under the Canada Pension Plan should be made available at age 60 to those who are prepared to withdraw from the labour market. This is a test which we apply in certain other instances. In other words, other income which people receive should not interfere with getting these pensions earlier. I suggest it makes sound common sense to establish the principle that people who are prepared to withdraw from the labour market at 60 should get both their old age security benefits and their Canada Pension Plan payments, for both of which individual Canadians are now paying under our tax laws and under the terms of the Canada Pension Plan.

So I present these two ideas in the form of this two-part question again tonight, hoping there will be some ray of hope forthcoming from the government side—that the day will soon come when the amount of the old age security pension will be increased and when the eligible age will be lowered at least on the terms I have suggested.

Mr. John Roberts (Parliamentary Secretary to Minister of Regional Economic Expansion): Mr. Speaker, there is certainly one statement of the hon. member with which we can agree wholeheartedly. It is that there is generally no finality to questions on the "late show." The answer to this question will be no exception to the general principle.

Sometimes the hon. member reminds me of one of the characters from Dickens—I think it was Oliver Twist—who when asked what he wanted kept saying, "More".

Mr. Knowles (Winnipeg North Centre): Hear, hear!

Mr. Roberts: We all admire the tenacity, irritating as it sometimes may be to those on government benches, with which the hon. member pursues his interest in old age pensioners. I wish to assure him—perhaps this is the ray of hope for which he asks—that many of us on this side of the House share his concern for the plight of these people. Many of us here are working hard both before and behind the scenes to increase the benefits to which we believe they are legitimately entitled. It is for that reason, no doubt, that the level of payments under Canadian old age pension arrangements is extremely high. Indeed, I believe I am correct in saying it is the highest in the world. We are concerned about protection of our senior citizens.

The hon. member raised questions about the application of universal demogrants. The question here always relates to the necessary costs of these very desirable benefits. I am sure we all in our hearts would like to see these implemented but, of course, governments must always weigh the benefits in relation to costs. I assure the hon. member that the government will continue to consider, as I am sure all hon. members of the House will, the very complex questions he has raised with sympathy and interest.

Mr. Knowles (Winnipeg North Centre): You are better than the minister.

REGIONAL ECONOMIC EXPANSION—RE-EVALUATION OF POLICIES IN LIGHT OF CRITICISMS.

Mr. James A. McGrath (St. John's East): Mr. Speaker, on November 22 I directed a question to the Minister of Regional Economic Expansion (Mr. Marchand) in respect of a statement reported in the press to have been made by the Prime Minister of Quebec to the effect that the government's regional economic expansion policies were having no effect in that province.

The answer I received from the minister was that he had checked with the Prime Minister of Quebec that very day and he had denied having made such a statement. My question was prompted by a story which appeared in the *Globe and Mail* of Friday, November 19. I quote from it as follows:

> Noting that Prime Minister Pierre Trudeau had campaigned on the platform of combating regional inequalities, the premier said: "Regional disparities . . . have not yet been affected by federal policies after 3½ years of power."

The question originally arose from a story which came from the Quebec City bureau of Canadian Press. It was a consequence of a story which appeared in the French newspaper *Le Soleil*, a Quebec City daily. There is no question in my mind that the government of Quebec is unhappy with the policies of this government in respect of regional development, or that this story was carried by Canadian Press in the *Globe and Mail*, in the Saturday edition of the Montreal *Gazette* and the Quebec City daily *Le Soleil*.

There is no doubt in my mind that the Premier made such a statement, because I have checked my sources and the story is on electronic tape and was covered by Canadian Press and *Le Soleil*. My question was not directly as a result of what the Premier of Quebec is reported to have said, although it would be warranted on the basis of that fact alone. This is merely another of a series of criticisms levelled at this government's regional economic expansion policies.

The Prime Minister of Quebec was merely echoing statements which had been made by the Atlantic Provinces Economic Council at a general meeting in the city of Fredericton last October and levelled similar criticisms at the regional economic expansion policies of the government. The first report of the Atlantic Development Council stated, in effect, that the government was lacking an effective strategy on regional development for the Atlantic provinces.

• (10:10 p.m.)

This, I might add, is one of the agencies charged by statute with advising the minister on regional economic policies for the Atlantic provinces. There were also reports by the Canadian Council of Rural Development, which is another agency charged by law with advising the minister on regional economic policies. In addition, there was evidence presented to the Standing Committee on Regional Economic Expansion.

All this evidence indicates that there is general dissatisfaction in the country, not with the principle of regional economic expansion but with the way in which this government is going about it. The policy is overly centralized; it lacks an over-all strategy and does not pay any regard to regional peculiarities or regional differences. For example, the Atlantic Provinces Economic Council in its fifth annual report suggested that the department was overly centralized and that there should be, in fact, an assistant deputy minister and staff stationed in the Atlantic provinces to pay attention to the peculiar interests of the Atlantic provinces.

But overriding all these criticisms is the fact that regional development policies within the government's framework are ineffective because government fiscal and monetary policies render them ineffective and they are at cross-purposes with one another. Consequently, today we have a situation developing in this country where there is unanimous disapproval of the policies of the government in attempting to combat regional disparities. This, I believe, is the main problem facing this country.

The program established by the government is overly centralized and does not pay any attention to the advice of the agencies which are charged by statute with the responsibility of rendering advice to the government. The department does not consult regional bodies or municipalities. In my view it does not consult the provinces in conceiving and executing its policies. The result is we have substantial sums from the federal budget going into a program to combat regional disparities which is not very effective.

When we consider that the Prime Minister of Quebec did make the charge—his comments are on record with Canadian Press and *Le Soleil* on electronic tape—that the policies of the government in the last 3½ years have had no

effect in the province of Quebec, and that over 50 per cent of federal funds allocated by Parliament for regional development has gone into that province, we have some idea of the seriousness of these charges. That is what prompted my question.

Mr. John Roberts (Parliamentary Secretary to Minister of Regional Economic Expansion): I welcome the remarks of the hon. member for St. John's East (Mr. McGrath), particularly that part which, as he said at the beginning, was essentially intended to be constructive. He raised two questions. The first is the question as to what in fact the premier of Quebec did say.

There appears to be a certain conflict between the newspaper evidence which he cited and what the minister reported the Premier of Quebec said. I suggest, however, that that is not the important question. Upon occasion journalists make slips of the pen and on occasion politicians make slips of the tongue. I myself have even been known on occasion to make a slip of the tongue. But really the issue is not what the Premier said but whether in fact the programs are working effectively in the province of Quebec and in the Maritimes.

I submit that if one visits Quebec and sees some of the work that has been done under the programs of the department, one can see that there has been a successful resolution to many of the efforts of the department. I would say that that is true also in the Atlantic provinces, although in my new position I have not yet had the opportunity to visit that area. However, I hope to visit it tomorrow if it becomes sufficiently free from fog so that the plane can land.

Mr. McGrath: Shame.

Mr. Roberts: Since the hon. member is here, there is hope it would not be as fogbound as it might have been.

Mr. McGrath: Only Ottawa is fogbound.

Mr. Roberts: According to my telephone conversations, St. John's is fogbound as well. I find it difficult to understand, the hon. member being here.

There have been criticisms of the department and we welcome them. It gives us a chance to reassess the program which is now in its third year. As the minister has often said, the time spent on this program in terms of successful efforts can only be judged over a 15-year period. No one has ever contended that the efforts of the department will solve problems overnight, like a magic wand, or even in the space of two or three years resolve the problems of regional disparity which have faced this country for over a century. But I am convinced that the various reports which we have received from the Atlantic Development Council and from APEC have been helpful.

We certainly do not agree with all the criticisms levelled against the government. Nor, I would suggest, have these bodies, as the hon. member contends, always unanimously opposed the government's program. For instance, interesting statements have been made in support of the program by representatives of the city of St. John's at the APEC conference. There has been some support and some opposition to what the department is doing. We hope to take into account those criticisms which are constructive, which will enable us to improve programs which we offer, and to continue what has already proved successful in the area of regional development.

HEALTH—FAMILY PLANNING CONFERENCE—REQUEST FOR PUBLICITY CAMPAIGNS BECAUSE OF INCREASE IN ILLEGITIMATE BIRTHS

Mrs. Grace MacInnis (Vancouver-Kingsway): As I indicated the other day, I welcome the minister's announcement that a National Family Planning Conference is to be held in February of next year. Also, I was glad to hear his answer to my question asking which organizations would be invited to participate. I understand that just about every organization of a voluntary nature, in the private area, of which we are aware has in the past shown interest in this subject. The Minister's speech in Halifax last Friday to the annual meeting of the Family Planning Federation of Canada gives further hope of government action, promising as it did to ask Parliament, probably next month, for additional manpower and money for family planning purposes. It is indeed welcome news.

However, I am pursuing the matter further tonight because I am deeply concerned about the need for swift and far reaching action in the matter of family planning. Figures issued by the minister's department last September are a frightening forecast of the future we can expect if we fail to initiate vigorous action without delay. In the 20 years before 1959 the illegitimate birth rate in Canada fluctuated between 3.8 per cent and 4 per cent of live births, except for the war years when it rose fractionally. But in 1959 it started a steady climb year by year until it reached 9.2 per cent of live births in 1969. Almost one-tenth of Canadian babies born in 1969 were illegitimate. To whom were they born? More then three-quarters of them were born to girls and women between the ages of 15 and 24.

• (10:20 p.m.)

One thinks of the effect on these mothers, many of them teenagers. One thinks of the effect on these unwanted babies, some handed over to institutions, some battered in common law marriages, some developing into delinquents and criminals and, of course, some finding good foster homes. One thinks of the cost to the community, not only in taxes but in the tragic lowering of security and citizenship standards. One thinks of all these things and agrees with the sober words of the report that this illegitimacy figure "indicates the great need for an educational program in family planning that would begin at the elementary school level."

Who is to initiate such a program? Obviously its implementation will require the co-operation of all levels of government as well as voluntary associations. But the responsibility for initiating the program is clearly that of the federal government. The report of the Royal Commission on the Status of Women has a number of excellent recommendations, including the one "that birth control information be available to everyone." Further, it recommends that "the Department of National Health and Welfare (a) prepare and offer birth control information free of charge to provincial and territorial authorities, associations, organizations and individuals and (b) give financial

assistance through national health grants and national welfare grants to train health and welfare workers in family planning techniques."

As far as I am aware the department has thus far given financial assistance to only two family planning organizations, in the total amount of $125,000. Such an amount is only a start. Of course, it will be costly to bring birth control information and help to the people of Canada. We are getting a late start. After all, birth control was a criminal offence in this country between 1892 and 1969—three-quarters of a fast changing century. We must make up for a lot of lost time.

A government that could find $9 million to finance the B and B Commission and nearly $3½ million to finance the Prices and Incomes Commission could surely manage to find comparable revenues to help women avoid compulsory pregnancy, to prevent the arrival in the world of unwanted babies and to cut down the great numbers of abortions. legal and illegal, that will continue to swell until people get the information and the contraceptives that will enable them to plan, space and limit their families.

[*Translation*]

Mr. Gérard Duquet (Parliamentary Secretary to the Minister of Transport): Mr. Chairman, for the third time in a few weeks the hon. member for Vancouver-Kingsway (Mrs. MacInnis) has brought up family planning. We know her deep concern with that issue. However, it seems quite strange to us that the hon. member should seem unaware of the activities of the Department of National Health and Welfare in that field, since she is constantly bringing up the matter. The government has a family planning program which has been described many times right here in the House.

The conference to which the hon. member referred in her question of November 17 is to group close to 250 delegates here in Ottawa next February. These delegates will be representing provincial groups, health and welfare groups, volunteer organizations and citizens' groups, all dedicated to the cause of family planning. This national conference—the first of its kind—will afford an excellent opportunity for delegates to exchange their experiences. Among other things, the conference will deal with the training of personnel in that field, the needs for research as well as information. It will review the various existing programs so as to better direct the development of future programs.

On November 19, the Minister of National Health and Welfare (Mr. Munro) made an important speech at the annual meeting of the Canadian Federation of Family Planning, in Halifax. He said, among other things, that this conference would be an excellent opportunity for participants to consider the place that family planning should occupy in a broader context of training for family life. The report that the Vanier Institute of the Family published in April 1971 indicated that only 31 per cent of schools being surveyed proposed some kind of training for family life. However, a survey made by the Canadian Press and published in October 1971 points to constant progress in this field over the past three or four years. The method and content vary considerably from one school to the next; courses, seldom compulsory, are often optional or extra-curricular. The subject is generally part of a course on hygiene, integrated into lessons on domestic orientation. They give outlines of the biology of reproduction and a complete course on the growth and maturation process, family relationships and responsibilities, and tensions which are felt inside the family and the community. According to the report by the Vanier Institute of the Family, educators are mainly concerned with training teachers and inserting free time periods in the programs. This raises the question of the responsibility for the education for family life in our schools, and that of the practice of this education.

School boards, conscious of the importance of this matter, develop at an ever increasing rate these programs which are now part of the curriculum. It is to be hoped that these programs of training for family life will become more and more popular and constitute at least a partial solution to the tragic problem of illegitimate births.

[*English*]

Motion agreed to and the House adjourned at 10.27 p.m.

HOUSE OF COMMONS

Wednesday, November 24, 1971.

The House met at 2 p.m.

PRIVILEGE

MR. KNOWLES (WINNIPEG NORTH CENTRE)—ALLEGED DEROGATORY REFERENCE TO PUBLIC SERVICE BY PRIME MINISTER

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I rise on a question of privilege, notice of which I sent to Your Honour. In *Hansard* of yesterday, which reached us this morning, a statement is recorded that was made yesterday which I am afraid got lost in the chaos but which in my view constitutes a question of privilege, at least for many of us in this House of Commons. I raise this matter not in any desire to enter into a confrontation but in the hope that it might be resolved quickly. As recorded on page 9805 of *Hansard* for yesterday, the Prime Minister, in the course of answering a question, said:

If individuals in the Public Service, egged on by the opposition in many cases—

Then there follow about a dozen lines of various interjections, after which the Prime Minister again got the floor and said:

If individuals throughout the Public Service decide to take justice into their own hands and set themselves above those elected to represent the people, I think this is a very serious thing for the country, not for the government.

My point of privilege, sir, is that many of us in this House have been here for many years and if there is one thing that we have learned in Ottawa it is that we have a Public Service than which there is none better. To my knowledge, individuals throughout the Public Service are as loyal as they can be to their ultimate employers, the people of Canada, and in particular to their immediate employer, the government.

Mr. Speaker: Order, please. I have to interrupt the hon. member. He has to indicate for the benefit of the Chair in what way what he is saying now can be a breach of parliamentary privilege. He has indicated that perhaps someone else's privileges might have been breached, but I should like the hon. member to indicate why he feels there is a breach of either his own privileges or those of hon. members generally.

Mr. Knowles (Winnipeg North Centre): Since we in this House have many dealings with the Public Service and since they cannot speak for themselves I think it is a matter of privilege on our part when those in whom we have confidence are maligned in this way. I feel that at the earliest opportunity this statement by the Prime Minister, which was so broad in that he referred to individuals throughout the Public Service, should be corrected. I do not move a motion that it be referred to committee for investigation. I simply make an earnest plea to the Prime Minister that he now correct the statement he made yesterday.

Mr. Speaker: Order, please. I have a very easy ruling to make. I suggest to the hon. member that there is no relationship at all between the suggestion he has made now for the consideration of the Chair and a question of parliamentary privilege. I suggest to the hon. member that the matter might be a question of debate, but it cannot possibly be considered by way of breach of parliamentary privilege. That is the ruling I have to make.

• (2:10 p.m.)

ROUTINE PROCEEDINGS

INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

MOTION FOR CONCURRENCE IN FIFTH REPORT OF STANDING COMMITTEE

Mr. Frank Howard (Skeena) moved:

That the Fifth Report of the Standing Committee on Indian Affairs and Northern Development, presented to the House, Wednesday, June 30, 1971, be concurred in.

He said: Mr. Speaker, I think what I should probably do at the outset is to make the suggestion that, because the report to which this motion refers is one of great fundamental importance and of great concern not only to the Indian people but to the country generally, Parliament might consider voting on it today. During the course of the debate, if it is not adjourned, perhaps the House leaders might meet and come to some conclusion about a time allocation order so that Parliament can express an opinion with respect to this unanimous report by one of its committees on this subject matter inasmuch as I am sure none of the members of the government would disagree with the opinions expressed in the report.

Within the last few days the subject of educational opportunities and facilities for our native Indian people has been brought into pretty sharp focus. True, it has been a matter of concern to the parliamentary committee that made the report for some two or three years, during which it held extensive hearings, listened to numerous representations and obviously, from the tenor of the content of the report, considered the subject in even greater depth than many committees consider the subject matters that are referred to them. It is also a matter that has been inquired about in the House from time to time since the report was tabled.

Perhaps I might refer to one specific point which helped to bring the question noticeably and pointedly to public attention. I refer to the publicity in which the Indian

Association of Alberta has been involved within the last few days relating to an earlier presentation the association made to the government of Canada, to all parties represented in the House, I believe, and to members of the standing committee. The members of this association made a very worth-while, well thought-out, well documented presentation in March, 1970, seeking to have established an Indian educational and cultural complex in the province of Alberta, operated by and for the benefit of the Indian people in that province. The plan for that complex was a very impressive one and very imaginative.

No member who sat in on any of the meetings or made any examination of the plan had anything but the highest of praise for the concepts behind it. It reflected the concern and the depth of feeling that only a group of people can have about themselves. It reflected a depth of feeling that only a group of people can show when they are intimately concerned about their own well-being and their own future. I think we all know, Mr. Speaker, that in order to try to develop, stimulate and promote any pride in a group of people or in their culture we must have a preliminary step such as the educational-cultural concept contained within this plan, with the hope that it will provide greater opportunity for the individuals who take part in the educational system to absorb a larger measure of knowledge than otherwise might be the case, and to have a greater degree of self-respect.

The government response to this plan was one of relative silence except the general cliché retort that the matter was "under study" and that in due course, or whenever a conclusion was reached, a public announcement would be made. I understand that on the 29th day of July this year the cabinet made a generally favourable determination with regard to educational-cultural institutions and programs for Indian people operated by and for themselves and for their own advancement. Apropos of that decision they concluded that since the Indian Association of Alberta, in March, 1970, was the first to present a proposal for a cultural-educational centre the pilot stage of that proposal should be the first to be considered for approval by a particular standing subcommittee of the cabinet.

The concept within that cabinet decision was that in the fiscal year 1971-72 $2 million would be available. We are now two-thirds of the way through that fiscal year. Some supplementary estimates were tabled a few days ago, and one would assume that, if the government intended to put money behind the concept, behind its decision, some provision would have been contained in those estimates for the first stage of the proposal by the Indian Association of Alberta. I have not been able to find any such amount in looking through the supplementary estimates. We all realize the supplementary estimates are phrased in such a way that it is often difficult to extract full knowledge of what is contained therein, but as I can read the proposals in those estimates there is nothing pertaining to this matter.

The cabinet decision of July also determined that $10 million would be available over the next five years funded equally between the Department of Indian Affairs and Northern Development and the Department of the Secretary of State. Involved in that decision was the necessity of a decision on the mechanics necessary to implement the plan. In other words, to carry forward into actual accomplishment the decision that the cabinet made on July 29 a decision had to be made on the putting into effect and administration of the plan, not for the purpose of denying what cabinet had decided but for putting into effect what cabinet had decided, by the interdepartmental committee on Indian and Eskimo policy.

I should like to direct the House to yesterday's *Hansard* where this question was dealt with in what I think was a rather shallow approach on the part of the government and the minister in particular. As found on page 9802 of *Hansard* the Leader of the Opposition asked this question:

I specifically ask why a meeting of the interdepartmental committee on Indian and Eskimo affairs—

I assume he was talking about the interdepartmental committee on Indian and Eskimo policy which would presumably be one and the same thing.

—called to consider the recommendation of the standing subcommittee on the Alberta proposal, was cancelled?

The minister replied as follows, and perhaps for fear of being accused of only presenting that part which supports a particular position, I should read it all.

• (2:20 p.m.)

Mr. Speaker, I do not sit on that committee, so I do not know if the sittings have been cancelled. I can tell the hon. member that we have been discussing this subject for months with the officials of the Department of the Secretary of State and with the representatives of various Indian organizations in Canada but no conclusion has been reached yet.

I think it is well known that the minister does not sit on interdepartmental committees. These committees normally operate within the Public Service structure. I point out to the House and the minister the simple fact that the chairman of that interdepartmental committee on Indian and Eskimo affairs is the minister's own deputy minister, Mr. Robinson. He is the chairman of that interdepartmental committee on Indian and Eskimo affairs. Yet the minister had the effrontery to stand up in the House yesterday and say what he did. Technically, in replying to the question, he told the truth. But how does he know if what he said is right? He does not sit on the committee. What is going on, Mr. Speaker? Does the deputy minister operate in a vacuum? Does the minister now know what his deputy is doing in attempting to put into effect government policy?

The cabinet made a decision on July 29 and said, "Yes, we endorse the concept of educational-cultural centres for Indian people; yes, we think the Indian Association of Alberta's first stage of such a proposal should be endorsed and accepted; yes, we think we should put up $2 million in 1971-72 and $10 million in certain subsequent years." I would think that a minister who is at all concerned about what goes on in his department would know what his deputy minister is doing, especially if that deputy is the chairman of an interdepartmental committee that is supposed to put into effect a government program. Perhaps the minister is ignorant of what is happening in his department. Perhaps he is not all that concerned about what goes on. Perhaps somebody in his department is trying to subvert the decision of cabinet and deny to these people the opportunities that would be available to them as a result of the cabinet decision.

I think the Minister of Indian Affairs and Northern Development has indulged in a sort of specious covering-up. He should not have done that. He is a nice gentleman, a kind gentleman, a decent sort of chap, Mr. Speaker, and really he should have known better. He should have told us what the interdepartmental committee was doing and what the deputy minister was doing with respect to cabinet policy in that area. Were they putting it into effect or were they denying cabinet the right to put that proposal into effect?

One could make allowances for what happened if this were a relatively minor, insignificant matter, but it is not. It involves a very fundamental and important question, namely, the educational opportunities of a few hundred thousand people in this country, the educational opportunities for a whole growing generation of Indian people. Education is the fundamental base which must be provided before the Indian people can fully advance, make progress and develop some self-respect. It is only in this way that they can be given the chance to make a go of it by themselves and for themselves.

In view of the importance of the subject, surely the minister ought to have some knowledge as to what the deputy minister is or is not doing in this area. He should know, especially, if the deputy minister is operating in such a way as to obstruct government policy or put obstacles in the way of its implementation. It is either that, or the minister is somewhat dumb about what is happening within his department.

There has been deliberate delay, Mr. Speaker. Perhaps there is some real reason why cabinet can make a decision on July 29, set out within the cabinet minute relating to that decision the full details regarding funding, the concepts and extension of this program over a four or five year period, and then delay the implementation of that program. Having spent years considering the matter, having spent months, as the minister said, in talking about it with the Secretary of State and with the Indian people, and having got to the point of making a decision to put the plan into effect, perhaps there is some reason why they do not want to do so at this time.

Knowing the way this government operates, and the precision of mind it has about events that are likely to happen next year, I am inclined to think they are more concerned about the impact such a program will have upon the Indian people at election time than now. Is that what this is? Election bait? It would not surprise me one bit. For the minister to operate in that way would be quite in keeping with the activities of a number of his colleagues who are more concerned about politics and political support than they are about benefits to the general public. I cannot see any other reason for it except incompetence, and the minister is not incompetent. We all know that. That sort of reasoning is a pretty big insult to the intelligence of the native Indian people. How can you expect them to fall for that?

I do not want to get too far into the area dealt with by the hon. member for Winnipeg North Centre (Mr. Knowles). I am referring to cabinet documents and the disclosure of what they contain or the leakage of them to the general public. I would not do this at all except Your Honour said this might more appropriately be a subject matter for debate than a question of privilege. There is something revealing in the attitude of the Prime Minister (Mr. Trudeau) who we know is the head of the government. I will not read the quotation again. The hon. member for Winnipeg North Centre did that when he raised the question of privilege. It is true that the comment was made with regard to a query relating to the Gray report and not about this cabinet document of July 29, although they both fall in the same class. In other words, they are so-called confidential documents or documents which the government classed as confidential but which subsequently became public.

The remarks of the Prime Minister, which possibly are reflected in a decision of the government to put off dealing with this very important educational-cultural project, were both offensive and derogatory to a great many people in the Public Service. They indicate that the Prime Minister is very ambidextrous. He is able to use the tar brush and the whitewash brush with equal dexterity.

Mr. Speaker: Order, please. My understanding is that the hon. member's motion relates to the fifth report of the Standing Committee on Indian Affairs and Northern Development. I have read that report. I have it before me. I consider it a very important matter and I am sure the hon. member does also. Perhaps he might like to limit his remarks to the subject matter of the motion which, as I have said, relates to a very specific report of the standing committee dealing with very specific problems.

Mr. Howard (Skeena): Yes, indeed, Mr. Speaker. I am well aware of that, as is every member of the House. The document to which I referred, namely, the cabinet committee minute on social policy, a record of the committee decision regarding native cultural-educational centres, has a direct relationship to the report that Your Honour mentioned and which Your Honour has read. Your Honour may not have read the cabinet document in relation thereto but that document, which was classified as confidential, sought to put into effect one of the aspects mentioned in the committee report. Admittedly I am referring to a matter that was raised yesterday. Nevertheless, I wonder whether the Prime Minister has similar views about the leakage of this document and whether he wants to indicate what a small-statured man he is by casting the same reflection on those people in the Public Service and absolving and whitewashing the cabinet, all the executive assistants and all the staff within the ministers' offices, none of whom are exempted from the concept that they might have leaked this particular document.

This is somewhat connected to the report of the committee in light of the fact that there has been what may be classified as a school strike in northern Alberta. In other words, a group of citizens, parents belonging to the three bands in question, decided to keep their children from attending school. Your Honour might wonder why this was done. It was not an ordinary action. It was an extraordinary action which I believe was predicated upon an extraordinary situation. The decision to keep the children out of school was taken in consequence of serious objections about living conditions, sanitary conditions and school facilities on those reserves. My hon. friend from Comox-Alberni was there. He attended meetings of the people and took a close look at the situation which had

resulted in the decision of those parents to keep their children out of school.

• (2:30 p.m.)

The parents took that decision because they saw in it the only possible hope they had to bring pressure upon the minister to carry out his duties and responsibilities which up until that time he had abdicated and refused to carry out.

Some hon. Members: Oh, oh!

Mr. Gibson: He had not.

Mr. Howard (Skeena): Somebody on the backbenches over there who has regaled us with his ignorance before has done it again. I tell the House this, Mr. Speaker: the Minister of Indian Affairs and Northern Development as a representative of the Crown has certain duties and responsibilities to discharge with respect to these three bands. He did not carry them out and that is why the parents took their children out of school. I say to the minister: you are responsible for Indian affairs, how about accepting that responsibility? That is what these people are saying.

Some hon. Members: Oh, oh!

Mr. Gibson: Look in the mirror.

Mr. Howard (Skeena): There is another question involved here. It is a fundamental one, aside from the aspect I have raised. It is the question of treaty rights. Let those howling jackals in the background remember that this is fundamental before they start crying about responsibilities. The Indians in these three bands looked at the treaties which we signed and concluded that there is contained in them a responsibility to build schools on the reserves and to pay for the services of teachers. They are not talking about the type of schools which might have been built in the days when those treaties were signed. They are talking about modern-day schools. That is what the committee report talked about too, Mr. Speaker. It talked about a modern educational system, about the responsibility of the federal government, and said this matter should remain the responsibility of the federal government. Moreover, the committee recommended unanimously that the government should cease and desist from its attempts to slough off these educational responsibilities on the provinces.

This is why the people belonging to these bands decided to take their children out of school. It was in an effort to get a fair shake. The minister has classified their action as blackmail. He said he was being blackmailed and that as a consequence he did not intend to do anything further. Mr. Speaker, since when has it been blackmail to ask someone to live up to his honour, to respect treaties which are in existence, to carry out his responsibilities and discharge the high duties of ministerial office in an effective manner? But the minister howled "blackmail" and shut his door and stayed in Ottawa while saying on the floor of the House, as I gather he said elsewhere: "My door is open any time". I mentioned this to one of the members of the Indian Association of Alberta yesterday and he said:

"You bet the minister's door is open. And it opens from the inside."

The minister did not care enough about his responsibilities to go to the communities involved and see the situation at first hand or to talk to the Indians concerned and find out what was happening and whether he could do something directly. The cry of blackmail is simply the refuge of a person found delinquent in his duties. Oh, they had a meeting. They had a meeting in Winnipeg on mutual ground. I understand it was promoted by people who were neither in the government nor in the Indian Association of Alberta nor in any of the three bands involved in an attempt to find some area of neutrality within which an attempt could be made to resolve the problem. I understand that the minister attended but that he did not engage in any meaningful conversation with the people there. Rather, he repeated the declaration he had made earlier: You send the children back to school and I will then come and attend to you; when you alter the manner in which you are presenting your legitimate demands and let me carry out my duties and responsibilities, then I will come.

Certain allegations were made in the House yesterday. Whether those allegations had been made or not, whether or not there is any connection between the decision of the parents in those three bands to keep their children out of school in an attempt to force the minister to meet his obligations and the decision taken by the government not to put into effect the first stage of the Indian educational centre complex to which it had agreed on July 29—

An hon. Member: Get to the point.

Mr. Howard (Skeena): The minister denied there was any connection. As reported at page 9803 he said in response to a question by the hon. member for Athabasca about this very matter, whether or not there was a connection between the two:

> Mr. Speaker, the two parts of this question are totally unrelated and I have already indicated why the program is not ready yet.

The second part of the answer is not true to fact. If you go back in *Hansard* you will find the minister gave no reason for the program not being ready. He said he had been discussing it for months but had not made a decision. It was not ready because the minister had failed to reach a decision. He wanted to hold it off for the sake of one political advantage or another.

The point is this. The minister said there was no connection. But something very revealing happened. *Hansard* does not record this because *Hansard* does not contain pictures. Yesterday I sought to obtain the unanimous consent of the House to move a motion to give the minister authority to leave the chamber so he could proceed to Alberta to meet with the Indian people there, and expressing the hope that such meeting would result in a favourable solution to the problems confronting the Indian people. I did not succeed in obtaining unanimous consent to move that motion, but the revealing part, the part which *Hansard* did not and could not record, was that while I was presenting that motion the minister, with a wave of the hand up to the gallery, indicated that they were here. And do you know who was in the gallery, Mr. Speaker? I am told it was executive officers of the Indian

Association of Alberta. My motion dealt with the possibility of the minister going to Alberta to talk to the people in those three bands whose children were out of school. The minister said that there was no connection between one subject and the other, but the moment I raised it there was a connection. The officials of the Indian Association of Alberta were here. So there is a connection in the mind of the minister. There is a connection in the mind of the princely secretary to the Prime Minister. What is his name?

An hon. Member: Lalonde.

Mr. Howard (Skeena): A secretarial prince, I am told. So let me repeat that there is a connection in the mind of the government between one situation and the other, and one was used in retaliation for action taken in the other, if it was not for political purposes.

• (2:40 p.m.)

On October 6 the president of the Indian Association of Alberta, Harold Cardinal, sent a telegram to the President of the Treasury Board (Mr. Drury), to the Minister of National Health and Welfare (Mr. Munro) and to M. Lalonde, secretary to the Prime Minister. So that it is on the record and I am not accused of extracting something that I distort—

Mr. Osler: Is that your own copy?

Mr. Howard (Skeena): Certainly. It is in my hand; and if I may enlighten the hon. gentleman, who appears to have such a lack of knowledge of these matters, it was given to me yesterday. We in this party take an interest in the education of Indian children even though Liberal members apparently do not.

Mr. Osler: Your halo is off centre a little.

Mr. Howard (Skeena): If hon. members opposite would open their ears and close their mouths, perhaps they would learn something.

Mr. Speaker: Order, please. The hon. member for Skeena (Mr. Howard) has the floor and is addressing the House on a motion that is legitimately before the House. The hon. member should be given the opportunity of making his presentation. There are so many conversations going on at the present time, even as I am trying to bring order to the House, that it is difficult for the Chair to follow the hon. member's speech.

Mr. Howard (Skeena): I had noticed that fact myself, Mr. Speaker. I did not want to comment on it or to do anything embarrassing, because the great bulk of these conversations come from gentlemen in the Liberal benches opposite, which is an indication that they are not interested in the subject matter under debate.

Mr. Prud'homme: What is the subject under debate?

Mr. Howard (Skeena): If my hon. friend will listen to the telegram, I will read it. To the parliamentary secretary let me say that, unlike him, I have not stood in this House, as he did the other night, and told a deliberate falsehood about manpower figures. However, I do not want to digress.

Some hon. Members: Oh, oh!

Mr. Howard (Skeena): Obviously, even Your Honour is held in great disrespect by hon. gentlemen opposite.

Some hon. Members: Hear, hear!

Mr. Howard (Skeena): They are even applauding that remark Mr. Speaker.

[*Translation*]

Mr. Speaker: Order. The parliamentary secretary to the Minister of Manpower and Immigration rises on a point of order. However, before recognizing him, I should like to remind hon. members that it would be preferable that the conversations I now hear on both sides of the House be carried on behind the curtains. It is extremely difficult to follow the debate when the members are busy talking.

The hon. parliamentary secretary now has the floor.

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Manpower and Immigration): Mr. Speaker, I rise on a question of privilege.

I can understand why the hon. member wants to have as many falsehoods as possible appear in *Hansard*, but I should like him very much to tell the House where, when and how I have misled the House in answering a question?

[*English*]

Mr. Howard (Skeena): That degree of sensitivity indicates guilt to me, Mr. Speaker.

Some hon. Members: Oh, oh!

[*Translation*]

Mr. Speaker: Order. The hon. member rises on a question of privilege.

Mr. Prud'homme: Mr. Speaker, I understand that my arrogance will never equal that of the hon. member and I simply wish to point out that he is deliberately making an untrue statement when he says that I have attempted to mislead the House the other day by quoting some figures. I think that the hon. member—

[*English*]

Mr. Speaker: Order, please. The hon. member for Skeena is suggesting that the parliamentary secretary has deliberately misled the House. He has, of course, no right to say that. It is unparliamentary. The parliamentary secretary has said that the hon. member has deliberately misled him and the House. I wonder where this kind of exchange is leading. I suggest to the hon. member who has the floor that he should try as much as possible to concentrate on the motion.

It was my impression that this was an important matter and that the hon. member might want to deal with the report that he has moved. I suggest that he has no right to suggest that the parliamentary secretary or any other member has deliberately misled the House. I repeat, that is entirely unparliamentary and the hon. member has no right to say it. In the same way, the parliamentary secretary has no right to say what he said. I would invite both hon. members to keep that in mind, and I suggest that at this point we should return to the motion before the

House, which some time ago I thought had to do with an important report about which I have not heard very much during the last few minutes.

Mr. Howard (Skeena): The first part of your remarks, Mr. Speaker, was quite correct and I withdraw my reference to its being deliberate. It has been drawn to my attention that I have only a few minutes left, so I will not bother reading the telegram. I was interrupted many times in my attempt to read it. Let me simply say that the response that the principal secretary, or whatever he is called, to the Prime Minister gave to the president of the Indian Association of Alberta was both offensive to and derogatory of the president of the association and contributed to the gulf of misunderstanding, which is a point I also made yesterday.

Let me refer to what the report of the committee is attempting to do, what it is trying to correct, and to put this in general, historic perspective. Indian children have for many years gone through an educational program in which they have been treated to a second or even third-class education since the qualifications of their teachers were of much lower standard than those of the teachers available to the province. Any teacher who could not fit into the provincial scheme by reason of not being qualified, however incompetent they might be as teachers, could always find a haven in the education branch of Indian affairs. That was the situation some years ago.

In many respects the Indian people were punished for using their own language in certain schools that were operated by the federal government. They were given the feeling that as a group of individuals they were inferior. Their needs now probably require a much greater degree of education than the needs of the rest of society in order to counterbalance this inferiority feeling and to assist them to develop self-respect. We must try to establish for them a pride in their inheritance and reverse the damage done by teaching them trades and skills and by giving them the qualifications necessary to take their part in the economic activities of this nation.

The report of the committee also recognized that we must try to depart from the so-called general, white, middle-class standards and values of teachers generally who teach in Indian schools, that we should try to attempt to teach Indian standards to Indian children rather than ignoring them. We should try to teach skills and trades that will reverse and correct a situation where the drop-out rate among Indian school children is now four times the national average. We must try to correct a situation where 50 per cent, to use a general, rounded figure, of the adult Indian population is unemployed and unable to find work.

I do not want to go through the committee's report point by point, but it does have a number of very worth-while and valuable sections. One recommends that over a phased period of five years we start pre-school instruction to children in the three-year age group, recognizing the necessity for bending over backward to ensure that the younger children are fully prepared to enter the educational system proper. It also recommends that language instruction at the pre-school level and in the first and second years of primary school should be in their native tongue initially, with either English or French as the secondary language, and that the curriculum in the federal program should include and emphasize more the question of Indian history, the question of Indian culture, its music, its art and its value system in order to instil the degree of pride which is necessary. Another section of the report relates directly to the decision of parents who keep their children out of school. It reads:

[Mr. Speaker.]

• (2:50 p.m.)

—the government must immediately and in full consultation and partnership with the Indian and Eskimo people of Canada develop a federal education system as free from the deficiencies afflicting our present program as is humanly possible, and to this end your committee recommends—

Then they make certain recommendations which are contained in the report. People in a free society—this is what Indian people are in theory—can advance and be free only if their institutions are free. They can develop self-respect only if they are shown self-respect; for example, if the educational system in which they work and learn promotes the concept of self-respect. The Indian people have been the group most disadvantaged and discriminated against in Canada's history. The government, with its preoccupation about other matters, refuses to recognize the cultural and aboriginal rights of the Indian people and attempts to fit everyone into a slide-rule school. As I have said, the minister is a decent guy—but why doesn't he try to do some decent things?

Mr. Paul Yewchuk (Athabasca): Mr. Speaker, it gives me a good deal of pleasure to rise in support of the motion of the hon. member for Skeena (Mr. Howard). The report in question was studied by the Standing Committee on Indian Affairs and Northern Development. After the hearing of many witnesses it was unanimously agreed to by the committee. I am anxious to hear the comments of members on the other side of the House on this question.

I believe it is fair to say that in a few areas this government's notion of a just society is a shambles and a farce in respect of the native people of Canada. In its insensitivity and basic intention, the government has attempted to impose upon the native people policies which do not meet their real needs or their legitimate aspirations. This approach and lack of action has been confirmed by the failure of the government to engage in genuine consultation with representatives of the native people and to develop a substantive program to help overcome their many difficulties.

I think it is fair to say that 15 or 20 years ago it was thought that integration of Indian students with students in our urban or large centres was perhaps the answer and would produce a significant number of Indian graduates. I think 15 years ago the Indian people themselves thought this might be the solution to an educational program which previously had not been successful. However, after a trial period—and I believe 15 years is a reasonable period—of attempting to integrate Indian students with other students in our schools this program has proven to be a disaster. We need only consider the number of drop-outs of Indian students. When we see a drop-out rate of 94 per cent this is in no way an indication of a successful educational system. I think we can also say with some degree of assurance that the present policy of the government in no way promises to relieve this problem.

Mr. Speaker, I have met hundreds of Indian people. I have been in their homes, in their community halls and other places. Some of the meetings were attended by 100, 200 or 300 people. On these occasions one could look around and ask oneself how many teachers, engineers, lawyers and doctors were in the group. One might ask oneself how many of these people got past grade 12 or even grade 5.

Then one must ask the reasons for this. The reasons are, obviously, that the solutions so far put forward have been an absolute failure from the point of view of graduating Indian students into the professions I have mentioned. Some people in the past have expressed their discrimination against Indians by suggesting that the fault lies with the Indians themselves. They suggest, also, that perhaps Indians do not have the intelligence, that maybe they do not have the desire or the ambition. I think this kind of answer is too easy and too slick and it is not true.

Mr. Alexander: You are right.

Mr. Yewchuk: I think it has been shown by many research people that the intelligence of the average Indian is no different from that of the average person. Given the fact that their intelligence is the same, we must accept the fact that the Indian people are interested in sending their children to school in order that they may obtain the education necessary for them to enter the professions and trades in order to look after themselves and their families. Given that situation, we must come back to the question of why they are not getting through school.

The answer, obviously, is that there must be something wrong with the system to which they are exposed. What is wrong with the system? It could be that these people have never been meaningfully involved in the system of education. We might consider the fact, for example, that in some parts of the country the Indian people cannot sit on school boards. This means that they have no influence over the kind of teachers hired or the kind of curriculum to which students are exposed. In general they have nothing to say about the subject matters which might be of interest to students.

As a result, the Indian people over the past few years have said, "This is enough," since they have suffered this kind of injustice for 200 years or more. They say it is time they took things into their own hands. I think that is fair enough. They say to us that we have been running their educational system for 100, 200 or 300 years and it has been a complete failure in respect of Indian students graduating from school.

They also say they want a chance to do it their own way. They want to have a say in who the teachers are. They want to screen the teachers in order to see whether there is the kind of prejudice which would make them unsuitable for teaching their children. They want to know whether the teachers have an understanding of the Indian way of life, so that they may be effective in an Indian community. The Indian people want to have an influence on the kind of curriculum their children are exposed to. They want to ensure that there are none of the old prejudices against Indians such as we read of in textbooks which portray the Indian as a savage, lurking around in a loincloth with feathers on his head. This is still the kind of image that many of our books depict about the Indian population. Just imagine your child, Mr. Speaker, seeing portrayed in his school this image of his father and grandfather. I think it is very easy to understand that it is a degrading experience for a child to have this kind of image wrongly and constantly portrayed.

• (3:00 p.m.)

We had some success a year ago in the area of giving Indian people a little more say in their educational system. The school at Blue Quills, northeastern Alberta, was turned over to Indian control on an experimental basis. An education council was set up by the Indian people which is the equivalent of the school board and has had complete control over this school for the past year. They are now in their second year of teaching and I think I can say with assurance, after talking to some of the teachers, to some students and to some members of the education council, that it shows great promise. Innovations brought in by the people who are directly involved have already, in such a short time, shown evidence of tremendous progress in the education of the students who are attending the school.

Some hon. Members: Hear, hear!

Mr. Yewchuk: Let me turn for a moment to the strike which is now going on in northeastern Alberta, at least technically if not in fact. I think this is one of the greatest blots on the performance of this minister.

Mr. McCleave: Hear, hear!

Mr. Yewchuk: The signs of discontent were there a year ago because the Frog Lake Indians pulled their children out of school for a week or two as an indication that they were serious about wanting better facilities with which to educate their children. They wanted the things which I have been discussing. But the minister paid no attention to them. The strike was ended but the situation brewed for another year.

Some hon. Members: Shame.

Mr. Yewchuk: They wanted to give the minister another year to negotiate, to try to communicate with him and to make him understand the problem. They wanted him to agree sincerely to try to do something about the problem. No progress was made. I think this is unfortunate.

The chiefs and the people of the three reserves involved feel that it is most unfortunate that before this government listens one has to resort to civil disobedience. Civil disobedience is the only thing which made this minister notice that there were Indians in northeastern Alberta. I think this is a shameful record.

In raising in the House the matter of education in northeastern Alberta on many occasions we tried to point out to the minister that settling this question at the beginning of the strike would have been a simple matter. All the Indians wanted at that time was for the minister to go down and say to them sincerely, "I see that you have a serious problem and I will try to do something about it".

Mr. Chrétien: Not true.

Mr. Yewchuk: That is what they wanted him to do. But he refused even to talk to them. He refused to acknowledge the fact that there was a problem.

Mr. Chrétien: Don't mislead the House.

Mr. Yewchuk: He simply said, "You are a bunch of blackmailers". That was his response and I think it is shameful. To get a little closer to what has been happening in the last two days with regard to blackmail, I say that if anybody has been guilty of blackmail it is the minister, because he has given his assurance to the Indian Association of Alberta of participation in certain projects such as the educational cultural centre which was constructed 40 miles west of Edmonton. This was approved by the cabinet. The Indian Association of Alberta spent approximately $160,000 in research and development for this project and then they waited for the rest of the funds. They hired academics, consultants, and so on, and when the time came to pay them there was no money to do so because the minister had changed his mind. He said that the government had not yet decided whether they were going to go ahead with this project.

I point out, Mr. Speaker, that the $160,000 spent on this project was money allocated by the department. So there seems to be a discrepancy there. In view of the telegram sent by the Prime Minister's secretary, to which the hon. member for Skeena referred, there is no doubt in my mind that what the minister was saying to the Indian people was, "If you want to get your money you had better send your children back to school". If that is not blackmail I do not know what is.

There were a couple of other programs for which money was not forthcoming as promised. I am referring to the sports program which was designed to develop athletes among the Indian population for competition in the Canada Games and even possibly in the Olympic Games. The funds for these programs were withheld. There was a joint program between the government and the Indian Association, namely, the community development program. Funds for that were withheld. I should like the minister to explain the reasons for withholding these funds.

Mr. Alexander: The minister is not listening.

Mr. Yewchuk: To take the matter a little further, the Indian people were at all times willing to negotiate with the minister and to prove this point they appointed two mediators, one from Ontario and one from Manitoba. These mediators succeeded in arranging a meeting between the chiefs from northeastern Alberta and the minister. The meeting took place. The purpose of the meeting was to have a preliminary discussion on how the problems could be resolved. The chiefs came to the meeting keeping in mind that it was to be a preliminary discussion. What did the minister do? He went there with seven or eight of his advisers and made a settlement with one of the chiefs from the smallest reserve, the one with the smallest demands. By this method he managed to drive a wedge into the strike. He sent the children of one reserve back to school and on the heels of that action the strike quickly broke down.

I was glad to see the Minister of Labour (Mr. Mackasey) sitting with the Minister of Indian Affairs and Northern Development (Mr. Chrétien) a few minutes ago because the Minister of Indian Affairs and Northern development referred to the strike as being blackmail. I hope that he had a chance to consult with the Minister of Labour on his view that the strike was blackmail, because how does this strike differ from any other strike?

The minister said he would not talk to the Indian people because if he did, all the Indian people in the country would go on strike and make all sorts of demands. This is possible and it might be a good idea. What is wrong with a strike by the Indian people to achieve that which they feel is necessary for themselves and their families? I cannot see how that can be more wrong than a strike by the postal union, by the farmers union or by any other union. This is simply one of the methods used in our society to help achieve settlement in areas where one is not forthcoming by any other method. It is a democratic method and I support it wholeheartedly.

I want to make a few more references to the fifth report of the Committee on Indian Affairs and Northern Development. What does it actually say? It reads in part:

• (3:10 p.m.)

—that something was drastically and basically deficient in an education system or systems with a school drop-out rate of more than four times the national average serving a population of which 40 per cent to 50 per cent of the adult males were unemployed or underemployed—

In the last couple of months, Mr. Speaker, there has been a great fuss in this House about a national unemployment rate of 7 per cent. The Indian people have been living with an unemployment rate of 40 per cent to 50 per cent, and in some communities it is 90 per cent or 100 per cent. Nothing is being done by the minister to solve this problem. He simply says, "We are doing what we can and some day we will solve it." That is not good enough.

Over the past three years the government verbally has indicated some good intentions. Members of the government told the Indian people that they wanted to talk to them, that they wanted the Indian people to tell them what they desired in order that the government could develop appropriate policies. Consultations were held with the Indian people and the government brought out a white paper—but it bore no resemblance to what the Indian people had requested during the consultative meetings.

Mr. Chrétien: You supported it in this House.

Mr. Yewchuk: One of the policies brought out by the minister was that the education of native peoples should be turned over to the provinces. I want to point out to the minister that this was not one of the demands of the Indian people. The committee studying this matter heard hundreds of witnesses from all interested organizations, Indian and non-Indian, teachers, students, parents, chiefs and braves. Anybody who wanted to say something had an opportunity to speak to the committee, and the committee in its report said:

The policy of the Department of Indian Affairs and Northern Development to drive towards the transfer of the educational program to the provinces was encouraged by the policy paper issued by the government, on Indian affairs, in June of 1969. The committee has noted both in testimony received by the committee and during visits to Indian and Eskimo communities a unanimity of Indian opinion that no transfer of Indian children into integrated schools or into provincial schools take place except with the

consent and at the request of the majority of Indian parents in the communities concerned.

It also said:

In those schools remaining under the control of the education branch—

Which is in the vicinity of 35 per cent of the schools.

—the committee believes that the objectives of the federal schools should be the creation of models of excellence which will furnish to Indian and Eskimo young people an education which will provide to them equality of opportunity and the ability to be employed at every level of the economy of the regions in which they live.

Just to touch on some other points, I think it is fair to say that the crux of the whole report is contained in the following phrase:

That the government should continue its policy—

I do not believe it is the policy at the present time: unfortunately, this wording is not exactly right.

—that no transfers of education programs from the federal level of provincial systems take place without the express and clear approval of the majority of the parents in each community concerned.

I must take issue with the report in this respect because it says that the government should continue its policy that no transfers be made. This is not the government's policy. If it were, there would be no strike in northeastern Alberta. I remind the hon. member for Rocky Mountain (Mr. Sulatycky) that the strike there is because the Indian people refuse to have their children transferred to schools situated in larger towns off the reserves. The strike started because the government would not co-operate with the Indian people in achieving their desire to have the schools on the reserves improved and updated. So, Mr. Speaker, this is an inaccuracy in the report. The report also makes reference to cultural and language instruction. It recommends:

That all curriculums within the federal program be revised to include:

(a) Substantially more Indian history including Indian contributions to the economy, science, medicine, agriculture, exploration, etc.,

(b) Special courses in Indian culture, music, art, handicrafts, etc. and that pressure be brought upon the respective provincial systems to inaugurate similar reforms wherever Indian children are being taught.

The report recommends that language instruction policies should be reviewed. It says:

That the language of instruction at the pre-school level and up to the first or second year of primary school should be in the language of the local Indian or Eskimo community with secondary and tertiary languages English and/or French being introduced gradually through the pre-school and primary period and that courses linked to the local Indian or Eskimo culture continue to be taught in the local language throughout the primary level of school.

This is a very important matter because in many cases Indian communities are isolated; the children have not been taught either English or French. When they go to school their entire day is spent in learning English or French and as a result they lose a year or two because the first couple of years are taken up in their attempts to pick up the language of instruction. The children become discouraged because listening to a language they do not understand does not stimulate their interest sufficiently to create the proper motivation for them to stay in school as long as they should. I would refer hon. members who wish to know about the rest of the recommendations of the committee, to *Votes and Proceedings* of June 30, 1971.

I want to conclude by saying that because of poor planning, insensitive programming and severely limited opportunities, the standard of education available to most of the native peoples of Canada is abominable. Ninety-four per cent of the Indian and Eskimo children drop out of school before they reach grade 12, and the federal government is apparently attempting to phase out its program of support for Indian and Eskimo students who reach university. This is a disgraceful situation. It is in large part the result of the imposition on the native peoples of an educational system which is foreign to their culture and which does little more than cultivate alienation, frustration and resentment.

I would strongly recommend the establishment of a special task force, under the direction of qualified native people, which would develop teaching programs, curricula, text books and teaching aids which are relevant to the needs of and sensitive to the way of life of the native peoples. I would also support the establishment, wherever appropriate, of school boards composed entirely, or in large part, of the native peoples themselves with the power to hire teachers, design curricula and make similar decisions. Such school boards for the first time would involve the native peoples in their own educational programs and would greatly contribute to making their education more relevant and attractive to them.

Finally, Mr. Speaker, I wish to make one or two comments about the minister, who seems to be losing interest in my remarks. I feel that he is not responding to the needs of the native peoples. He will not talk to the people whose affairs he is supposed to administer. It would be an understatement to say he has lost credibility with the native people. Therefore, I think he should be replaced. I think that the minister should be replaced by the minister responsible for housing. I have spoken to Indian people and they tell me they have had dealings with that minister, that he is a minister they can trust and that he understands their problems with more sympathy than the present minister. Therefore, Mr. Speaker, I recommend that to the Prime Minister (Mr. Trudeau) before he loses more credibility than he is at present.

• (3:20 p.m.)

In conclusion, government policy which seeks to achieve a healthy, productive and economically secure life for the native people of Canada must respect their cultural heritage and aspirations. The Canadian Indian must be free to choose to live in or away from his native community without prejudicing the opportunities available to him to enjoy the standard of living and quality of life of other Canadians. In the formulation and operation of such policy our native people must be fully consulted and involved. The obligations of history must be met in a new approach to the problems of the native people of Canada, an approach which is sensitive, fair, constructive and is developed in active partnership with them.

[*Translation*]

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, for the past one and a half hour, we have been hearing discussions on Indian affairs in Canada.

I have been listening carefully to the hon. member for Skeena (Mr. Howard) who has raised the matter of the report of the Committee on Indian Affairs and Northern Development, as well as to the hon. member who has just resumed his seat.

I sincerely believe that the Indian problem is one of the most serious. I would even say that it is too serious to be made the subject of a political game in this House, and that we should not use the Indians as a political balloon. It is nice to say, for the record and for newspapers, how much we are concerned with Indians and Eskimos, but we should still keep a certain sense of honesty.

Last year I had the opportunity of going to Yellowknife where some Indians met the Minister of Indian Affairs and Northern Development (Mr. Chrétien). I am not here to commend or flatter the minister when there is no reason for it. But last year when I went there, I noticed that the minister was seriously looking into problems met by Indians in northern Alberta and elsewhere in Canada. And I must say it publicly.

In the House reference is made to Indians in order to prove that the government has done nothing for them. Some members even attack the government, blaming federal officials and claiming that only one political party is on their side, etc.

Mr. Speaker, we have had enough of this political clowning. Indians deserve much better treatment than what they are getting nowadays in the House of Commons.

Last week while in Edmonton I was invited to appear on the Dave Ward show. Mr. Dave Ward, coming from an Eskimo family, discussed the Indian-Eskimo issue in Canada. These people are not asking us for our culture but rather want us to help them keep their own. They ask us permission to be themselves.

People say that Indians do not go to university, do not become lawyers, doctors or chartered accountants. However, those who want to become lawyers or go to university can do so. They are not forced to do it. It would not be a good thing to make it compulsory.

Eskimos and Indians in my area travel from the northern reaches of Hudson Bay by plane at the government's expense, to study in Rouyn-Noranda. They have no obligation but they are told: If you want, come. Those who are willing to study can do so. As for those who do not wish to study, let us help them remain where they are and keep on fishing and hunting.

I was listening recently to a program televised from Winnipeg during which I heard an Indian from northern Manitoba who was working in a plant in Winnipeg say that he was not interested in working there. He wanted to be able to live at home, in the woods and close to a lake, fishing and hunting because he has been brought up this way, this is his culture, what he has been trained for.

I understand that thousands of dollars are granted every year to Indians to help them live in suitable dwellings in northern Canada. There are certainly shortcomings. Nothing is perfect. If the progressive Conservatives are so kind to Indians, why did they not settle the Indian problem when they were in power?

When the right hon. member for Prince Albert (Mr. Diefenbaker) who is sitting over there, was Prime Minister, people wearing feathers on their head sat in the galleries to protest against the government not taking action in the area of Indian affairs. Nothing could be done at the time but today they want to blame the whole thing on the Minister of Indian Affairs and Northern Development saying that he is inefficient and should be replaced by the Minister of State for Urban Affairs (Mr. Andras), or by the Minister of the Environment (Mr. Davis). While we are about it we could replace him by just any one at all. It would not improve matters one whit.

Let us at least be objective. Let us make suggestions. We are dealing with education. There is an education problem. Are any of our teachers, whether from Ontario, Alberta, prepared to go and teach in the north of Manitoba or Quebec or wherever? It is a problem of teachers.

• (3:30 p.m.)

I think that instead of interfering to such a degree in the field of Indian education, the government should have left that to the Protestant and Catholic missionaries who looked after almost all Indians a few years ago and gave a better education than any government could give. Moreover, the missionaries were on the spot the year round. But they were left out. It would have cost much less to the government to help those missionaries—either Catholic or Protestant—who were ready to serve all Indian and Eskimo families. But we discouraged them, forced them to leave and replaced them by bureaucrats whose work is unsatisfactory most of the time because of their inefficiency.

I should like to repeat what Mr. Dave Ward said last week in Edmonton: "We do not ask you to give us your white culture. We do not want to become white people; we want to stay as we are. We do not want anything to be forced upon us. We want to be free; that is all we ask."

But in the House of Commons, for God's sake let us stop fooling with the Indian or Esquimo people and using them as a political stepping-stone to serve the political interests of some people. When a member rises in the House to say he is the only protector of Indian and Esquimo people, the only one to know the Esquimo problems, I feel disgusted. Truth still has its rights as well as honesty.

It is a good thing to make suggestions to the hon. minister. Should the hon. minister blunder, let us tell him. But let us not use the Indians in order to say: Listen, the Progressive Conservatives are better than you Liberals. The New Democratic Party members are superior because most of them are Indians.

The Indians can be used to serve one's petty political interest. In my opinion, the debate should be upgraded and not downgraded. We should offer logical suggestions. I repeat that I think the most logical suggestion was made last week by Mr. Dave Ward when he said that we should enable Indians who want it to further their education and those willing to remain as they are to keep on being hunters, fishermen, trappers and craftsmen. We should

help them be themselves and not force them to be like us. This is what they want.

I therefore invite the hon. minister to consider not only the economic aspect, but also the social and cultural aspects of the Indian and the Eskimo situation, so that they feel more at home in Canada since, after all, they are similar to us and are living in the same country. Let us treat them as they want to be treated and let us stop blindly blaming those people who at least have the decency of doing their utmost to improve the plight not only of the Indians and the Eskimos but of the whole Canadian population.

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, I would like first of all—

Some hon. Members: Oh, oh!

The Acting Speaker (Mr. Laniel): Order, please. I think the minister should be allowed to make his speeches.

Mr. Chrétien: Mr. Speaker, I would like first of all to congratulate the hon. member for Témiscamingue (Mr. Caouette) for the courage he displayed in conveying his opinion whilst endeavouring this afternoon to raise the debate above petty politics.

I think it is most unfortunate that people would use this most difficult social problem in Canada for partisan politicking.

Since 1968, we have had hundreds of meetings and consultations with Indians. I have not taken the initiative of inviting members of the opposition to attend them.

When I was in the constituency of the hon. member for Skeena (Mr. Howard) I invited him to accompany me to the meeting even if he is a member of the opposition so he could discuss with the Indian population.

When I was in the northern part of Alberta I invited the hon. member for Athabasca (Mr. Yewchuk) to come and discuss with the Indians.

It is a shame today to see those people stand up and try to—

[*English*]

Mr. Yewchuk: On a point of order, Mr. Speaker.

The Acting Speaker (Mr. Laniel): Is the hon. member rising on a point of order?

Some hon. Members: Oh, oh!

An hon. Member: He can't take it.

Mr. Yewchuk: Mr. Speaker, perhaps I did not hear the minister correctly. He says he invited me to a meeting somewhere. I deny that I received any invitation from him.

Some hon. Members: Oh, oh!

Mr. Chrétien: Mr. Speaker, the problem of the hon. member for Athabasca is that he is always late. Last week he came in the House and asked a question relating to a problem in his own riding. The kids were already back at school and he was not even aware of it.

Some hon. Members: Hear, hear!

Mr. Yewchuk: Mr, Speaker, I rise on a question of privilege.

Mr. Chrétien: This is debate.

Mr. Yewchuk: After the minister made that comment in the House the other day I went to my office, made a phone call to the reserves involved and learned that the kids were not at school.

Some hon. Members: Hear, hear!

Mr. Danforth: The minister should get his facts straight.

Some hon. Members: Oh, oh!

The Acting Speaker (Mr. Laniel): Order, please. I think the minister should be allowed to complete his remarks.

Mr. Woolliams: He should stick to the facts.

The Acting Speaker (Mr. Laniel): The point the hon. member for Athabasca raised was a point of debate. I do not think it was a question of privilege. If hon. members raise points of order or questions of privilege every time there is a difference of opinion, the House will not make any progress in its debates. Different interpretations might be put on statements of fact by various members of the House. If an hon. member is not satisfied with something another hon. member has said then, as long as the original remarks do not reflect personally on the hon. member, the hon. member who is not satisfied should seek the floor on another occasion and express his opinion.

Mr. Chrétien: Mr. Speaker, of course not all the kids were back to school. Yet 92 per cent of the kids at Saddle Lake are back at school, and all the Keeheewin kids are back at school. The kids at Cold Lake are not back in school. That means that 1,000 out of 1,275 are back. From the beginning I wanted to settle the strike and I want to tell the House today that the kids were on strike before I received any news or any demands by the Indians. I myself sent, in September, with the agreement of the Indian Association of Alberta, a representative there. He was supposed to be there in good faith. That is how it was accepted in my office by the parties. This representative, one of my assistants, went there to visit the northern reserve. When he arrived in Edmonton the same people who had agreed to have him go there and investigate facts had a demonstration against him at the airport. This is purely and simply politics of the worst type. This man had gone in good faith. He went to the reserve and when he came back he made a report to me. Within three hours of getting that report I gave orders to do what had to be done at that moment.

I said to the people of the Keeheewin reserve, "It is true; you need a new kindergarten and you will get it." Three hours after I received the report I said that. I sent them a telegram and told them that they will have up to grade 3 schooling on the reserve. That is what I decided three hours after I received the report. But the same people from the Indian Association of Alberta told them not to accept what we were doing because it was purely piecemeal. When I met the chief of the Keeheewin, Chief Gordon Young Chief, a good chief, he asked of me, at the meeting in Winnipeg that hon. members referred to,

exactly what I had offered him on October 5. However, people were using the chief to play politics, and that is why I shall go before the committee tomorrow and give all the facts. We should nt play politics with this problem. It is too important a problem.

I have visited Indians in all the provinces and in all the different parts of Canada. I have visited all the Eskimo and Indian settlements in the Northwest Territories and the Yukon never before visited by a minister.

Mr. Woolliams: Surely that is not correct.

Mr. Chrétien: I sat with the Indians for hours and hours and listened to them. But the problem is very difficult; the problem of education is the most difficult problem. It is the government that has asked the Standing Committee on Indian Affairs and Northern Development to look into the question of education. They prepared a report which we received on June 30. An order of the House was given to the committee to look into this matter. We received the report a few months ago. We are studying it. There are many good things in the report. The members of the committee have done a hell of a good job. They did not act in a partisan way. I congratulate them for the good work they have done.

• (3:40 p.m.)

Some hon. Members: Hear, hear!

Mr. Chrétien: I have said many times, as the hon. member for Témiscamingue (Mr. Caouette) said, that what the Indians want is to be socially and economically equal in Canada and culturally different. The government is not shy when it comes to admitting that it is trying to find more money for cultural centres for the Indians. We want to do something. However, we cannot spend millions of dollars without developing some criteria and rules for the administration of those moneys.

Some hon. Members: Hear, hear!

Mr. Chrétien: Most of the Indian associations in Canada are very responsible. They are doing a good job. They try to do something good for their people. However, rather than negotiate with me in my office or elsewhere, some prefer to state their case over television. If they want to do it that way, that is their problem. However, that is not the way to do it. They say they are unable to meet the minister. They say they appeared over television because they did not receive a phone call to attend a meeting. They say they were not involved in the strike.

I stopped in Winnipeg. I am not shy. I said I would not meet the chiefs of the reserves because in conscience I was not satisfied that the purpose was to solve the problem. They only wanted to use these poor Indians of northern Alberta to serve their own purposes.

I hope that members will not only question me in committee tomorrow but will question the operations on the other side of the coin. I think some people are trying to develop some sort of bureaucracy of their own.

I talked to the chief of the Keeheewin reserve. I told him that I recognized there were many problems on his reserve. I asked him to tell me how many times the community development officers, who are paid by the Indian Association of Alberta, visited his reserve to help him. He replied that they had never been there. We have negotiated these agreements with the Indians in that province in order to give them an opportunity to run some programs. This was not to help them sit around in offices in Edmonton dreaming up strikes but to go into the field and do the work for their people.

Some hon. Members: Hear, hear!

Mr. Chrétien: This is the point that must be clarified. There are people who play politics and try to leak documents. I have nothing to hide. I said that yesterday. I volunteered to appear before the committee to explain the policies because I want this House to understand that this is the most difficult social problem that we have in Canada. We should not play politics with it. I am willing to open all the books.

Some people complain because committee meetings have been cancelled. I agree that one committee meeting was cancelled but another subcommittee was working during that time. The work was proceeding. Some people play politics, but we have not stopped working. I am responsible to all the Indians of Canada and all the Indian associations of Canada. I will not give premium to irresponsibility. I will not put grease on the squeaking wheel. In carrying out my duty I hope to treat all the Indian associations of Canada on the same basis.

Some hon. Members: Hear, hear!

Mr. Chrétien: Over the years we have done a lot to try to solve the problems of the Canadian Indians. We have tried to solve some of the problems. What makes me angry is that a member such as the hon. member for Athabasca (Mr. Yewchuk) should stand in his place and accuse me of forcing the Indians to attend a provincial school in Alberta when I know that agreements were signed in 1961 when the hon. member's party was in power.

Some hon. Members: Hear, hear!

Mr. Howard (Skeena): Not in British Columbia.

Mr. Chrétien: I am talking about Alberta. I will come to British Columbia later. When we introduced our policy in the House on June 25, 1969, all the members of the opposition said that it was a hell of a good policy. Speaking for his party, the hon. member for Skeena (Mr. Howard) said there was only one thing wrong with it; it was 25 years too late.

Mr. Howard (Skeena): That is not true.

Mr. Chrétien: Take the heat a bit.

Mr. Howard (Skeena): You know that what you are saying is not true. Check the record. Tell the truth.

Mr. Chrétien: We are trying to solve the problem but it is difficult. Less than three weeks ago I was in New Brunswick. I met with two different bands. One chief wanted his own school on his very small reserve. The other band wanted to go into an integrated system. I looked into the problem of the band that wanted its own school. The chief was not satisfied because the provincial government was not doing a fair job but that can be corrected. I think the

fact that the children in northern Alberta are attending a provincial school is not the problem. It is because they are not welcome in the provincial school. The hon. member for Athabasca should speak to his own provincial government to get them to do something about this.

Some hon. Members: Hear, hear!

Mr. Chrétien: I have tried to keep the debate above politics. I will keep it that way.

Mr. Nesbitt: It is good that you have a little humour in your speech.

Mr. Chrétien: I want to state the facts. Some people try to create the impression over the CBC that they will not accept any more money. I know these same people were in the offices of other ministers trying to get some money not later than yesterday. They would like to have money for which they will not be accountable. As a minister of the Crown I cannot accept that concept. We should sign agreements with the Indians but they should be treated like other people. They should provide us with the accounts we require after they have received the money.

I am unhappy because many of these problems have built up over a long period of time. I kept quiet about them. However, people living in glass houses should not throw stones. I think it was a shame that those who appeared on the program last Sunday tried to create the impression that they would not accept money from us. They were referring to money for which they are accountable, not money for which they are not accountable.

• (3:50 p.m.)

I think that when we are contracting with any organization in the land we should apply the same financial rules as to all other organizations. One of my fears is that in a controversy of this sort, when some are playing too much politics, it may harm a lot of other Indian associations in Canada who are doing a damned good job, associations which try to accelerate improvements in their educational facilities through consultation with the provinces and the federal government. I hope that because some people are trying to play politics with this subject we shall not harm the work of those engaged in these organizations, people who have acted very responsibly. What I see at the moment is this: there are some who are finding a new way of building their own little empires without taking into account the best interests of their own people.

When it is said that I used these Indian centres as a carrot on a stick in the Alberta situation, I disagree. Let me tell the House the facts. They said they had that document in their possession in September. In September there were only 250 children, more or less, on strike. The bulk of them were on strike in October. The Saddle Lake people, 1,000 of them, went on strike on or about October 15. So probably a month earlier they had this document which was alleged to have been leaked to them. The strike took place after they had this document, according to their own story. It is a pure lie that we tried to use these centres as a carrot on a stick.

I had occasion to meet with the association at the end of September when we discussed the situation in Alberta. Nobody talked to me at that time about the cultural centres situation. Nobody from there since that time has talked to me about it. I heard that from the Indian Association of Alberta over television. When I met them in Winnipeg they did not raise that question.

It is said I went there to impose my own solution. That is not the case. I listened to them, and what Chief Gordon Young Chief asked me at that meeting was exactly what I had offered him on October 5. But there were some who for political purposes told him not to accept it at that time. That is a shame, because the children have lost one month of schooling.

I have said I will never accept the practice of putting pressure upon the government by using their children in an effort to achieve their goal. Everyone in the House should support that position.

Some hon. Members: Hear, hear!

Mr. Chrétien: If you let that happen one never knows what will be the result. I well know that Indian children in our society are sufficiently handicapped as things are at present and that they should not lose even one day of schooling. Even though we may think our behaviour is very good I know well that the Indian children are often not welcomed in our society. Rather than play politics with this subject the hon. member for Athabasca should talk to the people of his province to make them aware of the problem and make sure that the children are all welcome in the schools and elsewhere.

Some hon. Members: Hear, hear!

Mr. Chrétien: Members opposite thrust out great ideas. The hon. member for Athabasca said we should set up Indian school boards. Mr. Speaker, I have already started that process even in his own area; the Blue Quill School is administered by the Indians, and it is the first time in the history of Canada that such a thing has happened. Now I am working on a similar program in northern Saskatchewan.

An hon. Member: It was after another strike.

Mr. Chrétien: That is the kind of mistake the Indians made too. I did not agree because of the strike but because the proposal was a good one. I was not impressed for a minute by the strike. I looked at the suggested solution and I accepted it because it was a good solution, not because of the strike.

Some hon. Members: Hear, hear!

Mr. Chrétien: But some of the Indians thought the strike was a good tool and they tried it this year once again. But this time the solution was not the right one. I do not think we should keep the Indians on the reserves and not permit them at an earlier age to be with the other students of Canada. I do not want to force the Indians to stay on the reserves as was the old policy. I want to open Canada to them. I want them to have the advantage of attending the best schools available in the area in which they are living, whether federal or provincial. I am working on a scheme right now under which the white people adjacent to a reserve in one part of Canada will go to school on the reserve—a reversal of previous integration.

Some hon. Members: Hear, hear!

[*Translation*]

Mr. Speaker I think we have done much up to date. I could venture to give figures establishing that we have more than doubled our expenditures with regard to Indians. We went from zero to $1 million to help the Indian Association of Alberta but I do not think this would really bring anything to this debate.

I think the House has lost precious time because we accepted yesterday to appear before the Committee on Indian Affairs and Northern Development tomorrow morning at eleven o'clock. As I said, I have absolutely nothing to hide. We must continue to work and try to improve the condition of the Indians and I hope we will do it in a non partisan way.

We hope that the progress already made will not slow down our efforts. No doubt there exist problems with the education of the Indian population, but as the hon. member for Témiscamingue said a while ago some of them are not ready to accept our education system. Some of them are not too interested in becoming university graduates. We must however continue to try and give to those who want it the possibility of becoming university graduates.

[*English*]

We should look at this problem in perspective. Do not forget that 12 or 13 years ago only 15 per cent of the Indian children were going past grade five. Now they all go beyond grade five. The drop-out problem is in grade 12. Of course it is a bad situation, but we have made a hell of a lot of progress. Thirteen years ago there were virtually no Indians attending universities. This year there are 800 Indians in universities.

Some hon. Members: Hear, hear!

Mr. Chrétien: When we compare this figure with the 400 who attended universities last year, we find the number has doubled in one year.

There is much more I could say along the same lines but I do not feel it would be helpful to do so now. I appeal to Members of Parliament not to play politics with this issue. I am very happy to be Minister of Indian Affairs and Northern Development. It is a tough job. I realize that the Indians had seven ministers in seven years before I became minister. At least I have offered a certain continuity in thinking. But I am not the kind of man who will allow himself to get cornered and who will bow under pressure. It is too bad, but I am not a yes-man. I look at proposals which are made and if they make sense I will approve them. But if they make no sense I shall say no.

Some hon. Members: Hear, hear!

Mr. Chrétien: I have heard people say there is a lack of communication with the Indians. Mr. Speaker, never has there been so much consultation with the Indians as in the last four years. I have attended annual meetings of Indian associations across the land. Sometimes I could not accept because of other commitments—as it happened, one such occasion arose last fall. But we are willing to listen. We are willing to discuss. At some point, though, I think the Indians will have to come up with some solutions and propositions. For example, when the Indian Association of Alberta came here in June, 1970 with their red paper and they made the suggestion that there should be a joint committee of ministers and Indians to discuss all these problems, I agreed. Then they said no, they were not interested any more. So what the hell could I do in a situation like that?

• (4:00 p.m.)

Some hon. Members: Hear, hear!

Mr. Chrétien: I do not think I have been arrogant. I think I am pretty well down to earth and do not fly in the sky too much. But we have to ask people to be reasonable, to make some propositions to us instead of just asking us to give them all the money. If we were sure that the money would be spent well, that would be fine. But what is going to happen if we create a monster as far as the Indians at the reserve level and the administration are concerned? What is going to happen if we have no control? I am not responsible to some of these self-appointed leaders; I am responsible to the Indians at the band level.

I want to decentralize by giving more authority to the bands. Many housing and welfare programs are administered at the band level by Indians in the band, and this does help solve their problems. But we should not be boxed into a situation where we create a bureaucracy between the Indians at the band level and the federal government. We need the Indian associations very badly so we will know what the problems are, and the provincial governments need them too. There should be these pressure groups, not establishments of the kind that they complain we have here. This is why my aim is to decentralize at the band level, because in this way more responsibility is given to the Indians to solve their problems.

I suggest we should not become too excited about those who try to make political mileage out of the situation, who try to create for themselves a good image on television. It is very seldom that the media in Canada report any progress on Indian problems, which does an injustice to the Indians themselves because on many reserves in Canada much progress has been made. Housing programs have been implemented in British Columbia and in Alberta on the Blood Reserve where a prefabricated housing project is under way. In Quebec at Loretteville not one Indian is on welfare. Other Indian reserves are making similar progress. But no mention is made of this; all we hear about is what remains to be done.

I recognize that we have a long way to go, but nevertheless we have made progress. I think this progress has been made by the government and by the House without partisanship so far, and it is too bad that some people have decided to be partisan at this particular moment.

Mr. Robert Simpson (Churchill): Mr. Speaker, it gives me a great deal of pleasure to rise at this point in the debate in support of the motion of the hon. member for Skeena (Mr. Howard) that the fifth report of the Standing Committee on Indian Affairs and Northern Development presented to the House on June 30, 1971 be concurred in.

I have a number of reasons for wanting to speak on this occasion. First of all, may I say we have listened to quite a lecture from the minister—

Mr. Nielsen: A diatribe.

Mr. Simpson: A diatribe, it is suggested—about people not getting political over problems confronting our Indian people. I do not think that any member of this House has deliberately tried to get political on this matter, but the minister for one should not take that attitude. Neither do I intend to enter into the situation surrounding the school strike in northern Alberta nor to comment on the minister's assertion that he felt he was more responsible to the Indian Association of Alberta than to the people of this particular tribe.

My feeling is that when this strike took place and the minister was invited to meet the people on the reserve, the parents of the school children affected, he had every obligation to do so. The minister said that he felt otherwise, that he had no obligation or responsibility to meet that request. He went on to say he should not meet these people until the strike had been settled. I fully realize that the Minister of Indian Affairs and Northern Development (Mr. Chrétien) is not responsible for the actions of his colleagues in cabinet, but it is a little difficult to understand why he feels he should not put in an appearance before a group of people who feel aggrieved until they settle their differences themselves.

As far as the Minister of Labour (Mr. Mackasey) is concerned, there have been many instances of strikes being called and he has decided not to take any action. Similarly, there have been instances where it appears the minister felt that a solution to the strike could be assisted by his appearance, and thus he has taken part in the issue.

How many times have we seen delegations come to Ottawa, line up in their hundreds in front of the Parliament Buildings, and when the television cameras and microphones are ready minister after minister basks in the glory of television coverage as he addresses the assembly? I do not think the Minister of Indian Affairs and Northern Development should attempt to tell the House that he feels ministers should not take part in these confrontations unless the disputants settle their troubles themselves.

The minister went on to say that the government was quite willing to put up money for certain projects that benefit the Indian people but that the government was also concerned about accounting for the money. The government wanted to be sure that all accounts duly authorized were turned in to the government before any expenditure was approved. I would ask the minister and some of his colleagues on the front benches whether they saw fit to do this in some of the fiascos of the Opportunities for Youth program last summer. If a question should be placed on the order paper asking for accountability for all the money spent on the Opportunities for Youth Program, I wonder whether the government could come forward with justifiable vouchers for all those expenditures.

• (4:10 p.m.)

Mr. Guay (St. Boniface): Sure it can.

Mr. Simpson: The hon. member for St. Boniface (Mr. Guay) says, "Sure it can". I would be very pleased to confer with him one of these days to see whether he can give me—I have been waiting for it for some time—information on that subject. The government has not yet been able to come up with an answer.

I am very interested in this motion. I am sure all members of this House who over the years have repeatedly spoken on behalf of our native people fully realize how difficult it is to obtain action in respect of representations which the Indian people of Canada make to their representatives.

The fifth report of the Committee on Indian Affairs and Northern Development deals entirely with the subject of Indian education. In this report we have, I believe, one of the first real breakthroughs to solving most of the problems confronting our native people. On many occasions I have spoken to groups in all the Indian communities in northern Manitoba. As I am sure other members who represent areas in which Indian people live will know, the first thing the elderly people bring to our attention is the necessity for a good education for their children. Immediately I say this I am sure some members who are not involved with these problems day in and day out will ask why, if these people are so interested in the education of their children, we have such a high drop-out rate. This is a good question and it should be answered.

One reason we have such a high drop-out rate is the absolute frustration of Indian children over the years in endeavouring to get an education. All of us know about the system which was in vogue for many years, that of residential schools whereby children were taken away from their parents for periods of up to nine months or more in the year. These children were completely disassociated from their families. I am sure we are all aware of the tremendous frustrations those children faced in being away from their families. Many of them were sent to school at the age of five or six. They left their homes for the first time and in many cases were not even able to understand the English language. In those years this system was not given very much consideration. In fact, as was mentioned earlier in this debate, on many occasions these children were chastised for speaking their own language.

The fifth report of the Standing Committee on Indian Affairs and Northern Development tries very seriously to deal with many of the problems which for years have confronted the Indian people. I shall not go over all the sections of the report. However, I feel it is my duty to point out very clearly to the House, although it has been mentioned before, that one of the important aspects of the report is that which relates to pre-school teaching and recommends that children have a year or two of instruction in their mother tongue, and when they grow older that they not only be allowed but be encouraged to continue in an educational program which deals with their own culture and background.

During his remarks the minister referred to the number of students of Indian origin who are now at university compared to the few who were in that category a number of year ago. He pointed out that this is a great improvement. It is an improvement, but it is not enough. Unfortunately I was called out of the House for the first minute or two of the minister's address and perhaps I missed something. However, I listened to practically all of his speech and heard no assurance that the government plans to implement any of these recommendations in the near future.

Mr. Nielsen: You could have said, "that they would support concurrence".

Mr. Simpson: It has been mentioned that I should have said something about the government supporting concurrence. Mr. Speaker, I think it is a very good conclusion that they will support concurrence, with the minister's recommendation, because the minister said he is not difficult to deal with and is very sympathetic to the problems of the Indians and their suggestions. I hope he is just as sympathetic to the unanimous recommendation of the Committee on Indian Affairs and Northern Development.

A few days ago in the newspapers—these reports have emanated from the front benches and the back benches of the government side of the House—we read the suggestions put forward by the hon. member for Vancouver Quadra (Mr. Deachman) in an effort to project to the people of Canada just how the House of Commons could be made much more effective. His suggestions were based solely on the idea, which as I say has been voiced by many people supporting the government, that the House of Commons should be closed from time to time and that more and more work should be given to committees so that the time of the House of Commons would not be wasted in just listening to debate.

Mr. Drury: Hear, hear!

Mr. Simpson: The President of the Treasury Board (Mr. Drury) says, "Hear, hear". I say to him, through you, Mr. Speaker, that if the government feels it cannot give concurrence to this unanimous report, then on what basis does it feel that more and more work should be passed on to the committees? For the last three years I have said that the committee system in this House is in many ways a farce. The people of Canada are told that we have committees. Many members, representing all parties of this House, put in many hours on committee work. They do a lot of research and attend many meetings. However, this is not the first occasion on which concurrence has not been given by the government to a committee report. In this instance, after doing all this work the committee comes up with a unanimous report to the government and the government refuses concurrence. Therefore I say the committee system of the House of Commons has fallen into very evil days.

• (4:20 p.m.)

I said that I was particularly interested in speaking at this time because the subject dealt with in the fifth report of the Standing Committee on Indian Affairs and Northern Development can be a real breakthrough for the Indian people. Education is the basis for solving their problems. Many of the items mentioned in this report, such as the establishment of day schools in reserves, doing away with residential schools, the establishment of pre-school instruction, allowing the children to be taught in their own language until a certain grade, and the continuation of a well thought-out program taking into account the history of these people and their culture, are so important that I cannot see any reason why the government should not only give concurrence to the report but act on it immediately.

I would like to refer to a copy of a letter which is addressed, I understand, to all or most of the Indian chiefs in Canada. I am not criticizing the letter; I am very pleased that it has been written. It is signed by the Chairman of the Committee on Indian Affairs and Northern Development, the hon. member for Laprairie (Mr. Watson). In one paragraph the chairman writes as follows:

> Although the government is free, under parliamentary rules to accept or reject in whole or in part the committee's report, the fact that the report was unanimously approved by committee members from all political parties obliges the government to give it serious attention.

All he asks for in that letter is that the government give this report serious attention. But it is frustrating and disappointing to all members of the House to listen to what was in my opinion a fairly headstrong lecture by the minister, which took about 20 to 25 minutes, in which the minister failed to indicate to the House the intentions of the government with regard to the report.

The minister said that people should not get political over problems of our native peoples. I think it is good that on their behalf we can get political at times, because if it were not for a great number of people bringing this matter into the political arena I suggest that little or nothing would have been done in the past nine or ten years.

The minister also said that he does not feel he should go out and meet groups of Indian people who have a complaint, unless they can settle differences among themselves prior to his meeting with them. Not many years ago the government produced what was reported to be the government's policy on Indian people. Granted, they said that nothing in that policy would be introduced without full consultation with the Indian people, but they stated very firmly to anyone who cared to listen that those were their proposals and they would not change them. If the minister or anyone else wishes to dispute this with me I would refer, after what has happened in the last week or two when we have seen a number of leaks of government documents, to what was perhaps one of the first leaks of government information pertaining to our Indian people. It happened just months after the issuance of the government's policy regarding Indians.

I raised the matter in the House, as others did. At that time we were in possession of a copy of a contract which the Liberal government had entered into with an Indian person in Calgary. He was under contract with the government to assist the government in finding ways and means whereby the Indian people of Canada would accept the policies of the government. When we brought out these points in the House, at first it was indicated that there was no knowledge of this; but when the government was confronted with a copy of the contract which they entered into with this person, they admitted that this had been so. If memory serves me correctly, we endeavoured to find out how many other people had been under the same type of contract but were not successful in obtaining an answer.

When the minister stands before the House and says that he has nothing to hide, I am not arguing with that. But when he says he is willing to do whatever he can for the Indian people, and the government offers the guaran-

tee that they will not put the proposed policy for the Indian people into effect without full consultation with the Indian people while at the same time they hire undercover people to try to assist them in finding ways and means of convincing the Indian people to accept their programs, then I say that the government is certainly not being fair to our Indian people.

In conclusion I would like to say that the fifth report of the Standing Committee on Indian Affairs and Northern Development deals with a serious matter regarding our native people. Among other things concerning educational matters in the report there is mention of the requirements on television. Again I come back to the words of the minister who spoke before me in this debate and indicated that the government is willing to do whatever it can for the Indian people. The other day I raised this matter in the House. For two successive days I tried to put the question to the Minister of Indian Affairs and Northern Development, and on both days he was in his seat. I was recognized on the third day but the minister was not in the House. Therefore I directed the question to the Prime Minister (Mr. Trudeau).

I asked if the government had any plans to provide financial assistance for the provision of television service to Indian communities with large populations, such as Cross Lake and Norway House in northern Manitoba. I can easily understand that the Prime Minister could not be expected to give an answer offhand at that time and I recall that the suggestion was made that I raise the matter on the "late show." But the least I expected the Prime Minister to do was assure me that he would pass my question to the Minister of Indian Affairs and Northern Development (Mr. Chrétien). I received no such assurance from him. Now that the minister is here, I suggest that he and his cabinet colleagues should combine on many of these matters and try to understand the problems that face them.

• (4:30 p.m.)

I suppose we will have to wait to see if the government will concur in the adoption of this report, but while the minister is in the chamber I would like to point out to him that there are many centres in Canada where Indian people reside in large numbers, and that are not served by television. I am certain that if equal populations of non-Indian origin were living in those centres, some television service would be provided for them. I defy any member of this House to point out other areas of Canada with populations around the 10,000 mark which have no access to television. Although many people complain about the type and quality of television programming, the provision of television service for these centres would be of great benefit, particularly for Indian children.

I have nothing more to say at this time. Mr. Speaker, but I repeat that having listened to the minister's statement I think it is a foregone conclusion that the government will concur in the adoption of this report.

Mr. R. J. Orange (Northwest Territories): Mr. Speaker as a member of the Standing Committee on Indian Affairs and Northern Development which unanimously approved this report, I can honestly say that it is an important document in terms of defining the limitations and strengths of the educational program to be developed in the future for the Indian and Eskimo peoples.

I was taken aback by the approach of the hon. member for Athabasca (Mr. Yewchuk) who attempted to turn the tables on the minister by indicating that school strikes called by Indian parents in northeastern Alberta were somehow related to the problems that the Indian Association of Alberta has with the federal government concerning two particular grants. I do not intend to go into that particular matter but I would like to look back over the few years that I have been in Parliament and point out the dramatic change which has taken place in the education of native peoples north of the sixtieth parallel.

In 1965, when I first became associated with the Department of Indian Affairs and Northern Development, statistics indicated that approximately only 25 per cent of the kids in the Territories were attending school. Today, virtually all children in the Territories have an opportunity to attend educational facilities right through from kindergarten to primary school, secondary school and, under the programs of the local governments and federal government, to attend university or post-secondary vocational institutions.

I acknowledge that governments started on these educational programs too late. I acknowledge that initially many mistakes were made. We still have a long way to go, but I would like to underline some of the improvements that have been made in the north. The first schools were of only one or two classrooms, located in small communities stretched across the Arctic and down the Mackenzie, and after the first few grades children were airlifted to larger communities where they lived for eight or nine months of the year in school hostels. This created a breakdown in the pattern of family life.

Many native families continued to trap and hunt and to live outside settlements for the greater part of the year. Now virtually every community in northern Canada has schools that educate up to grade 8, after which students are moved to the larger centres to attend high school. We have also seen the establishment of seasonal-type school hostels which permit parents to continue their traditional way of life, hunting, trapping and sealing, leaving their children in their home community to attend school without a break and returning to live with their families after the hunting season is over.

This committee report is a hardnosed document. All of us who served on the committee tried as best we could, within the limitation of our abilities, to identify the problems and suggest solutions. We know that in the past educational facilities were not adequate in the northern parts of some of the provinces. We know that in northern communities housing, sanitation systems and economic opportunities were lacking to a great degree. What we are honestly trying to find is some balance whereby the native peoples will be able to participate in the Canadian way of life, socially and economically, while still retaining their own culture.

In the last four years I have observed the actions of the Minister of Indian Affairs and Northern Development (Mr. Chrétien). Ever since the day he was appointed to that position he has tried to improve conditions for the native peoples. Three and a half years ago he started a

consultation program and either he or one of his colleagues visited Indian communities across Canada and told the people, "Tell us what you want so that we as a government will be able to put some ideas down on paper." We then saw the white paper. This was greeted almost unanimously by members of the House as being a major move forward.

• (4:40 p.m.)

Mr. Yewchuk: Nonsense.

Mr. Orange: Then we saw the reaction of the Indian people. Very quickly the Prime Minister (Mr. Trudeau) said to them, "Come and tell us what you want". The Indian Association of Alberta came to Ottawa and presented their red paper, a well thought-out, well worded and positive document. We have seen the funding of the various Indian-Eskimo associations so that they could take upon themselves some of the responsibilities formerly carried out by government. All that is well recognized. In this process of change there are bound to be problems and confrontations. This is part of the purpose of the funding program—so that the Indian people can finally tell the rest of the country what they want, what they have in mind and how they want to do it.

I can speak only of the various associations in the Northwest Territories, but at one site the only serious contact the Indian people had with the administration was through the local representative or at the treaty parties which took place once a year. These were very minimal situations that I personally have always been ashamed to participate in as a white person. This situation has changed. The Indian people are now putting forward their ideas. Sometimes they shock the white community, and maybe this is not a bad thing. Sometimes they come forward with ideas that government cannot accept because of lack of funds or other reasons. However, in other cases it is possible for the government to work out some form of agreement or arrangement whereby the desires and ambitions of the Indian people, through their associations, can be recognized and adjustments made.

In the educational process, Mr. Speaker, we see some rapid developments. I should like to mention what is happening in a native community called Rae which is 70 miles northwest of Yellowknife. For many years the Indian children of that community either went into the bush with their parents during the school year or were moved to hostels at Fort Smith or Fort Simpson where they were away from their parents for approximately ten months of the year. The government suggested that a new school should be built in the vicinity of the community. The site of the community itself was unsatisfactory because of its location. For three, four or five years negotiations took place between the chief of the band council, other members of the Indian community and the administration, not only to determine where the school should be located but what form it should take once it was agreed that it should be constructed.

A decision on location was reached very quickly by the Indian people. The area was named after one of the great chiefs of the Dogrib band and in order to ensure complete participation by the community, arrangements were made to establish an education committee. This committee visited a number of educational institutions in the United States and Canada. It brought in its own advisers who were funded by the government. It was agreed that a school designed on the open-school concept would be proceeded with and that the hostels would be of a design best suited to small groups of children; and, more important, that the administration of the curriculum would be the responsibility of the people of the community. Subsequently, the Edzo-Rae school board was established. The school is now in operation, teachers have been hired by the community, hostel supervisors and even the cooks for the kitchen have been hired.

This is the type of forward thinking that can take place and is taking place. As I said earlier, we know it is not going far enough, fast enough. But as Members of Parliament and representatives of our constituents we can continue to encourage the minister, the representatives of his department and provincial governments and show that there is a great need for participation. Participation is necessary so that the benefits will return to our Indian youngsters who have so much to offer to this country and to their own people.

Again, I should like to say publicly that I believe the Minister of Indian Affairs and Northern Development has taken tremendous strides in the last 3½ years.

Some hon. Members: Hear, hear!

Mr. Yewchuk: Strides backward.

Mr. Orange: He has worked day and night in order to understand the problem. He has tried to identify with Indian people. He has tried to say to them, "My door is open". There were a few smart remarks from the other side about the minister's open-door policy, but I have yet to hear of his refusing to see in his office or anywhere else under conditions satisfactory to him—

An hon. Member: Yes, that is the key.

Mr. Orange: —any Indian person or any Indian group. He has gone out of his way to meet all the Indian people. I think the minister explained his side of the story in a way that the people of Canada will acknowledge. He recognizes, as he said, that we have a long way to go and that there is much to be done. There is no way that any of us want to see the various associations of Indian people held back because of the problems of two or three groups.

I am encouraged that a committee of this House can produce positive reports with all sorts of ideas for teacher training, hostels, university education, experiments in teacher training, co-operation with the provinces and the design of curricula to meet the requirements of the cultures involved. All this can be done and we are working toward it with the co-operation and assistance of all concerned on a basis which takes it beyond the field of partisanship. All this can and will be achieved.

Mr. Speaker, I say to the minister that we will continue to have our battles. We have had them before. I have won some and lost some. However, if he continues to show this kind of positive approach to resolving the problems of the Indian and Eskimo peoples of Canada and to working with them, I think we shall very shortly see the results of these programs and his work.

Mr. Thomas S. Barnett (Comox-Alberni): Mr. Speaker, the chamber seems very quiet at the moment although I think I can still hear some faint reverberations of the remarks made a short time ago by the Minister of Indian Affairs and Northern Development (Mr. Chrétien). I think many of us rather enjoyed hearing the minister blow his stack, so to speak.

Mr. Gibson: It is the plain truth.

An hon. Member: Hoot!

Mr. Barnett: The speech he made, Mr. Speaker, if I may paraphrase some of his words, was quite a hell of a speech.

Mr. Knowles (Winnipeg North Centre): He learned his English here.

Mr. Barnett: I think this speech will create some reverberations. As the minister was speaking I had before me a book which has recently been published, called "Touch of Earth," by a young woman named T. C. McLuhan. I should explain to the House that this is a compilation of speeches and statements made by leaders of the Indian peoples covering a span of time from the late 1700s until 1971. I read the following:

• (4:50 p.m.)

Our people no longer believe. It is that simple and it is that sad. The Canadian government can promise involvement, consultation, progressive human and economic development programs. We will no longer believe them—

After generations of endless frustration with the Canadian government, our people are tired and impatient. Before the Canadian government tries to feed us hypocritical policy statements, more empty promises, more forked tonguistics, our people want, our people, the Indians, demand just settlement of all our treaty and aboriginal rights. Fulfillment of Indian rights by the Queen's government must come before there can be any further co-operation between the Indians and the government. We demand nothing more. We expect nothing less.

Those words may be somewhat familiar to the Minister of Indian Affairs and Northern Development. I have a strange feeling that although the minister was ostensibly addressing Your Honour, and through Your Honour the other members of the House, he was actually addressing many of his remarks to somebody who does not have a seat in the House at present. That is why I put on the record some of the words contained in this book. If the minister has not already identified their originator, let me tell him that they were written by a Cree Indian named Harold Cardinal who was born in 1945 in High Prairie, Alberta.

The year 1945 happens to be the year when I was first a candidate for election to Parliament. One of the things I vividly recollect hearing during that election campaign in one of the places I visited was that families whose girls were prepared to sleep with the representative of the Minister of Indian Affairs would get welfare, whereas families whose girls would not do that would not get welfare. At that time I resolved that if I were elected to Parliament, and even if I were not, I would do all I could to end that kind of gross human indignity. That year was not long ago. I freely concede that the attitude of many Canadians toward Indians who dwell within our borders has changed considerably since then. Perhaps the situation reported to me then can no longer be found within the length and breadth of our land: I certainly hope so.

If the minister is sincere, as I hope he is and as he certainly sounded this afternoon, he will recognize the import of the words saying that these things cannot be settled until there has been a just settlement of "our treaty and aboriginal rights". Those words tend to put in focus the report of the committee which is before us for discussion. It should be apparent to all members—and as a member of the committee who had some part in the drafting of the report I favour its adoption by the House—that the report ought to stimulate discussion. I hope the document will stimulate discussion and that it will lead people to search out new ideas. In my view that is all the committee basically intended with regard to the initial impact of the report.

The introduction to the statement in the book from which I have just quoted says that in the last several years he, Harold Cardinal, has become a skilful politician speaking out for Indian rights in Canada. The minister talked about politics. If the minister is suggesting that this subject is far too important for what is commonly described as narrow partisan politics, I agree with him. Certainly, all the members of the Indian affairs committee felt in approaching this report that narrow partisan politics had no place in their deliberations. In drawing up the report partisan politics was not a consideration. However, if the minister is discussing politics in a broader sense then I, for one, consider this to be one of the most important and vital political issues within our country today.

Mr. Alexander: Right.

Mr. Barnett: It should be dealt with in this chamber in that light. In considering this report we are trying to come to grips with a fundamental question. I agree with the minister when he says that much still needs to be done to change the attitude and outlook of many non-Indian Canadians. As he suggested in his speech, there is a great need for this to happen in the province of Alberta. To judge from my brief exposure to the situation in the northeastern part of that province, the minister has put his finger on one of the facets of the problem there.

However, since the minister tried to imply in his speech today, as another hon. member on the other side of the House did, that there was virtually unanimous agreement in the House on the white paper, let me say again that the disagreement in this House was not so much about what was in the white paper as about what was not in it. That is why many Indian leaders of this country continue to distrust the government.

The Prime Minister (Mr. Trudeau) has said—and the Minister of Indian Affairs and Northern Development has underlined what he said—that aboriginal rights per se do not exist in this country. That I challenge. Their existence is implicit if there is to be any successful outcome with regard to actions that may be taken to improve educational opportunities for the Indian people of Canada. Let us come to grips with the issue on that plane. Seen in that perspective, the recommendations in the committee report, or any discussion as to what was or was not in the white paper, become relatively unimportant, although I admit that these recommendations and discussions are

important. I say that because we live in an ongoing society. Young people are growing up and reaching the age when they want to enter into the fullness of our society as adults.

It is no light thing for young Indian people or for other young people of this country to lose one year's schooling. Let me say in this chamber, as I said in a memorandum I sent to members of the House shortly after visiting northeastern Alberta, that I listened to an earnest discussion taking place among a group of teenage children from that area. They discussed their personal situations and the struggle that was going on there. They said they would gladly sacrifice one year of their schooling if it would increase the chance of their younger brothers and sisters obtaining a better education. I admire those children for taking that position: I think they were right.

• (5:00 p.m.)

In his reference to that situation the minister overlooked the depth of understanding that young Indian people have of just what is involved in this whole question. Maybe they have some of the impatience of youth, perhaps a little of the kind of impatience of youth displayed by the minister in his speech this afternoon, even though they are a few years his junior. However, there does come that old cry that has been echoed throughout the ages, "How long, O Lord, how long?"

One should talk to the older Indian people who know what it was like 50, 60 or 75 years ago. He would then understand that in an age when there is a reawakening of understanding among Indian people of what they are and the way of life they enjoy, they become impatient. They are prepared to make sacrifices to see things happen. One member who participated in this debate referred to sections of the report. I agree with him that this is one of the key parts of the report. He quoted the following words:

> In those schools remaining under the control of the educational branch, the committee believes that the objectives of the federal schools should be the creation of models of excellence which will furnish to Indian and Eskimo young people, an education which will provide to them equality of opportunity and the ability to be employed at every level of the economy of the regions in which they live.

That report was tabled in the House on June 30. Members will recall that the House recessed at the end of that sitting day and there was no opportunity for discussion of the report until the House returned in the fall. There was no opportunity for any immediate response from the government to the proposals of the report. I think all members of the committee will agree that we did not expect from the government a full-fledged reply or assessment of the proposals the next day or within the next week. The minister said in his speech—this was probably a slip—that only a couple of months have gone by. We are getting on toward the end of November. The report has been on the table since June 30. That is more than two months ago. Until today, the first response of the minister that apparently relates to the content of the report can be found in a speech that he made in Thunder Bay on September 17, when he said:

> Is it not more sensible to make the provincial systems excellent for Indian, Metis and non-Indian students alike? Can we create an additional structure of expertise in a federal school system scattered across Canada?

[Mr. Barnett.]

That appears to be a response by the minister to the committee's recommendation. If I am wrong, the minister has the opportunity of correcting me. If one examines the phraseology, "Is it not more sensible to make the provincial systems excellent for Indians and Metis," perhaps one could retort that the obvious answer is that they should probably both become systems of excellence. If the text which I have is correct, the minister later said:

> With the participation of the Indian community we are influencing the provincial systems. We fund the education and, as buyers of service, we can speak effectively to the provinces.

I suggest that statement requires considerable examination in light of the recommendations of the committee report and in light of some of the facts of the situation that some of us know. From time to time the minister has given us various statistics about the percentage of Indian people who are in the general school system, those remaining within the federal Indian school system and how this has been increasing.

I think I am correct when I say that the earliest move which brought Indian children in numbers into the general school system of a province took place in British Columbia. In the 1950s an agreement was made between the Indian affairs branch and one of the school boards in my constituency. This set up the formula, which still basically applies, of a pro rata, per capita grant and a pro rata allowance per pupil for Indian children attending school in a system run by a provincial school board. In that particular instance I think it was done with the knowledge and desire of the Indian people in the area. The tempo of that development increased rather rapidly in the province of British Columbia, as far as I know largely with the consent and in some cases at the request of the Indian people.

I suggest the basic reason for that happening in British Columbia in the way it did is that the Indian people had become fed up with the poor quality and ineptitude of the educational system administered by the Indian affairs branch. They were prepared to try any other possible alternative in order to help their children get a meaningful education. A great many Indian people in British Columbia today still feel that is probably the best arrangement in many localities, particularly where there are small Indian bands living fairly close to a non-Indian community.

I suggest that many of the Indians of British Columbia are now starting to question the desirability of that kind of arrangement. They are beginning to be concerned. This is partly because they are becoming aware of the value of their cultural heritage. They are becoming increasingly concerned that their children will be lost in the shuffle and that they will become little white men.

Concern was expressed to the committee by representatives from many parts of Canada. Many witnesses appeared before the committee. This report resulted from that accumulation of evidence. Despite the fact that the minister said we fund education and as buyers of service we can speak effectively to the provinces, I see very little tangible evidence that this is so in the province of British Columbia. There are some rather weak and fumbling moves being developed within the province which may, hopefully, bring about some enrichment of the provincial school curriculum so that it will include an opportunity

for both Indian and non-Indian children to acquire a true picture of the history of the Indian people and some knowledge of their culture and art. Such moves as are being made are pitifully few and increasingly difficult to equate with the real needs of Canadian society today and the growth and aspirations of the Indian people.

• (5:10 p.m.)

In British Columbia as well as in other parts of the country it is being argued that the white community is using this new education policy as a gimmick to divert federal funds into provincial schools for the benefit of non-Indian children. I was approached a year or two ago by a knowledgeable and sincere teacher employed in one of the schools in my constituency. He was concerned that money coming from the Department of Indian Affairs was not being used for the benefit of Indians but to provide fancier school facilities for non-Indian pupils. This question is being raised by many Indians in various parts of Canada, as the minister will find if he cares to listen—whether once again the white man with his ingenuity is not getting the benefit of funds made available by the department to provide better education for Indians.

Mr. Chrétien: If such a situation is developing, would it not be wise for the Indians to force the hands of provincial authorities to do things right, with the help of the federal government? If these funds are not being allocated in the best way possible, would it not be right for the Indians, together with us, to try to correct this by putting pressure on the provincial governments? Should we throw the whole system away because there may be some such shortcoming as the one to which the hon. member has referred?

Mr. Barnett: That is a perfectly reasonable question. I agree efforts should be made to ensure that these funds are spent in the way in which they should be spent. But I had a recent report on a situation which arose in the province of New Brunswick, and the minister can check this out if he wishes. When demands are made by the Indian people in this area they are either ignored or foiled. The minister has referred to the fact that certain provinces allow representatives of the Indian people to sit on school boards. But as far as I know, they are in a minority, possibly with only one representative, and the Indians have no power as a minority of one on a school board. This is why, among other things, many of the Indian people are saying it would be much better, given all the circumstances of today, to have their own schools and their own school boards to operate them.

Mr. Chrétien: There are some.

Mr. Barnett: The minister talks about putting pressure on provincial school systems. The committee in its consideration of this question felt that because of the realities of the situation in the various provinces one of the most effective ways of putting pressure on provincial school systems as far as excellence of programs is concerned would be to provide schools which would be models of excellence in certain appropriate locations—federal schools built and operated in the way the Indian people feel they should be and in the way in which the minister says he wants them to be—so that the Indian people may be equal economically while still being free to remain Indians.

Mr. Chrétien: A question for clarification. Would it not be advisable to seek to get provincial laws amended to enable the Indians to appoint representatives to school board in proportion to their population? We can work in that direction. I do not think that because there is a problem we should turn back the clock.

Mr. Barnett: That, of course, is one of the fundamental questions raised in the committee report. Would we be turning back the clock if the Indian people feel this is what they need, if they feel that instead of fading out of the picture the minister's department should set an example for the rest of the country? This is the question which was raised in the report and it is one which has to be answered.

Mr. Chrétien: That is exactly what I am doing.

Mr. Barnett: The committee report recommends—and perhaps it is in error:

1. That the government should continue its policy that no transfers of education programs from the federal level to provincial systems take place without the express and clear approval of the majority of the parents in each community concerned.

Mr. Chrétien: That is exactly the policy we are following now. There is no transfer without the agreement of the Indians.

Mr. Barnett: This was the assumption in the mind of members of the committee when they drafted this report. But let us consider what has happened since this report was laid on the table of the House on June 30. On September 17 the minister, in effect, challenged the assumption of the report. In the first instance, when the Indians clearly indicated that they did not want to go into the provincial school system, preferring to have their own school on their own reserves, the minister told the House, "It is physically impossible to build six schools in one year." Those are his own words. How much sense does that make in a country which possesses all the materials we could hope for? And the people who are not now working could build those schools.

Some hon. Members: Hear, hear!

Mr. Barnett: The minister says we cannot build six schools in one year. When the minister says we would be turning back the clock, this question arises in my mind—

Mr. Chrétien: On a question of privilege, Mr. Speaker, I should like to correct the impression the hon. member has given. I said I was not interested in building the schools because that was not the solution. The Indians of the Keecheewin are not asking me to build a high school there, nor is that what the others are asking really. They want a better system, and I think this can be achieved in the school they are attending right now.

An hon. Member: Give it to them.

Mr. Barnett: We come right back again to the fundamental question. The minister says, "I think", and so on. The question is what do the Indian people think? They are

saying that they have minds, just as the minister or I or any other member of this House has a mind. This is what we should recognize and it is why, in my view, emphasis is placed in this report on the express and clear approval of a majority of the parents. Let us listen to them for a change; we have not done so for the last 100 years.

• (5:20 p.m.)

May I return to the point I want to emphasize, which is that the real stumbling block here, apart perhaps from the fact that Treasury Board will not give the minister all the money he asks for—

Mr. Chrétien: Not Treasury Board, the House.

Mr. Barnett: In the memorandum that I sent to members of the House a while ago I said I hoped the government would request and that the House would quickly appropriate the funds necessary. Has the government so requested? Do they know whether the House will act quickly to appropriate those funds? I think the answer is obvious from the record. Supplementary estimates (A) were tabled the other day. Is there a request to Parliament in those supplementary estimates for funds to build those schools and the schools that are needed in a lot of other places across the country?

Mr. Chrétien: That is not the solution.

Mr. Barnett: The answer is no. The supplementary estimates themselves prove that. That is one side of the question, but the other and more fundamental part of the question is this. The minister is falling over the stumbling block of the refusal of his government to recognize aboriginal rights, to recognize that it is not a matter of a hand-out being made by Parliament, to recognize that we have been paying very cheap rent for this country for a long time and that it is about time we did something to rectify the situation.

I do not know whether to blame the minister or not. I am not privy to what goes on in cabinet and this has not yet been leaked. All I can go by is the statement made by the head of the government, who time and again has said "Perhaps we will have a look at treaty rights, but aboriginal rights, no".

Mr. Howard (Skeena): He also said that treaties should not be made forever. He intends to wipe those out too.

Mr. Chrétien: He said we would recognize treaty rights as well.

Mr. Barnett: Yes, he said that, but that anything not down on paper is too vague. We are the only so-called civilized country in the western world, certainly the only country that is the inheritor of the British tradition—

Mr. Chrétien: The Supreme Court is looking into that, too, at the present time.

Mr. Barnett: And it is a crying shame for this Parliament that that question is before the Supreme Court. No matter what the Supreme Court says or does not say, we still come back to the basic political question for decision by this Parliament.

[Mr. Barnett.]

Mr. Howard (Skeena): The Minister of Justice (Mr. Turner) was asked to intervene on their behalf and he refused.

Mr. Chrétien: A question of privilege, Mr. Speaker.

Mr. Deputy Speaker: Order, please.

Mr. Chrétien: The hon. member for Skeena—

Mr. Deputy Speaker: Will the minister resume his seat. If the minister wishes to ask a question, raise a point of order or question of privilege, then the Chair will recognize him. But I would point out that he has intervened several times and the hon. member for Comox-Alberni (Mr. Barnett) has the floor. If the minister wishes to ask a question, he may do so with the consent of the hon. member for Comox-Alberni.

Mr. Chrétien: If the hon. member would be kind enough, I should like to correct what was said by the hon. member for Skeena (Mr. Howard).

Mr. Deputy Speaker: Order, please. I have some doubt that the minister has the right to do that since the hon. member for Skeena does not have the floor. If an interjection was made by the hon. member for Skeena, that is something that can be debated at a later date. The hon. member for Comox-Alberni now has the floor.

Mr. Howard (Skeena): On a point of order, Mr. Speaker, I will gladly make my interjection at the appropriate point so the minister can reply.

Mr. Barnett: The hon. member for Skeena and I sit fairly close to each other in the House, but I am sure the minister will appreciate that I am not prepared to answer for any question that the hon. member for Skeena might have put, though I am, of course, prepared to answer for anything that I say.

Mr. Chrétien: The better for you, or you will be in trouble.

Mr. Barnett: We are discussing the report of a committee on education and, hopefully, it will receive favourable consideration by the House as a whole. I have tried to answer all the questions that the minister has wanted to ask me, and in conclusion I would like to make a quick reference to the book to which I referred earlier. I think it is fundamental to the growth of the understanding that is required to recognize just what it is that we owe the Indian people. I am not now talking, as I was a moment ago, about what we may owe them for the use of the land that once was all theirs, but about something more important perhaps than even that. There is an introduction in this book entitled "The Spirit of the Earth". While it contains speeches from Indian people from various parts of North America, the book is written by a citizen of the United States. The introduction has this to say, among other things:

> It is well understood that the only decent future for us who live in America now is through a rediscovery of our environment. We need to establish a right relationship with the land and its resources; otherwise, the destruction of the Indian will be followed by the destruction of nature; and in the destruction of nature will follow the destruction of ourselves.

The Indians, in a sense, knew this all along. For many generations they learned how to live in America, in a state of balance; or, as a Christian would say, in a state of grace. Perhaps now, after hundreds of years of ignoring their wisdom, we may learn from the Indians.

Hon. Martin P. O'Connell (Minister of State): Mr. Speaker, I do not intend to go over the ground so eloquently covered by my colleague, the Minister of Indian Affairs and Northern Development (Mr. Chrétien), earlier this afternoon. I was glad to hear him congratulate the members of the Standing Committee on Indian Affairs and Northern Development for its report on education. All of us will have an opportunity to hear from him again tomorrow and to put questions concerning the general situation that is being debated in the House this afternoon, as well as questions concerning education and grants that are in some dispute.

For my part, I have been a very interested and active observer of and participant in native affairs for a number of years, and in my view more solid progress has been achieved in three years than has been realized in the past several decades. This progress is evident not only in education. I am not one of those who sees education as the panacea for all problems, but when the minister is able to say, for example, that there has been a doubling of students at university level this year over last year and that there is increasing improvement throughout the educational system, then I think progress becomes evident.

• (5:30 p.m.)

No one would expect me to stand up in this House and say all is well, rosy and satisfactory. It is not. There is far too much still to be done. However, I believe if we are to be fair to the people of Canada we should try to keep in perspective that which is being done and that which has been done. I think it is only fair to say that more is being done with the help of this minister than in any previous period in our dealings with the native people. He is not a "yes" man, as he told us this afternoon. I believe he is a fair man and is energetic as no one else before him. He is direct, intensely human, and a dedicated minister. I wished to stand up and say this in the House of Commons because I have not always agreed with governments in the past and with ministers who have been handling this most complicated and exciting portfolio.

I think we should admit to ourselves—and I am not saying this is in a partisan manner—that this has been the first government in Canadian history to place such large resources, financial, technical and other, directly into the hands of the native people. This is the first government to have gone that route. Of course, this will lead to difficulties. It will lead to irritations and to many frictions. That is what we must expect.

Of course, controversial incidents will arise. They will arise because this very process of putting resources into the hands of people accelerates their social and economic development, accelerates the whole process that it sharpens everyone's visibility of the inequalities which exist and the injustices which remain. We all see this and we all experience it. In this accelerated process people are confronted with these things as never before. Nonetheless, the most useful thing this government has been able to do has been to hand these resources over to these people and to express its general confidence that they can administer them well and that they will bring about the development which decades of programs and decades of good intentions have not been able to achieve.

As I say, we must expect that we will run into difficulties. I do not want to see this process slowed down. I do not believe it is being slowed down. We must iron out the difficulties as they arise in financial and administrative programs. If they arise in political activities we must iron them out. Certainly, for three years we have launched ourselves as a Parliament and as a government in a process of mutual confidence with the native people. But the government itself cannot complete this process without the full, equal and willing participation of the native people.

The development going on now is rapid enough that I believe we could describe it as explosive when seen in the longer perspective of history and in the longer perspective of the preceding years in the lives of people of native ancestry. However, the method which is being followed is the only sure way. The government has followed this path and I am confident it will stay on that path. It is the only sure way. The native people themselves have told us it is the only way and have sought it as the path to their self-fulfillment, that is, by having resources placed in their own hands.

I should like to pursue that thought a little further and say again that this will present grave difficulties from time to time. This is what we will have to learn to live with while correcting them. The sure way to self-fulfillment, to equality, to justice is through social development, through economic development and through cultural development programs by having resources oneself. This is true because the people then become involved in unfolding their own destiny. They become involved not only in the sense of personal commitment—this is important in itself to release energies—but also as communities and as groups with a very strong communal sense of identity and with a long history and heritage.

It is the sure way because having resources in one's own hands gives people the confidence that the change they are negotiating will not bring about cultural disappearance and will not be the end of the road for the long human history of native culture and experience in North America. In my view, many of the weaknesses in the past in programs, in projects, in expenditures and in respect of high hopes have arisen because programs were delivered to a relatively passive group of people who sheltered sometimes from them for fear that involvement would mean the end of their heritage and that they would go into a stream and disappear. No people in history ever willingly do that.

We would not want to feel, and no cultural group of any origin in Canada would want to feel, that its future was one of disappearance. They want to feel there is a secure place for persons of all heritages to work out a destiny here in this free land. That assurance, in the case of the Indian people, and because of the long history of distrust and because of the long route they have had to travel, can be given only by turning over to them major financial resources and responsibilities. This can be done with confidence provided that between us we can and will work out the procedures that will enable us as a responsible

Parliament to evaluate programs and to be accountable for the funds and to enable responsible organizations to develop programs which the native people feel will succeed.

This can be accomplished only through a course of consultation and mutual trust. Consultation has taken place between the native organizations, the native communities, the native people and this government in a degree never before realized. I think if we want to keep things in perspective and be fair, we will all admit this. Consultations began on the Indian Act. They came to an end with the publication of a policy paper containing features the Indian people did not like. Too much emphasis, perhaps, was placed on legal equality and too little on social and economic development without which legalisms mean nothing. So that paper was set aside by the government as well as by the native people and a new process of consultation and the transfer of major resources to them began to take place.

• (5:40 p.m.)

What are some of the transferred resources about which I am speaking? I should like to mention just a few. There is a funding program known as core funding. I will come back to that later. There is the discussion that has taken place on educational cultural centres, and the Prime Minister (Mr. Trudeau) has indicated in his speech on multiculturalism that the government is taking steps to make funds available to assist native organizations to establish these cultural educational centres. This is one of the soundest and most hopeful concepts that has arisen over the past few years and I for one am satisfied and confident that we will see a major social, cultural and economic transformation take place through the medium of these educational cultural centres.

Another area is the economic development grants from the Department of Regional Economic Expansion. Most of us know that the first major grant happened to have been made in Alberta to the Blood reserve. It was in the order of $650,000 to $700,000, to assist a native company on that reserve to develop a major manufacturing facility for sectional and mobile homes.

It was a very hard struggle to put all the pieces together. They were put together with the maximum amount of effort on the part of this government, on the part of the Alberta Indian Association and on the part of the reserve people. It was made to work and, if my memory is correct, the project is working. There is a completely new spirit on that reserve and new urban developments are taking place. The first couple of years' production has been sold in advance. This is a piece of evidence that when native people themselves have the resources and the opportunity, they seize it as well as any other group in this country and they can administer and bring about significant economic, social and community developments of which they can be proud and we too can be proud with them.

I will not go into the economic side any further, although one could quote many examples. There are many new opportunities through revised five-year federal-provincial ARDA agreements specifically designed for the opportunities they can give to people of native ancestry.

[Mr. O'Connell.]

Before coming back to core funding I should mention the funds which this government has made available to native organizations so that they can engage their own professional counsel to consider the matter of treaty rights with the understanding that the federal government will consider these questions jointly and will negotiate, through some joint mechanism, this long and troubled matter in our common history.

Now I should like to say a few words about core funding since I think it is fairly basic to the point I am trying to make about the transfer of governmental resources to non-governmental bodies to enable them to engage in important activities in social and cultural development. Core funding is a program agreed to by the government some months ago to rationalize a system that had been developing for two or three years of making grants to native organizations.

Currently, I believe between 20 and 26 native organizations are receiving substantial sums of money which in their total come to several million dollars so that they can maintain their organizations through which they can then seek project or program funds from other departments of the federal government or from provincial funding departments and agencies or from private sources. These core funding arrangements are on a formula basis. They enable these Indian, Metis and Eskimo associations to have full-time staff, depending on certain variables between the provinces and territories, ranging between six to twelve persons for each association—permanent staff without which they cannot be expected to maintain the developmental process on which they are so keen. For the first time, through the decision of this government, they can have an assured ongoing permanent staff. This is a major transfer of resources. It goes further. They can have not only staff but they are provided with funds for office expenses so that a central office can be maintained with secretaries and equipment.

Also, additional funds are provided for travel expenses for those workers on the core staff, together with additional funds for executive meetings so that persons in their constituency around the province can come to consult. Additional funds are also provided for an annual meeting. Funds are made available to enable these associations to obtain professional and technical advice from persons chosen by themselves. The core funding program of this federal government covers these expenditure items on an ongoing basis so that these organizations can have an assured existence while they do their work.

The concept goes to the next step and recognizes that the communities in the field scattered around the province need to relate to their associations just as the central bodies need to have their grass-roots communications and support. Hence, the core funding includes additional funds for up to 12 persons depending on the variables in the provinces. We could call these additional staff persons communications workers or field workers, if that is a more understandable phrase. So there is the staff in the central office and there are communications workers to keep in touch with the field so that those communities can have a voice in the programs that their associations develop.

These associations are democratically elected. They represent those people and they have facilities to go back

and forth from the field to the organizations to develop their programs in their own best interest. I think this is a most important development in the relationship between the government, this Parliament and the people of Canada in general and our native people. Assistance goes not only to Indians as defined under the Indian Act; this assistance is available to non-status Indians and to Metis and Eskimos in Canada, so that today some 26 or so associations are receiving this kind of support on an assured basis, one that they have never had before which enables them to participate and consult.

• (5:50 p.m.)

Few weeks go by without an airplane bringing to Ottawa delegations of these native organizations to continue this consultative process. Few weeks go by in which officials of various departments of the government are not on other airplanes going into the field in the provinces to carry on this consultative process.

The basic concept of core funding goes yet a further step and I would like to describe it. It puts those organizations which are representing the native peoples into a position where they can seek program funds from various departments and no longer are confined to a single department of the government. It puts them in a position to go on to another department, or another or another, like any other citizen of Canada. It opens up the whole range of government services to native people in a way that has not been opened before.

That is one of the most important and heartening developments of the last three years, since it confirms the conviction of this government that the native people want to be on a footing of equality with all other citizens in this country and wish to have opened to them the whole range of services, not only of this government but of all other levels of government and have access equally to the private sector.

I want to conclude with just a brief reference to the importance the government sees in what for lack of a better phrase I am going to call the question of culture. There is no secure social development without recognition that it takes place through a process that we have to call a cultural process. We know this now and all over the world it is known. If there is any experience that has become common to all of us through the United Nations in the social and economic field, it is surely the knowledge that development is a cultural process. If people do not feel secure on the cultural front, they hang back and will not go into the kind of social change that is taking place all over the world today, and into the economic process that brings such rapid social change in its train.

The point that I am coming to, Mr. Speaker, is that the cultural educational centre is a recognition of the cultural dimension. The developments that the minister has already pointed to in self-administration in the field of education also confirm that interest in the cultural process, so that native people will feel that the educational process also gives room for those cultural concerns without which they do not want to go down that path of development.

The final point I want to make on the cultural side is that the core funding, if it does anything at all, says to the native people through their organizations, "Here are resources with which you yourselves can develop the kind of programs, social, economic and educational that you feel will allow this development to take place without threatening, without challenging, without undermining the cultural continuity which you, and we too, want to see assured."

What in effect is happening in a short period of time is that the native peoples of Canada—I include the Metis people and the Eskimos in this summary statement—are making the greatest turning point in their history, and we too are part of that turning point. If I could use a metaphor, it is as if we are all standing together on a shoreline where we are negotiating social, cultural and economic changes. And I am convinced that the generations that follow ours, looking at these changes that are taking place today, will find many footprints on that shoreline and among them, well in the forefront, they will find the footprints of the Minister of Indian Affairs and Northern Development.

Mr. Paproski: On a point of order, Mr. Speaker, could we have unanimous consent of the House to continue this debate? There are other members on this side of the House who would like to speak on this motion.

Mr. Deputy Speaker: Order, please. The hon. member has made a request, but he cannot gain the floor on a point of order to make that request.

Mr. O'Connell: Mr. Speaker, I was coming to the end of my remarks. I want to reiterate that on that shoreline, as I am putting it, among all the people who have been interested in this field, one of the footprints that will be found in an advanced position—well in advance—will be the footprint of the Minister of Indian Affairs and Northern Development who has presided over more fruitful change in the three years of this Parliament than has taken place over preceding decades.

Mr. Deputy Speaker: Order, please. It being six o'clock p.m., this House stands adjourned until tomorrow at two o'clock p.m., pursuant to Standing Order 2(1).

At six o'clock the House adjourned, without question put, pursuant to Standing Order.

HOUSE OF COMMONS

Thursday, November 25, 1971

The House met at 2 p.m.

ROUTINE PROCEEDINGS

AGRICULTURE

TABLING OF OUTLOOK CONFERENCE COMMUNIQUÉ

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, under the terms of Standing Order 41(2) I ask leave to be permitted to table copies in French and English of the communiqué that was agreed to by all the Ministers of Agriculture in Canada.

* * *

FISHERIES

CONSERVATION OF MARINE RESOURCES—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Ambrose Hubert Peddle (Grand Falls-White Bay-Labrador): Mr. Speaker, I wish to move a motion under Standing Order 43 on a matter of urgent importance to the whole of Canada. The motion has to do with the conservation and protection of our marine resources and, because of the importance of the question, I sincerely trust it will receive the unanimous consent of the House. I might say that should it receive unanimous consent we would be prepared to have it dealt with without debate.

I move, seconded by the hon. member for Gander-Twillingate (Mr. Lundrigan):

That the House commends the reference to the Fisheries Committee and the External Affairs Committee of the matter of conservation and protection of our marine resources and that the said committees be empowered to call witnesses and hear briefs pertaining thereto and, further, that the committees in question investigate the positive implications for Canada of the recent legislative move by the State of Massachusetts in extending its fish conservation and pollution boundaries 200 miles seaward.

Mr. Speaker: The hon. member for Grand Falls-White Bay-Labrador has proposed this motion under the terms of Standing Order 43. It requires unanimous consent. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimity and the motion cannot be put.

Mr. Lundrigan: On a point of order, Mr. Speaker, in responding to Your Honour's inquiry concerning unanimous consent I respectfully submit that the members who said no did not hear the contents of that urgent and very important motion which does not place anyone in the House in an embarrassing position by accepting it without debate.

Mr. Speaker: Order, please. I suggest to the hon. member that that is debate. The very purpose of the Standing Order is that, without debate, a member may seek the unanimous consent of the House to move a motion. I am sure the hon. member is not suggesting that the Chair should inquire whether all hon. members heard the motion and appreciate the contents thereof. I have to inquire whether there is unanimous consent. There is no unanimity. I am sure the hon. member has heard what I have heard, and therefore the motion cannot be put.

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CRIMINAL RECORDS ACT

GRANTING OF PARDONS—REQUEST FOR UNANIMOUS CONSENT TO MOVE MOTION UNDER S.O. 43

Mr. Robert C. Coates (Cumberland-Colchester North): Mr. Speaker, pursuant to Standing Order 43 I wish to present a motion on a question of urgent importance. The urgency of the matter relates to the fact that the granting of pardons under the Criminal Records Act is a sham and a farce, and that it is imperative that amendments be effected to the Criminal Records Act at the earliest possible moment in order that the situation be rectified.

The present situation does not allow the elimination or eradication of a person's past criminal record. It does not remove his file from police files, and is no more than a general statement of the government's view which can be revoked at any time. In view of the fact that this was not the intention of the committee or of the House, I move:

That the Criminal Records Act be referred to the Standing Committee on Justice and Legal Affairs in order that amendments can be proposed that will carry out the intention of the House with regard to the granting of pardons.

The motion is seconded by the hon. member for Wellington (Mr. Hales).

• (2:10 p.m.)

Mr. Speaker: Hon. members have heard the motion. Is there unanimous consent?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Speaker: There is not unanimous consent.

Inquiries of the Ministry

ORAL QUESTION PERIOD

GOVERNMENT ADMINISTRATION

LEAKING OF CABINET DOCUMENTS—REQUEST FOR WITHDRAWAL OF ALLEGED STATEMENT IMPLICATING MEMBERS OF PARLIAMENT AND PUBLIC SERVICE

Mr. G. W. Baldwin (Peace River): Mr. Speaker, in reply to a question put on Tuesday by my hon. friend from Hamilton West the Prime Minister gave an answer involving serious accusations against Members of Parliament and members of the Public Service. Will the Prime Minister now tell the House if the investigations carried on with respect to the theft and/or leaks of cabinet and other confidential documents have progressed to the stage where it has been established that members of the Public Service and Members of Parliament are guilty as charged?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, if we have such evidence it will not be put forth in a hypothetical manner as I did in my answer on Tuesday. If the hon. member wishes to look at the record he will see that I was saying that if such and such a thing happens—

Some hon. Members: Oh, oh!

Mr. Trudeau: —such and such consequences might follow. That is not an accusation, Mr. Speaker.

Mr. Baldwin: In light of the fact that I did look at the record very carefully, and in light of the Prime Minister's answer today and in view of his high position and, more important, his position as a member of this House, will he now withdraw the statement and the charges he made in the House on Tuesday last?

Mr. Trudeau: Mr. Speaker, if there had been charges which I could not substantiate I would certainly withdraw them, but there were no charges.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Woolliams: That is what I call mudslinging.

* * *

FINANCE

SPECIAL DEVELOPMENT LOAN PROGRAM—SUGGESTED INCREASE IN BRITISH COLUMBIA ALLOCATION—AMENDMENT OF FORMULA

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): I should like to direct a question to the Minister of Finance regarding the $160 million special development loan program. In view of the fact that in the province of British Columbia the entire allocation of $21.7 million has already been applied for and there is still a long list of municipalities and, in addition, the two largest cities, Vancouver and Victoria, have not yet applied, and in view of the fact this would indicate there will not be sufficient money allocated to the province of British Columbia to meet the demands by the municipalities for capital works programs, is any consideration being given to increasing the amount of money, either the total amount of the fund or the amount allocated to British Columbia?

[Mr. Speaker.]

Hon. E. J. Benson (Minister of Finance): Not at this point, Mr. Speaker.

Mr. Douglas: The minister will recall that the original amount last year was $150 million and the government changed the formula slightly and increased the amount to $160 million. Has any consideration been given to changing the formula so that provinces like British Columbia would not have their allocation reduced as theirs has been from $39.8 million to $21.7 million?

Mr. Benson: Mr. Speaker, I have indicated that I shall table the method of calculation. This occurred in British Columbia because relatively the employment position there improved vis-à-vis other provinces. Last year there was a technical adjustment at the end in order to bring the figures up to date. At this point we have not considered making any such adjustment but we will take a look at the figures.

Mr. Douglas: It is some weeks since the minister promised to table those figures and it is difficult to be satisfied with the allocation until one sees the working papers. May I ask the minister when he intends to table the working papers?

Mr. Benson: Very soon, Mr. Speaker.

[*Later:*]

SPECIAL DEVELOPMENT LOAN PROGRAM—PROVINCIAL USE OF FUNDS

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, my question is supplementary to the previous question and is for the Minister of Finance. In view of the fact that all the money allocated to British Columbia under the special loan development fund has now been used up, is the minister in a position to report to the House what the situation is for the other provinces?

Hon. E. J. Benson (Minister of Finance): No, Mr. Speaker, but I will seek the information and inform the House and my hon. friend.

* * *

AGRICULTURE

SPECIAL LOANS TO EXHIBITIONS—AMENDMENT OF REQUIREMENTS TO INCLUDE CLASS C FAIRS

Mr. Craig Stewart (Marquette): My question arises out of a similar program announced at the same time and is addressed to the Minister of Agriculture. In view of the recent announcement by his department that 30-year loans are available to exhibition boards for buildings and improvements and as the criteria for these loans cover only A and B class fairs—as an example, only six communities in the entire province of Manitoba qualify—is it the intention of the government to change the requirements so that class C fairs qualify and thus make this program available to more Canadians?

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, in dealings with the fairs and exhibitions across the country the federal Department of Agriculture only deals with class A and B fairs. The provinces themselves deal with prize money and other grants to fairs from class C down. It seems to me that in the first instance we should be looking at least only at those with which we already have established relationships.

Mr. Hales: A supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. I am not sure whether the question asked was supplementary to the question asked previously.

[*Later:*]

JOINT FEDERAL-PROVINCIAL FINANCIAL ASSISTANCE TO CLASS C FAIRS

Mr. A. D. Hales (Wellington): Mr. Speaker, my supplementary question is addressed to the Minister of Agriculture. So far as class C fairs are concerned, would he consider approaching the provincial authorities with a bilateral arrangement under which federal and provincial authorities could contribute together to assist class C fairs?

Hon. H. A. Olson (Minister of Agriculture): I could do that, Mr. Speaker, but of course the Minister of Finance has already, under many other programs, provided a great deal of money to the provinces, and I think most of it could be used for the fairs with which they have working relations now.

An hon. Member: That is nothing but windowdressing.

* * *

[*Translation*]

REGIONAL ECONOMIC EXPANSION

GOLDEN EAGLE PLANT AT ST. ROMUALD—INQUIRY RESPECTING QUEBEC CONTRIBUTION TO COST OF CONSTRUCTION

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I would like to direct a question to the Minister of Regional Economic Expansion.

Last Monday, I asked him a question about the Golden Eagle Company to which the federal government had apparently granted some $10 million to build a plant in St.Romuald.

Would the minister tell the House if, according to a federal-provincial agreement, the Quebec government has paid part of the cost of this plant?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, the amount granted was not $10 million but $5 million and there is also a $5 million tax abatement under the former program.

As far as I know, the Province of Quebec has not paid part of the construction cost of this plant.

CLOSING OF CHEMCELL LIMITED—POSSIBILITY OF ESTABLISHING NEW INDUSTRIES IN MONTMAGNY

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, I would like to ask the hon. Minister of Regional Economic Expansion a supplementary question on the same subject of the establishment of new industries.

Last week, I asked him a question about the development of new industries in Montmagny and he then implied that he would soon have good news to announce.

Could the minister say today whether new industries will be established in Montmagny in the near future in order to find jobs for the workers of the Chemcell soon to be laid off?

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I have good news. I don't know whether it is good news for the hon. member, but it is at least for the people of Montmagny. In fact, Consolidated Textile Ltd. have accepted the offer of a grant and will be establishing a plant at Montmagny, thus creating 150 jobs there and probably 300 after a few months of operation.

* * *

[*English*]

THE CANADIAN ECONOMY

FOREIGN INVESTMENT—REQUEST FOR PUBLICATION OF OFFICIAL REPORT TO CABINET—POLICY ON USE OF SCREENING MECHANISM

Mr. David MacDonald (Egmont): Mr. Speaker, my question is for the Prime Minister. In view of the unparalleled public interest in one of the drafts of the Gray report recently published and the comments of the Prime Minister and others to the effect that this would not in any way represent a total statement of the matter to the cabinet, has the Prime Minister had an opportunity to consult with the Minister of National Revenue and others with a view to publishing fairly quickly an official draft of this important document so that Canadians may have all the facts before them in considering this very important question?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I have discussed the matter, not the draft of the Gray report, as the hon. member calls it, but the question of publishing certain materials which in the form of facts and analysis were useful to the cabinet in studying this whole question. The minister has told me that he is giving very urgent consideration to a recommendation to cabinet to publish these as soon as possible.

Mr. MacDonald (Egmont): I wonder as well, since there was some acknowledgment recently that a decision in principle had been taken in the latter part of July with reference to the mechanism of a screening agency, whether any further decision was taken since then, possibly after August 15, which would have reversed that earlier decision in principle?

Mr. Trudeau: Mr. Speaker, without wanting to reveal in advance in any way the nature of the decision, it would be our hope to announce the government's position on this matter when we publish the material to which I just referred. We are working on a timetable now. As I say, I

hope that within perhaps a week or ten days the minister will be able to give a date on which the whole thing will be forthcoming.

• (2:20 p.m.)

Mr. MacDonald (Egmont): I know the Prime Minister does not want to be put in the position of disclosing decisions taken by the cabinet. It was indicated that a decision in principle had been taken. Is it fair to say that this decision taken in principle still stands and has not been subsequently reversed or over-ruled?

Mr. Speaker: Order, please. The question as asked is not in order. The hon. member wants to know whether it is fair to say something. I do not think a question asked in those terms is in order. I bring to the attention of hon. members that many members are seeking the opportunity to ask questions and there should be a limitation on supplementaries. Perhaps we might have the co-operation of all hon. members in this regard.

* * *

EXTERNAL AFFAIRS

EXTENSION BY MASSACHUSETTS OF FISH PROTECTION AND POLLUTION BOUNDARY 200 MILES SEAWARD—IMPLICATIONS FOR CANADA

Mr. John Lundrigan (Gander-Twillingate): My question is for the Secretary of State for External Affairs. Has the minister been apprised of the recent legislative move by the Commonwealth of Massachusetts whereby that state extended its fish protection and pollution boundaries 200 miles seaward, and has he had an opportunity to assess the positive implications of this move for Canada?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I was not aware of it. I will certainly make inquiries to see what has really happened and look at the implications for Canada.

Mr. James A. McGrath (St. John's East): In view of the fact this bill was passed by the Massachusetts legislature more than a week ago and has been the subject of consultation between the state department and the government of Massachusetts, may I ask the minister if he has had any discussions with the American state department with regard to their reaction to our taking similar action on our continental shelf to that taken by the sovereign state of Massachusetts?

Mr. Sharp: Mr. Speaker, I would first like to find out the attitude of the state department toward the action of the legislature of Massachusetts.

AGREEMENT BETWEEN BRITAIN AND RHODESIA SETTLING DIFFERENCES—FAIR TEST OF OPINION OF ALL RHODESIANS

Mr. Andrew Brewin (Greenwood): My question is addressed to the Secretary of State for External Affairs. It is with regard to Rhodesia. Will the minister state whether Canada, before any change in her policy or in that of the United Nations with regard to non-recognition of an independent Rhodesia before majority rule, will seek a genuine and fair test of the opinion of all Rhodesians?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, I have not yet had an opportunity of perusing the agreement that has been reached between the Rhodesian government and the British government. It was just given to my office a relatively few minutes ago. However, it is my understanding that the agreement does provide for what the two sides hope will be an adequate means of testing the views of the Rhodesian people. Whether it is adequate is, of course, a question that will be open for discussion in many parts of the world.

Mr. Brewin: Will the Canadian government retain economic sanctions against Rhodesia until the United Nations has had an opportunity to review the situation and decide whether the sanctions should be continued notwithstanding any unilateral action by the government of the United Kingdom?

Mr. Sharp: Mr. Speaker, it is my understanding that the British government will seek international acquiescence in whatever action is found to be desirable by that government. We, of course, will take our own view of the situation in light of all the facts. At the present time, I do not think anyone has any intention of lifting the sanctions against Rhodesia.

REASON FOR CANADIAN ABSTENTION FROM GENERAL ASSEMBLY VOTE ON PROTECTION OF RIGHTS OF MAJORITY OF RHODESIANS

Mr. R. Gordon L. Fairweather (Fundy-Royal): What is the basis for Canada having abstained on a vote in the General Assembly on Monday of this week on the issue of ensuring that the rights of the majority of the people of Rhodesia will be protected in any settlement with the United Kingdom?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, one of the principal reasons was that we did not want to prejudge any agreement that had been reached between the British and Rhodesian governments and that, after all, the test as to whether the provisions are acceptable does not really reside with us. It resides with the people of Rhodesia.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Fundy-Royal for the third or fourth supplementary on this subject, not on the part of the hon. member. He is being recognized, but we will then go on to the next subject.

Mr. Fairweather: Can we be assured that in connection with any settlement the wishes of the majority of the people will include those of the five and a half million black people of Rhodesia?

Mr. Sharp: As I said in answer to a previous question, there is provision in the agreement between Rhodesia and the British government for the appointment of a commission that would be instructed to determine the views of the Rhodesian people.

REPORTED INVASION OF EAST PAKISTAN BY INDIAN TROOPS

Hon. D. S. Harkness (Calgary Centre): Mr. Speaker, my question is for the Secretary of State for External Affairs. Has the Canadian government received any information from our High Commissioners in India and Pakistan confirming or otherwise a reported invasion of East Pakistan by Indian army troops?

Hon. Mitchell Sharp (Secretary of State for External Affairs): All that I can confirm, and I need hardly do it, is that there are hostilities going on in the border areas between India and Pakistan. The government of Pakistan has informed us that an invasion has taken place. This has been denied by the Indian government.

Mr. Harkness: Has Canada taken any initiative in the United Nations in an attempt to bring the present outbreak of hostilities to an end and prevent it spreading more widely?

Mr. Sharp: I think it is significant that neither India nor Pakistan wishes to bring this matter before the Security Council at the present time.

* * *

ENERGY

RECONSIDERATION BY NATIONAL ENERGY BOARD OF REFUSAL OF NATURAL GAS EXPORT APPLICATIONS

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I should like to address a question to the Prime Minister. It is reported by Reuters News Agency that the United States Secretary of Commerce, Maurice Stans, is presently discussing a trade pact with Premier Kosygin of the U.S.S.R. I quote:

> The two foreign trade chiefs are expected to examine the possibilities of selling Soviet natural gas and oil to the United States and eventually, also copper from the vast untapped reserves of eastern Russia.

In other words, they will liquify natural gas and there will be a trade agreement between the U.S.S.R. and the United States for the delivery of this natural gas and crude petroleum. In light of this information, would the Prime Minister agree to have the National Energy Board review its decision with reference to the export of natural gas from Canada to the United States?

Right Hon. P. E. Trudeau (Prime Minister): Subject to verification in law, I do not believe the federal government has any power to ask the National Energy Board to review a decision. I will look into the matter. I just hope that this rapprochement between the United States and the Soviet Union will not be interpreted by obscurantist Americans as an anti-Canadian move.

Some hon. Members: Oh, oh!

Mr. Woolliams: I do not have any comment to make on the last sentence of the Prime Minister. Would the government be prepared to recommend that the members of the National Energy Board appear before the Standing Committee on Energy, Mines and Resources so that they could be examined by parliamentarians as to the reserves of natural gas in Canada and the need for natural gas for domestic and industrial use in Canada?

Mr. Trudeau: I am sure the hon. member would not want the government to tell people what their duty is. If they are convened by a parliamentary committee it is the policy of the government to stand outside and not interfere with decisions made by parliamentary committees.

Mr. Woolliams: May I ask one further supplementary?

Mr. Speaker: Order, please. Perhaps the hon. member might do so, but again I would point out that we shall be running out of time soon and if there are many supplementaries on each question a number of hon. members will be disappointed.

Mr. Woolliams: I should like to put this question to the Prime Minister. Would the government be interested in evidence relating to the decision made by the National Energy Board, evidence which would be placed before the standing committee through examination of the members of that Board to determine the reasons for their judgment?

Mr. Trudeau: Yes, of course. If the standing committee comes up with some conclusions and a report we would be very interested in looking at them.

• (2:30 p.m.)

* * *

[*Translation*]

CANADIAN BROADCASTING CORPORATION

ALLEGED HIRING OF PAUL ROSE ACCOMPLICE

Mr. Léonel Beaudoin (Richmond): Mr. Speaker, I have a question for the hon. Secretary of State.

Is he aware that a man by the name of Verville—he was known at the time as François Gagné-Verville—who supplied the material used for hiding Paul Rose and consorts during the October 1970 crisis is now employed by the CBC, under the name of Pierre Gagné?

Hon. Gérard Pelletier (Secretary of State): No, Mr. Speaker.

[*English*]

Mr. Speaker: The hon. member for Simcoe North. I apologize to the hon. member for Simcoe North; the hon. member for Témiscamingue has a supplementary question.

INQUIRY AS TO ADVERTISEMENTS IN NEWSPAPER "QUÉBEC-PRESSE"

Mr. Réal Caouette (Témiscamingue): In the same connection, Mr. Speaker, I asked the minister about two weeks ago whether he was aware that the CBC was paying for advertisements in the Quebec separatist paper *Québec-Presse*.

Such advertisements appeared again in the same paper this week. Can the minister indicate today whether he has contacted the CBC on this matter?

Inquiries of the Ministry

Hon. Gérard Pelletier (Secretary of State): Yes, Mr. Speaker, I have. However, as I have not had a reply from the CBC yet, I cannot inform the hon. member of the outcome.

* * *

[*English*]

BROADCASTING

LACK OF SUNDAY CHURCH SERVICES ON RADIO IN TORONTO

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I should like to address a question to the Secretary of State. Is he aware of or investigating secular censorship of Sunday church services by radio, particularly in the Toronto area, which in many cases are the only means by which our senior citizens, the disabled, the crippled, the blind and those confined to hospitals or homes can participate in a religious service of their choice?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I would like to thank the hon. member for his courtesy in giving me advance notice of his question. Unfortunately, he only informed me of it yesterday. I have passed his questions on to the CRTC and the CBC, and will inform him of their replies as soon as I receive either or both of them.

* * *

[*English*]

CANADIAN BROADCASTING CORPORATION

ALLEGED POLITICAL BIAS ON TELEVISION PROGRAM, «WEEKEND»

Mr. Colin D. Gibson (Hamilton Wentworth): Mr. Speaker, in view of the many complaints made to me about political slanting and biased political programming on the CBC television program "Weekend" last Sunday and every Sunday—it is sometimes known as the "NDP weekend show"—will the minister inquire into the alleged partisan NDP programming in order to restore the principle of Canadian justice that news programs give both sides of issues? For instance, when the program reported—

Mr. Speaker: Order, please.

Mr. Gibson: —the Saskatchewan and Manitoba election results but not the Ontario results—

Mr. Speaker: Order. It seems to me the hon. member's question is a representation.

* * *

[*Translation*]

INDUSTRY

POSSIBLE SALE OF LA PRÉVOYANCE TO UNITED STATES INTERESTS—REPRESENTATIONS BY GOVERNMENT

Hon. Martial Asselin (Charlevoix): Mr. Speaker, I wish to direct a question to the Prime Minister.

[Mr. Caouette.]

It was reported yesterday that La Prévoyance, a company with assets of some $46 million, would eventually pass into American hands. I am told that no provincial or federal act can prevent that transaction. Since the question is important, particularly for French Canadians, does the Prime Minister intend to put pressure on or to make representations to the high officials of that company in order to prevent that transaction? If not, does the Prime Minister not believe that the time is ripe to put into effect the recommendations of the Gray report?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I think that for the time being this news is still a rumour. I understand the importance of the point raised by the hon. member and I have asked for further information. If this rumour is well-founded, we will have to answer the question but, in the meantime, perhaps the hon. member could specify what he means when he says that we should apply pressure on the company? Pressure for what purpose?

Mr. Asselin: I have a supplementary, Mr. Speaker.

I think I should answer the right hon. Prime Minister that it is not pressures but representations that should be made to the company in order that they understand that assets of $46 million should remain in the hands of French Canadians. I think we need these assets in Quebec.

* * *

[*English*]

INDIAN AFFAIRS

REQUEST FOR REPRESENTATIONS CONCERNING REMARK BY PROVINCIAL JUDGE

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker may I ask the Minister of Justice whether his attention has been brought to an alleged blanket condemnation of the Indian people by County Court Judge Collins, who allegedly referred to "the stupid Indians of whom we have so many"? Has the minister's attention been brought to this statement and, if so, what is he going to do about it? It is a kind of vocal genocide when a fine body of people such as the Canadian Indians receive this type of condemnation in regard to their citizenship.

Mr. Speaker: Order, please. It seems to me that this question was asked the other day, but at the same time I do not think an answer was given to the question so perhaps the minister or someone on his behalf might reply.

Hon. John N. Turner (Minister of Justice): Mr. Speaker, at the moment I have no information other than the story in the Toronto *Globe and Mail*. I did discuss the matter last week when in Toronto with the Attorney General of Ontario, Mr. Lawrence, and I have asked the chief judge of the County Courts of Ontario, Colin Bennett, to let me have a report.

Mr. Diefenbaker: Has the minister received a telegram from Chief George Manuel, president of the National Indian Brotherhood? Would the minister also let the House know whether or not this judge will be communicated with to ascertain what possible justification

there would be for a statement that, to say the least, is an outrageous slander of the Indian people?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, the right hon. gentleman did begin his question by saying that this was an alleged statement. I do not want to assume anything until I have had a chance to get a report from the chief judge of the County Courts. As for the telegram from the brotherhood, it may well have reached my office and I will make sure that I read it personally.

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GRAIN

REQUEST FOR POLICY STATEMENT ON USE AND LEASING OF INTERIOR ELEVATOR FACILITIES

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, I have a question for the Minister of Agriculture. Can the minister inform the House if and when bids were called for the purchase of the Canadian government interior elevator at Lethbridge? Will the minister also inform the House which grain company is acting as agent at the government elevator at Moose Jaw, and whether the elevator has been leased, is under contract, or under what terms it operates?

Mr. Speaker: I suggest to the hon. gentleman that this kind of question should be placed on the order paper. If there is urgency the hon. member might like to give notice to the Chair and it will be given priority for consideration at the time of adjournment.

Mr. Gleave: Mr. Speaker, may I rephrase my question?

Mr. Speaker: The hon. member might rephrase his question and I will determine whether the rephrased question should be put on the order paper or not.

Mr. Gleave: Will the minister make a statement on motions in the near future informing the House what the policy of his department is, and indeed of the federal government, in regard to the use and leasing of interior terminal grain facilities in western Canada, and explaining the basis upon which grain will be handled in these facilities?

Hon. H. A. Olson (Minister of Agriculture): No, Mr. Speaker, I do not think so, but I would be very happy to answer the hon. member's question if it is put on the order paper, and perhaps to expand on it a little.

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[*Translation*]

HOUSING

ABEILLE PROJECT—DATE OF PRESENTATION OF REPORT ON INVESTIGATION

Mr. Georges Valade (Sainte-Marie): Mr. Speaker, I would like to direct a question to the Minister of State for Urban Affairs.

Has he received the report on the inquiry he entrusted to an hon. member and which dealt with the "Abeille" housing project? What was the scope of such an inquiry and when will its complete report be communicated to the House?

[*English*]

Hon. Robert K. Andras (Minister of State for Urban Affairs): Mr. Speaker, the review that I announced some time ago of the Paravert Construction Company project is under way. It is a two-pronged investigation. First of all, a special group from CMHC head office is taking a look at all of the procedures followed in this case. Independently of that, two separate engineering consultant firms are examining the project from an engineering point of view. I inquired as recently as this morning where the engineering consultants' report stands, and I was told that it should be available to me in complete detail very shortly. When it is I shall examine it and advise the House whether there is any indication that further problems have developed.

[*Translation*]

Mr. Valade: Mr. Speaker, I should like to put a supplementary question to the minister.

Can he give the House the assurance that no loan will be granted the promoters of the project "Abeille" by the Central Mortgage and Housing Corporation until the report on the enquiry has been made known to the House?

• (2:40 p.m.)

[*English*]

Mr. Andras: Mr. Speaker, a loan was made some time ago and the company that received the loan went into an arrangement for the benefit of creditors in June. Legal proceedings have taken place since that time, so the project is now owned by CMHC which totally changes the arrangements. Consequently repairs are being effected now. A guarantee has been extended to the purchasers of record as of that time and we are taking all reasonable measures to assure the people involved that they will not be hurt in the process.

* * *

INCOME TAX

POSSIBLE WITHDRAWAL OF PROVISIONS OF BILL AFFECTING CREDIT UNIONS

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, my question is for the Minister of Finance. In light of the apparent concern and interest shown to the Nova Scotia credit unions last weekend at Halifax by the President of the Privy Council regarding Bill C-259, may I ask the hon. gentleman whether the more iniquitous sections of the bill affecting credit unions will be removed?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I disagree that there are iniquitous sections. However, we have been receiving representations from credit unions and from co-operative organizations and at the present time the government is considering them.

Mr. Muir: Mr. Speaker, in view of the fact the President of the Privy Council stated the government was "listening to the recommendations of the provincial credit unions",

may I ask whether the minister is listening and will remedial action be taken as a result of such listening?

Mr. Benson: Mr. Speaker, I would say I always listen to the President of the Privy Council.

Mr. Diefenbaker: You listen but you don't act.

Mr. Muir: Do you act on his advice?

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POLLUTION

DUMPING OF EFFLUENT BY ATLANTIC RICHFIELD OIL INTO WATERS ADJACENT TO CHERRY POINT, WASHINGTON—CANADIAN REPRESENTATIONS

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to ask the Secretary of State for External Affairs whether the government has made any representations to the government of the United States objecting to the proposal and subsequent fact that Atlantic Richfield Oil Company at its refinery at Cherry Point, Washington, is dumping and is permitted to dump 3.7 million gallons of refinery effluent into the waters adjacent to Cherry Point?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, now that I have these facts before me I will certainly inquire and make appropriate representations, because I agree with the hon. member that this would affect the Canadian as well as the United States environment.

Mr. Howard (Skeena): Mr. Speaker, inasmuch as it does do that in respect of Canadian waters in the Strait of Juan de Fuca and the Gulf of Georgia, an important migration route for salmon, can the minister say whether he has had any discussions with the Minister of the Environment to develop a policy on this matter?

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FINANCE

CANADIAN INITIATIVE AT FORTHCOMING GROUP OF TEN MEETING TO REGULARIZE INTERNATIONAL MONETARY SITUATION

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I should like to ask the Minister of Finance to advise the House whether Canada is going to take any initiatives at the forthcoming meeting of the Group of Ten with a view to bringing about some regularization of the world international monetary situation, or are we just going to slide along and hope for someone else to come up with the prize?

Hon. E. J. Benson (Minister of Finance): No, Mr. Speaker. We have been carrying on discussions with various countries and we intend to continue these at the meeting of the Group of Ten and to take every initiative possible to help solve this very important problem.

[Mr. Muir.]

EXTERNAL AFFAIRS

POSSIBILITY OF PAYMENT BY RUSSIA FOR DAMAGE TO CANADIAN FISHING GEAR

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, in view of the fact the Secretary of State for External Affairs indicated to the hon. member for Gander-Twillingate that he would look into the circumstances surrounding the pollution bill passed by the state of Massachussetts, has he been made aware of the fact that the Russians are paying $100,000 for damage to fishing gear off the same coast and does he think we could apply for payment for such damage off our coasts?

[*Later:*]

Mr. Marshall: Mr. Speaker, I should like to restate my question to the Secretary of State for External Affairs. In view of the fact the U.S.S.R. has paid compensation to the United States government for the destruction of fishing gear off the coast of the state of Massachussetts, will the minister make representations to the U.S.S.R. in our dealings with them so we can collect for damage off the Atlantic coast?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, it would be my expectation that if we could make a claim for damage of this kind the Soviet Union would pay it.

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BROADCASTING

QUEBEC CABLEVISION LEGISLATION—FEDERAL JURISDICTION—REQUEST FOR STATEMENT

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, now that the Quebec government is proceeding with legislation to set up its own licensing system for cablevision, thereby obviating the need for CRTC licences, will the Secretary of State make a statement in the House as to the meaning of this legislation in relation to federal jurisdiction as determined by the recent series of meetings he has had with the Quebec Minister of Communications to which he referred in the House last Thursday?

[*Translation*]

Hon. Gérard Pelletier (Secretary of State): Mr. Speaker, I find it hard to accept the allegations of the hon. member who seems to understand the whole situation clearly while in fact it is ambiguous for a very simple reason: all the bills he refers to fall within Quebec jurisdiction, as mentioned in the bill.

It does not rest with me to determine what the jurisdiction of Quebec is; so, for the time being, I find this bill very ambiguous.

[*English*]

Mr. Dinsdale: Mr. Speaker, will the Secretary of State comment on the report that the Quebec government will not recognize any ruling by the Supreme Court of Canada which would challenge its plans to—

Mr. Speaker: Order, please. The hon. member is asking the minister to comment on a statement he says appeared

in the newspapers. I would not think that a question asked in those terms is in order.

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AGRICULTURE

PROTECTION AGAINST IMPORTATION OF SUBSIDIZED PRODUCTS FROM UNITED STATES

Mr. Derek Blackburn (Brant): Mr. Speaker, my question is directed to the Minister of Agriculture. Has he received representations from the Ontario Federation of Agriculture as a result of their meeting in Hamilton, and is he prepared to consider their request for protection against the importation of subsidized farm products from the United States?

Hon. H. A. Olson (Minister of Agriculture): No, Mr. Speaker, but I have read the press report.

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EXTERNAL AFFAIRS

AGREEMENT BETWEEN BRITAIN AND RHODESIA SETTLING DIFFERENCES—MEETING WITH BRITISH MINISTER—REQUEST FOR STATEMENT ON CANADIAN POSITION

Hon. J. A. MacLean (Malpeque): Mr. Speaker, I should like to ask the Secretary of State for External Affairs whether he is meeting with the British Minister of State, Mr. Joseph Godber, on Saturday with regard to the proposed Rhodesian settlement which was announced in the British House of Commons today and, if so, will he make a statement in the House early next week, if possible, on the attitude the government of Canada takes on this matter?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, the answer to the first part of the question is yes, I will be meeting with Mr. Godber in Toronto on Saturday morning. It would be my expectation that I will make a statement probably early in the week.

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INCOME TAX

PROVISIONS IN BILL RESPECTING CAPITAL GAINS TAX ON BASIC HERDS—OPPORTUNITY FOR REPRESENTATIONS BEFORE FURTHER CONSIDERATION BY HOUSE

Mr. J. H. Horner (Crowfoot): Mr. Speaker, I should like to direct a question to the Minister of Finance in respect of the application of capital gains tax on basic herds. Are the minister and the government reconsidering their position on that aspect and are they prepared to hear briefs and listen to interested parties before the subject comes up again in the House of Commons?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I read the Senate report on the study it carried out in respect of this matter. I also listened with great interest to my hon. friend in the House for a couple of days when he explained his view in relation to basic herds. I would be pleased to receive representations from other parties in this regard.

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[*Translation*]

EXTERNAL AFFAIRS

NUCLEAR EXPLOSION BY PEOPLE'S REPUBLIC OF CHINA—CANADIAN PROTEST

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I should like to put a question to the Secretary of State for External Affairs.

When the United States went ahead recently with nuclear tests at Amchitka, the government voiced strong opposition. Besides, the minister received a number of protests from various Canadian organizations. Would the minister tell the House whether his department and Canadian organizations made similar representations to China when the latter conducted a similar test a few days later.

Mr. Speaker: Order, I believe this question has been asked previously, but the minister may answer it briefly if he wants to.

[*English*]

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, our ambassador in Peking has been instructed to present a note to the Chinese government.

AMCHITKA NUCLEAR TEST—STUDY OF SUBSEQUENT EARTHQUAKES

Mr. Mark Rose (Fraser Valley West): Mr. Speaker, I have a supplementary question on the subject of the Amchitka test. It concerns a press report about three major earthquakes that have occurred in the general area since November 6. I should like to ask the minister whether Canadian researchers have studied these three earthquakes in this area and is the government currently in possession of the results of their research?

• (2:50 p.m.)

Hon. Mitchell Sharp (Secretary of State for External Affairs): Canadian scientists are receiving data and the matter is under study.

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GRAIN

REACTIVATION OF INTERNATIONAL WHEAT AGREEMENT IN LIGHT OF DECLINING PRICES

Mr. R. R. Southam (Qu'Appelle-Moose Mountain): I have a question for the Minister of Manpower and Immigration who answers to the House for the Wheat Board, but in his absence I will direct it to the acting minister who may wish to take it as notice. In light of the deep concern expressed by farm representatives at the agricultural outlook conference held in Ottawa on Monday and

Tuesday with respect to sagging farm income caused by seriously declining wheat prices, what action, if any, has the government taken in recent weeks to encourage the reactivation of the international wheat agreement?

Hon. H. A. Olson (Minister of Agriculture): No specific action has been taken along that line, but I should like to advise the hon. member that a great deal of action has been taken and we are probably going to have another record-breaking year for grain sales.

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AGRICULTURE

PROGRAMS TO ENABLE FARMERS TO ACQUIRE LAND AND CAPITAL RESOURCES AND FOR FAMILY-TYPE FARMS

Mr. R. E. McKinley (Huron): My question is for the Minister of Agriculture. It has to do with the communiqué on the agricultural conference tabled today in which the minister states that provisions will be forthcoming to enable farmers to more readily acquire land and capital resources essential to improve their income, and also that programs will be directed to family-type farms. What will these programs be?

Mr. Speaker: Order, please. I suggest to the minister and to the hon. member who has asked the question that this kind of information should be given by way of a general statement.

Mr. Horner: Farmers will be forced off the land.

Mr. McKinley: Mr. Speaker, I rise on a question of privilege. The decision you have just made focuses attention on many recent events that have occurred here which involve the Minister of Agriculture. Statements such as the communiqué concerning a major conference that the minister tabled today should not be tabled. Such statements should be made on motions so that opposition members may have the opportunity to look at them and express their opinions on them. Recently other statements have been made outside the House and outside Ottawa entirely. For instance, the statement on the fowl buying program was made on the east coast after questions had been asked in the House and after I had sent to the chairman of the Farm Products Marketing Board plans to carry out such a program. If the minister chooses to do it this way, he has that privilege, but it should be known that he is afraid to face the representatives of the people and make a statement.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: The point raised by the hon. member might have been raised by way of a point of order. I do not think it is a question of privilege. In fairness, I think the minister might want to reply, but I suggest there is no question of privilege before the House.

Mr. Olson: On the point of order, Mr. Speaker, the communiqué I tabled was not mine; it was the collective agreement of all the ministers at the conference. If the hon. member will read his mail, he will see he has had all the proposals—

Mr. Speaker: Order, please. That is evidence of how we can get involved in difficulties. Certainly the hon. member's point was not a question of privilege. The minister rose on a point of order. This could go on all afternoon. I wonder whether that is what hon. members want to do. I have to rule that there is no question of privilege and no point of order.

Mr. McKinley: I have another point of order, Mr. Speaker.

Mr. Speaker: I will listen to the hon. member and then rule on whether he has a legitimate point of order. But I suggest that when hon. members raise points of debate by way of a point of order they are not helping the efficient progress of the work of the House.

Mr. McKinley: The minister is quite correct. I did receive this in the mail yesterday—I will say that—but at the same time a statement should have been made in the House regarding this important agricultural conference held here in Ottawa and the state in which agriculture finds itself.

Some hon. Members: Hear, hear!

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I rise on a point of order which arises out of the statement made just now by the Minister of Agriculture to the effect that the communiqué which he tabled was not a federal government document. If that is the case, he had no right to table it under Standing Order 41(2).

Some hon. Members: Hear, hear!

Mr. Speaker: Orders of the day.

Mr. Forrestall: Mr. Speaker—

Mr. Speaker: Perhaps I should apologize to the hon. member for Dartmouth-Halifax East who had been recognized before, but we got involved in a question of privilege. Perhaps the hon. member might be allowed to ask his question quickly.

* * *

NATIONAL DEFENCE

POSSIBLE SALE OF CF-5 AIRCRAFT TO VENEZUELA

Mr. J. M. Forrestall (Dartmouth-Halifax East): My question is for the Minister of National Defence. I wonder if the minister can give us any indication on the present status of arrangements to sell CF-5's to Venezuela?

Hon. Donald S. Macdonald (Minister of National Defence): I am sorry that I cannot give a report on the deal, but we are hopeful that it will be consummated shortly.

Mr. Speaker: Orders of the day.

Mr. McGrath: Mr. Speaker, I rise on a point of order arising out of a reply of the Secretary of State for Exter-

nal Affairs earlier this afternoon. May I ask for the unanimous consent of the House to lay on the table of the House a copy of a bill passed by the Massachussetts legislature on November 8 extending territorial jurisdiction seaward for 200 miles.

Mr. Speaker: Order, please. Of course anything can be done by unanimous consent, but the hon. member knows that is not the regular practice.

Mr. McGrath: My reason for asking for unanimous consent was the fact that the minister disclaimed any knowledge of this important bill affecting, as it does, a very important industry. So that the government can be advised of the contents of the bill and can react on behalf of the people of Canada, I should like to ask the unanimous consent of the House to table the bill.

Mr. Speaker: Order, please. Orders of the day.

* * *

BUSINESS OF THE HOUSE

WEEKLY STATEMENT

Mr. Baldwin: I should like to ask the government House leader about the business for the rest of this week and for next week. Has the government any idea of when it intends to conclude this part of the session and what items it has on the legislative table?

Mr. MacEachen: Tomorrow we will continue with the tax bill and then on Monday, and on and on. My hon. friend could help me in determining the future prospects for the House if he could tell me when I can get the bill passed.

Mr. Nowlan: How many more amendments will you be bringing in?

Mr. MacEachen: As I said, in addition to the tax bill and related tax bills that we have considered we have some items standing at the report stage which we would like to finish in this session. I think I have stated that already.

Mr. Benson: On a point of order, Mr. Speaker, earlier today I promised the hon. member for Nanaimo-Cowichan-The Islands that I would table something very soon. "Very soon" is now if I have the permission of the House to do so.

Mr. Baldwin: Under what Standing Order?

Mr. Speaker: Orders of the day.

Mr. Douglas: Mr. Speaker, I wish to rise on a point of order.

Mr. Speaker: Order, please. There is a further point of order. It seems to me that for the last ten minutes we have not made much progress because of points of order and questions of privilege.

Mr. Douglas: Mr. Speaker, my point of order is that I want to thank the minister for tabling the document and ask him—

Mr. Speaker: Order, please. Would the hon. member resume his seat. The minister sought permission to revert to motions to table the document. That was not granted and the document is not tabled. The matter can be reviewed tomorrow. The Chair has called orders of the day.

• (3:00 p.m.)

[*Translation*]

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY, S.O. 58—ALLEGED FAILURE OF GOVERNMENT TO ESTABLISH A SOCIAL AND ECONOMIC SECURITY PLAN

Mr. Réal Caouette (Témiscamingue) moved:

That this House condemns the government for its failure to propose legislation establishing a social and economic security plan placing all Canadians above the poverty level.

He said: Mr. Speaker, in view of the flagrant abuses of the welfare system now in force in Canada, we had to introduce this motion which does not reflect any narrowness of mind, but certainly a desire to enable all members to clearly express their views, to make useful suggestions so as to give the Canadian people, not a welfare pittance as is the case now, but a genuine social and economic security plan placing all Canadians above the poverty level.

Recently, the Senate Committee on Poverty Published its famous report establishing the poverty level and suggesting correctives in order to provide all Canadian citizens with a standard of living exceeding at least that famous poverty level widely known in Canada.

Mr. Speaker, I would now like to quote an economist who is a professor at the London School of Economics—

Mr. Speaker: Order. I regret to interrupt the hon. member for Témiscamingue—

[*English*]

The hon. member for Hamilton West (Mr. Alexander) rises on a point of order.

Mr. Alexander: Mr. Speaker, I did not intend to intervene while the hon. member was attempting to make his point on the motion that is before the House, but I am finding it extremely difficult to follow him. I have questioned hon. members sitting around me and none of us seem to be getting the interpretation of his speech. In view of the fact that we are trying to follow the thoughts of the hon. member, in order to refute or support them, I wonder if Your Honour in the very near future would look into the matter of this new apparatus through which we get the interpretation.

With a great deal of respect to Your Honour, I have to say that it is not as good as the previous system. We are having continuous difficulties with the translation of members' speeches, and when this continues we are at a loss to know what is actually going on. As a result, we

have to refer to *Hansard* the next day. It appears to me the volume of amplification is distorting the words, as a result of which we do not hear very much at all.

Mr. Speaker: The matter raised by the hon. member has been looked into previously. There have been difficulties with the new system, and we will continue to try to impove it. I might say that as the hon. member was speaking I listened to him directly with one ear and to the interpretation with the other ear, and did not miss a single word of what he was saying, either in French or in English. Perhaps there may be something wrong with the apparatus in that part of the chamber. We will, of course, look into the matter without delay.

[*Translation*]

Mr. Caouette: Mr. Speaker, I am much obliged to the hon. member for Hamilton West (Mr. Alexander) for his words. We too have noticed rather often that the new sound system is really poorer than the previous one, and when some members are whispering it is twice as difficult to follow those who are just addressing themselves to the House. I do not blame in any way the hon. member for Hamilton West for cutting in. He is absolutely right. When some member speaks in English we like to hear the simultaneous translation. We would be pleased if the sound system would work adequately.

I was just saying that everybody has his economists; the Liberals have theirs, the Progressive Conservatives too and even the New Democrats! Strangely enough, all these economists cannot agree.

The Liberals give a different interpretation to the theories of Progressive-Conservative and New Democratic economists as well as to those of the founder of Social Credit, Major C. H. Douglas. I believe what is needed in the first place is some agreement among economists so that laymen like us may better understand economic, political and social matters.

At any rate, I would like to quote, as this point, Professor A. A. Waters of the London School of Economics, the exclusive institution where most of our economists were trained and received their degree. According to an editorial, Professor Waters had this to say:

"In Great Britain as well as in the United States (he could have added in most industrialized countries of the world),—

—the same problem exists in all developed countries—

—we have noted the simultaneous development of a runaway inflation and of high rates of unemployment—Stagflation appears as a new phenomenon which needs to be explained.

On last July 25, the economist made a speech at the University of Monash, Victoria. On that occasion professor Waters stated his new findings. I continue quoting:

Professor Waters added:

"The association of uncontrolled inflation and a record unemployment rate has been a—

—that is exactly the situation we are facing in Canada—

—puzzling phenomenon for economists and the authorities ... Theories on inflation-unemployment have been strongly challenged by the last two year's experience."

Referring to John Maynard Keynes—

—the most eminent economist whose theories our governments have been trying to follow or have been following for about 25 or 30 years—

[Mr. Alexander.]

—the economist Waters said that he asserted that if there is full employment, an increase in total demand should result in rising prices. Consequently, many Keynesians—

—adepts of Keynes—

—like Professor Paish, foresee that a high level of unemployment is linked to price stability and a low unemployment level to increased prices. Alas, neither conventional economists nor disciples of Keynes are able to make predictions even remotely related to what we are witnessing today.

They are completely out-of-date. They no longer know where they stand with their theories.

Conventional economists can perhaps find readier justification since theirs are long-term predictions.

Let us take action today to obtain results in 50 years. Not short- but long-term results.

• (3:10 p.m.)

Keynes disciples have no excuse whatever. They claim that such a theory is based on short-term forecasts and policies.

Let us settle this right now. Let us build an expressway to hire as many people as possible in order to fight unemployment. Such a project will last six months but let us not think about what will happen after. This is a short-term policy.

"Moreover, Keynesians have also failed to explain cohabitation of these two strange bedfellows: inflation and unemployment."

Professor Waters admits also:

"Unfortunately the economists' inability to explain stagnation and inflation is not a simple and isolated case. I think it is symptomatic of a general endemic uneasiness ... Numerous treatises on economics maintain that tighter money together with greater budget surpluses will first reduce the excess demand, then block rising prices and after a certain time decrease employment and production. However facts are quite different. The facts seriously contradict texts taken out of treatise on economics."

—The lessons of the last twenty years are clear. Events are far different, in fact almost the opposite, of what books tell us.

Books are read and studied. Then, twenty years later, we find out that reality is totally different from what the books say. It must be noted that the one who said that was not the leader of the Social Credit, but an economist, a professor at the London School of Economics.

Now, to go back to the quotation:

Let us admit simply that we have no worthwhile theory on the short-term monetary adjustment dynamics in the cost/price process. This is an honest admission, but not a desperate one.

In fact, he seeks a solution himself:

I feel that in the last few years, economics failed, humiliatingly so.

This is the confession of an economist.

Mr. Speaker, this is why, in the present situation, in industrialized countries which do not know what to do with their products, we offer a solution. My colleagues and myself are moving today a motion and we ask all members, Liberals, Progressive Conservatives or New Democrats, to study our proposal. It is in that sense that some cabinet ministers have already talked. They have even recognized their failure and the fact that their promises could not be realized in the present system. I read in the November 21, 1968 issue of *L'Action* of Quebec City, a statement by the Minister of Regional Economic Expansion (Mr. Marchand) who said, and I quote:

The "just society" will probably never exist.

The minister said that and he now indicates he is convinced of that. If he would accept our help, that just society could be established throughout Canada. We offer to the minister suggestions which he should discuss seriously, which he should try to understand instead of laughing at them. He knows there is no solution under the present system.

He may drain his department of all the funds possible in order to help industries barely survive, but after six months, this has not yet created jobs or settled the problem. And this government has been in power for three years. I believe that the minister is sincere when he seeks solutions, but he is working in a context where solutions are practically impossible, in a context of indebtedness, in a context where we are not the masters of our credit but the slaves of a financial system controlled by a handful of individuals who order us, most of the time from the United States, what to do in Canada. And we call our Parliament a sovereign Parliament.

I said the day before yesterday, for instance, that nothing prevents Parliament from allowing the Bank of Canada to grant loans. Besides, the law provides that the Bank of Canada can grant loans to the provinces, but the latter do not borrow due to the terms of repayment. The Bank of Canada has the authority to make loans to the provinces and municipalities for a period not exceeding six months, pursuant to section 20 of the Bank of Canada Act. All we have to do is to change the term "six months" for "60 years." Moreover, it is the period of time which we set for Indians and some underdeveloped countries. Let us allow the provinces to borrow through the Bank of Canada for six-month periods. The government takes nearly six months to set up its winter work program. When it comes to make expenditures, it is already time to reimburse; then the works are suspended. Nothing can be done.

Mr. Speaker, the minister stated on April 9, 1969 in an article entitled "The six imperatives of social justice" the following:

> The first imperative of social justice is that there must be a sufficient number of jobs.

It is true. Two or three years later, the minister says: I do as much as I can, but there are no jobs, it is merely an objective which we set. Now we are trying to achieve that objective. They are not taking the necessary means to do so. For example, they have been merely endeavouring to achieve that objective for 25 years, but to no avail.

I keep on quoting:

> —This is a basic economic question, but also an essential social matter.

Mr. Speaker, I say to the minister—and, by the way, I am happy to see him sitting in his place—that, having been directly engaged in labour and union business and having held for several years the position of president of the CNTU, he is very much aware of the fact that the purpose of economics is not merely to provide jobs but to satisfy the needs of the human being. Employment or unemployment do not matter much; we must make sure that the needs of the people are satisfied, if production allows it. And the minister certainly has little doubt that the Canadian production is sufficient to guarantee to all people the essential economy of security with freedom.

I shall now state the second imperative, that is working conditions. We do want that people be treated as human beings and not like dogs. We all know that.

I continue the quotation:

> The third imperative requires that services be available to people who need them in order to benefit from job opportunities.

Everyone agrees on that.

I continue the quotation:

> The fifth imperative implies that people will get help in order to satisfy the basic needs. This is the first goal of family allowances and subsidized housing and one of the objectives of assistance programs.
>
> The sixth imperative is that people who are absolutely unable to earn their living should nevertheless receive an adequate income. This is the purpose of the disabled aid programs and others of this type; it is also the basic object of general assistance programs.

• (3:20 p.m.)

Mr. Speaker, that situation exists throughout Canada, especially in the province of Quebec.

This morning I received a letter from the Saguenay region. In fact it came from Les Buissons. A mother with eight children, whose husband died some time ago, in 1970, describes to me in that letter how she collected some insurance and used it to build a house in order to shelter herself and her eight children, one of whom is four years old. At present she gets a monthly welfare payment of some $230. With that amount she must support a family of nine, meet the ordinary expenses, pay for the heating, the electricity, the telephone and the upkeep of the children.

This mother now has to live on $230 a month, in a rich country like ours, although one of the government's priorities is to help reach the basic objective of welfare programs so as to give needy people a chance to lead a better life.

Is the government going to maintain that a mother with eight children can live on $230 a month? That woman keeps going to her district welfare bureau, in the Saguenay area, only to be told by the chief officer: The criteria prevent us from giving you assistance. So, because the criteria forbid their receiving assistance, a mother and her eight children, who have to attend school, are left to live in abject poverty.

Mr. Speaker, there are thousands of similar cases in Canada, and yet the government still hesitates to introduce legislation which will provide assistance to Canadians with low incomes or no income at all.

I have with me another declaration made by the hon. member for Papineau (Mr. Ouellet), entitled: "Towards a just society."

The Minister of Regional Economic Expansion seems to indicate that there will never be a "just society". His colleague, the hon. member for Papineau, says: "Towards a just society." As far as he is concerned, he is going there, but the minister says: You are not going. But he says he is going anyway!

Mr. Speaker, the hon. member for Papineau declared and I quote:

> Instead of having a guaranteed annual income plan which we are presently unable to afford,—

I become incensed against such brainless people who maintain that we cannot afford a guaranteed annual

income. We cannot afford it, but if war should break out tomorrow, the hon. member who is presently absent, would be the first to vote several billion dollars to set up the Canadian armed forces, war industries, youth enrolment and so on. He would be the first one to vote for it. Even if it cost $10 billion they would find the money. They would tell us, it is because we are facing an emergency situation. It is urgent.

Is the situation not urgent nowadays when we go down to Montreal and we are afraid to walk down the street, to encounter terrorists, to hear a bomb explosion?

The minister was recently on station CKVL to answer questions that were being phoned in on the Frenchie Jaraud program. When he came out he could have been ill-treated by the Lapalme employees. We are in a situation when we have a bomb here, terrorists there, bloody demonstrations. Is that not urgent? Does emergency simply mean going to fight on other continents and leaving oppression go its way here at home before we wake up, take action and introduce legislation acceptable to the population?

Is this not an emergency? Why are those people protesting? Why do the young no longer respect family, school, provincial or federal authority? It is no longer wanted. They do not realize that even after they have done away with our society, they will have to abide by some kind of authority. Montreal's Michel Chartrand would take over and enforce his authority with the help of his clique, put the people in a strait-jacket as Castro does in Cuba or as the leaders in communist or socialist countries do to their population.

Would Canada stand for this? Is it not high time that we wake up the silent majority which would rather wait for the bombs to explode instead of making changes?

Mr. Speaker, we cannot afford to help the Canadian people to live. Was there ever a more stupid argument? And to think that it comes from an hon. member who deems himself responsible. I would say he is feather-brained; he does not understand anything, he does not want to understand, he is impervious to understanding. Unfortunately he is absent today but I shall repeat that to him at the earliest opportunity, when he will be back in the House.

Mr. Speaker, I will keep on with the quotation:

—we want to develop furthermore an income protection system—

Imagine! The citizens have no income and we are going to protect them. As to the establishment of a guaranteed annual income, it is impossible; we cannot afford it. As for the people without an income, we shall guarantee them that they have no income. That is exactly what it means. I should say the argument is quite bright and comes from a fairly learned economist. I keep on:

—we want to develop further an income protection system in favour of classes of Canadian citizens who deserve to get assistance:

older people in need, large families with a low income, retired people, disabled and handicapped people and all those who can and are willing to work, but who on account of the present economic conditions are unable to find employment.

There is a glaring inconsistency in what the hon. member for Papineau said. In another article, under the heading "Elimination of poverty—Collective responsibility" it is reported that the president of the Quebec Caisses populaires, Mr. Rouleau, directly blames the system. I quote:

In Canada, says he, following a substantial increase in family allowances and especially in allowances according to the number and age of the children, two thirds of the poor would be eliminated, according to professor Henripin.

In Quebec, we spend large sums of money for welfare institutions of all kinds, but we are always reluctant when it comes to really helping the basic institution of our society, namely the family. We pay for instance from $75 to $200 per month for a child in an institution—

Therefore, it is true. When the child lives with his family, nothing or almost nothing is allowed. People have to draw the child from his home in order to get a decent pension. If the mother requests custody of her 5 or 6 children, social welfare officials refuse. They tell her: Madam, let your children leave home and then we shall pay up to $200 per month for their maintenance. If you keep them at home, we shall give you $10 per month. Can you imagine such a legislation! All the more power to Mr. Rouleau for pinpointing the weaknesses of the system.

Mr. Speaker, I have only a few minutes left. A while ago an interruption cost me 4 or 5 minutes. Therefore, I should be able to express my suggestion. I am not allowed to speak over 30 minutes. I was so advised by the hon. member for Winnipeg North Centre (Mr. Knowles) not long ago.

We are suggesting the establishment of a social security plan as advocated by the Social Credit Party of Canada. I do not wish to take the time of the House to read a document, but if my colleagues allowed me to do so, I would have it recorded in *Hansard*. The figures would be shown in the official record and I would not need reading them. May I have the permission—

Mr. Speaker: Order, please. In all respect, I would suggest to the hon. member that this procedure is not at all in order. In so doing, we would be adopting a new procedure, and it would not be profitable for the House if hon. members, in the course of their remarks, were to request that some documents be recorded in *Hansard* and be considered as part of their speeches. For the information of his colleagues, the hon. member should try to summarize the document. Then, it would be part of his speech. Besides, I have no doubt that his colleagues will grant him the extra time he needs.

• (3:30 p.m.)

Mr. Caouette: Mr. Speaker, I have enough time, I think, to read the whole piece rather quickly. Here it is:

Since every Canadian with an income of $15,000 or more a year is already assured of his social security it is therefore proper to suggest to following:

Tax exemption on any income under $3,000 for all single persons

Tax exemption on any income under $5,000 for all married people

Exemption of $500 for each child

Allocation of a vital minimum to all those earning less than $15,000 a year according to the following standards and without any condition.

If the fellow is working and earns $5,000, this amount is added to his social security.

Here, we help directly all the students in Canada, and I quote:

> Single, 18 and over, $1,500; married, without children, $2,500; married, with one (1) child, $2,750; married, with two (2) children, $3,000; married, with three (3) children, $3,250; married, with four (4) children, $3,500; married, with five (5) children, $3,750; married, with six (6) children, $4,000; pension for all persons 60 and over earning less than $15,000 a year, $200 per month; the spouse, of any age, $150 per month.

That means that if a man retires at 60, and his wife is 48, she will not be caught in this crazy system we now have. Madam, she is told, you are 48, you are not entitled to a single penny. Go and work, wash floors, windows, or offices, but you have no right to your pension because you are not 60. Yet, the spouse gets $150 a month, exactly as the pensioner receives $200. This would mean that a couple would receive $350 a month, which is not too much. They could get an additional income of $2,000, $3,000 $5,000 or $6,000 a year while going about their business. The government would not withdraw their pension because they would have chosen to work. That would be an incentive to personal initiative instead of encouraging people to cheat under the present welfare legislation. People will hide the fact they earn a few dollars so that they will not be caught and be deprived of their welfare payments.

Well, with this kind of program, people would not cheat. They could go about their business, earn $5,000, $6,000 or $7,000 a year, and at the same time receive social assistance, that would be an additional income that would enable them to purchase the goods they want. The fact that people would be encouraged to work would result in increased national production.

Mr. Speaker, that social security system will allow every Canadian to work and earn an annual income of $15,000 or less. If a person earns $9,000 a year and is married, the first $5,000 are not taxable. The amount of $4,000 is taxable if the couple has no children. With two children, $3,000 will be taxable, and so on. That is the restriction. One is not entitled to work if he is to be on welfare. That is what we do away with. It would mean replacing the whole welfare system by a social security system which would put the huge resources of Canada at the service of the Canadian people who build this country.

Then we could say: We have again become masters in our own home, masters of our economy, of our production, of our distribution and of our consumption.

[*English*]

Mr. Jack Marshall (Humber-St. George's-St. Barbe): Mr. Speaker, I am naturally pleased to be able to make some comments on the Creditiste motion before us today. I feel they should be commended for introducing this motion, which is so timely and important in view of the conditions which exist in our country today, especially that part of it which concerns the approach of the government to the alleviation of poverty. However, I must disagree with the members of that party when they state that the government has failed to propose any economic and social measures. The government has introduced measures, but they have certainly not achieved the desired results. We are hearing enough about economic measures these days, but we are not hearing anything meaningful about social security measures to fight the blemish of poverty which is so prevalent across this nation.

When the new regime took over in 1968, it was good to hear the pledge in the Speech from the Throne that the first priority was going to be the fight against poverty, and the assurance to the people of Canada that there would be equality of opportunity for all Canadians wherever they may live. This was followed by statements to the same effect, but in different words, made by the Prime Minister (Mr. Trudeau) and his cabinet colleagues right across the country. Somewhere along the way the problem of poverty fell further and further down the list of priorities. Over the past four years, it has been relegated to an exercise in delaying tactics. Now, every time there is a problem in the country, we set up some kind of organization to study it. More study groups, councils, commissions, task forces and associations are set up and sponsored by this government. It is now one of the biggest industries we have in this country today. I am not entirely against this type of approach to some problems. However, it would be most interesting to know how much time and money has been spent on studying the problem of poverty in Canada, with no action.

After four years, Mr. Speaker, I still cannot reconcile to my satisfaction just what is the purpose. In 1968, when I made my maiden speech in the House, I referred to the mountainous studies on poverty that had been completed at that time. I was amazed that the results of the study by the Economic Council of Canada brought about the startling conclusion that poverty was real. It is worthwhile mentioning the study made at that time by the Economic Council of Canada. They said that poverty had become a major social problem in Canada. This was four years ago. The Economic Council of Canada described it as "a national disgrace". I quote from this study.

> We believe that serious poverty should be eliminated in Canada, and that this should be designated as a major national goal. We believe this for two reasons. The first is that one of the wealthiest societies in world history, if it also aspires to be a just society, cannot avoid setting itself such a goal. Secondly, poverty is costly (in terms of lost jobs, lost incomes, lost taxes).

We then started all over again, first with whirlwind trips across the country by the minister then responsible for housing. This only resulted in embarrassing situations. Next, we had studies on nourishment. We even gave grants to associations to study their own problems. Where are we today, Mr. Speaker, almost four years later? All we have now is a new definition of poverty. If anyone cares to read the Senate Committee Report on Poverty, he will find that almost the whole first section is directed to the different meanings of poverty as defined by the Economic Council of Canada, the Social Development Council and some distinguished gentlemen who have given their versions in books and statements.

While on the subject of the Senate committee report, I must say we have now reached the end of another phase of studying the poor. We have again made the complete circle. The result of the study shows that the welfare system is no good and the government has not been dealing with poverty adequately. We are back where we started. I wish to make it clear that I do not intend any criticism of the hon. Senators who comprised the committee. They deserve commendation for the time and effort

spent travelling across the nation to involve themselves in this serious problem. It is obvious from their report they did their job well.

I wonder what the purpose of their mission was. The main recommendation arising out of the report is that the government implement a guaranteed annual income program using the negative income tax method on a national basis, and that the program be financed and administered by the government of Canada. I do not know what liaison there was between the government and the committee, but before the report was even published, the government announced a program to spend $15 million over the next three years to carry out pilot projects in the various provinces using the guaranteed annual income. We have had first reading of Bill C-264 which will provide a family income security plan. What do we have that is new, Mr. Speaker?

The Canadian Council on Social Development agrees with this type of program for Canada. Evidently the government agrees or it would not be spending $15 million on pilot projects, at least I hope not. Our party indicates support of such a program which is reflected in a recently released policy paper. Many other responsible organizations also agree. Everyone agrees on the implementation of such a program, but perhpas in varying degrees, such as what figure should be used as the poverty line.

Even the four mavericks who left the Senate committee in disgust for various reasons agree with the principle of a guaranteed annual income. With the greatest respect to the committee, what is so new about some of the other recommendations? I am sure everyone in this House agrees with their recommendations with regard to economic policies, consumers, education, health care, housing, law, manpower systems and day care centres. We have been tossing these around for days, months and even years, but we are not much farther ahead.

In my opinion, Mr. Speaker, the problem is very simple. The facts are very basic. There are almost 4.5 million poverty stricken Canadians. They are human beings, Mr. Speaker, men, women and children. They need help and it is our duty to recognize their needs as human beings. They elected us to govern because they had confidence and trust in us, and we must show them humane consideration. We must stop treating people as statistics on computer cards. Surely to God, most of us here have seen the suffering of the poor in every one of our constituencies. Surely, we must all be aware of children who are undernourished and who do not have enough to eat. Surely, we have all known of the sick who cannot afford to go to a doctor—even if there is a doctor or a hospital within reach in some of our more remote areas.

• (3:40 p.m.)

Certainly, some of us who are concerned have seen citizens become blind because they could not afford a pair of glasses. Certainly, we have seen people's minds and bodies deteriorate because of lack of medical attention, even to the extent of losing their initiative and will to exist. And they have lost faith in us who govern. We have all witnessed the hovels in which some people are forced to live. When are we going to realize what our priorities are in this country, Mr. Speaker? I agree that pollution is a most serious matter, the pollution of our land, sea and air. But is it not true that the bodies of poverty-stricken people are being polluted through lack of nourishment and the atmosphere under which they have to live, which can also affect the future generations?

Certainly, it is important to foster bilingualism in Canada, but does it hold priority over the necessity to alleviate poverty? Is it necessary that the poor be able to ask for help in more than one language? It is true that we have a duty to stand in this House and condemn hostile countries for torturing human beings, but are we not just as guilty right here at home for allowing many thousands of our children to grow up undernourished? Yes, Mr. Speaker, we must have national unity, but how are we to accomplish this in our great nation when 20 per cent of our population continue to suffer in poverty and lose faith in our government? It is long past time to put politics aside and start using some statesmanship. It is time we meditated a little on our purpose here. It is time we took stock of our duty to the people we represent. It is long past time we stopped studying and started to act.

I was interested yesterday in hearing the Minister of Indian Affairs and Northern Development (Mr. Chrétien) say, with sincere feeling I believe, that we should approach the problems of the Indians in a non-partisan manner. I endorse that idea, Mr. Speaker, and I challenge him to get his Prime Minister to agree to an all-party conference to eradicate poverty. As the minister said yesterday, he has nothing to hide and his books are wide open. So, let us get all the books open. Let us find out why the family income security program was delayed and why it cannot be put into effect right away. Let us find out from the Minister of National Health and Welfare (Mr. Munro) just why it is we cannot afford a guaranteed income plan, why it is there is so much delay in coming to agreement with the provinces who need increased funds under the Canada Assistance Plan to pass on to the blind, the disabled and other indigents. Let us open up the books of the Minister of State for Urban Affairs (Mr. Andras) and find out why it is that we cannot provide enough homes for the poor, especially for those who live outside urban centres.

We are often criticized for wasting time in the House, Mr. Speaker, so why do we not have an open debate on poverty in the House of Commons during which we could receive straight answers and have an exchange of ideas? Or let the leaders of the various parties select some of their members to meet in an effort to solve this embarrassing and serious problems as a priority mission. If we cannot afford the cost, then let us tell the people why. I am sure the leader of our party would give the government good ideas in addition to the one on tax changes which they accepted. I am sure he would not mind advising them on such subjects as full employment, incentives to work under the GAI Plan, ideas for job opportunities and retraining programs.

One of the statements I should like to quote comes from a book by Walter Stewart which is called "Shrug". I am not usually critical, but I think since the statement comes from an outside source it is worth putting on record. He says:

When I think of these people, and all the others I have seen, whose stories I have teased out of them in my line of work, when I think of the hundreds of thousands of Canadians mired in pover-

ty, brutality, squalor and despair, I find it hard to accept the claim that the Trudeau government has hurled itself at the task of creating a Just Society, for I can find no trace in its legislative record of anything that touches the lives of these people in a meaningful way. Their numbers have, in fact, been swollen, first by the anti-inflation drive that froze new housing construction, then by the tight money policies which threw more and more people from the submerged third of society out of work. We have had welfare legislation that tinkers and fiddles and adjusts old, out-moded legislation so as to turn it into new out-moded legislation, we have had amendments and sub-amendments and regulations and directives, but we have not had, not once, not anywhere, any impatience or urgency or thrust toward social or economic reform.

No one expected the government to solve poverty in Canada—not with a fifth of our people and nearly half our rural families below the poverty line laid down by the Economic Council of Canada. What we did expect, what we had a right to expect, what we were led to expect, was a real, concerted, concerned attack on poverty and inequality. We have not had that. An examination of this government's legislative record shows it to be almost barren of meaningful social legislation. You needn't take my word for it. The Liberal party, always well-organized, puts out a mimeographed memorandum called "Liberal Government Achievements", which includes a list of all the legislation passed since the brave words of the first Trudeau Throne Speech rolled into the somnolent hush of the Senate Chamber in September, 1968. It is, to the casual reader, an impressive list, all the way from an act to amend the Judges Act, through such nuggets as the Dominion Coal Board Dissolution Act, the Saltfish Act down to an act to repeal the Leprosy Act.

There have been some sensible, worthwhile measures, which I'll discuss in a moment, but despite all the fanfare for a Just Society that preceded the Trudeau climb to the throne, despite the dashing to and fro of phalanxes of Trudeau aides, despite the disciplined muscularity of the Trudeau machine in the House of Commons, there has been precious little in the way of real government achievement.

It is as if the Prime Minister embraced Michael Oakeshott's description of the ruling role which is 'to restrain, to deflate, to pacify and reconcile, not to stoke the fires of desire but to damp them down'. It isn't so much that the Liberals since 1968 have succeeded in damping down the fires of desire, as that they have tried earnestly to do that, and apparently to do little else—

But together with the relief of poverty, we must not forget the pledge of the government in 1968 to afford opportunity for all Canadians, including opportunity for those who are employed but who are still living below the poverty line. Every Canadian, even those who are poor, is proud to be Canadian. And they want to work. They do not want to be on welfare rolls. It is to this end that we must strive to show the leadership which all Canadians need and for which responsibility we are charged.

Mr. Speaker, my colleagues will be dealing with particular segments of the motion which I hope will make some impression on the government. Finally, I repeat, in a non-partisan manner. We have delayed too long to bring about meaningful programs to combat poverty in our country. I hope that the Minister of National Health and Welfare or the Minister of Finance (Mr. Benson) will offer us some words of wisdom as to the government's intentions in the area of economic and social policy to bring some hope to the poverty stricken of our country.

[*Translation*]

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I am sure there are among us many members who are deeply grateful to the Social Credit party for having put this motion today.

The leader of that party clearly outlined the situation of poverty in Canada and he duly reminded the government that the purpose of the country's economy should be above all the welfare of the population as a whole. He referred to many facts illustrating the complete failure of government policy in this regard.

[*English*]

The hon. member for Humber-St. George's-St. Barbe (Mr. Marshall), who has just spoken, made at least one point which in my opinion was outstanding, and which should be in the forefront of the minds of all of us as we discuss this subject today: At the present time more than 4.5 million Canadians are living in poverty. More than one third of these poor people are children under the age of 16. I suggest this fact alone should cause the government to decide that it should begin now to grapple seriously with the human problems in the economy, just as it has been grappling for a long time with the economic ones. It seems to me we have spent a long time dealing with the cement and concrete of the industries of this country; it is high time we began to consider what is happening to our people, our homes, families and children.

• (3:50 p.m.)

This has been brought vividly to the attention of all of us by the recent publication of the Senate committee report "Poverty in Canada". I was rather struck with the initiative that the Senate committee had taken. According to the report, in May 1970 it conducted a public opinion survey, through the Canadian Institute of Public Opinion, the results of which indicated that most Canadians considered $6,500 to be the minimum acceptable annual income per family of four as at the date of the survey.

Following this the Senate committee on poverty promptly set a figure that was $1,500 lower than the Canadian people believed was the acceptable minimum income, which I think is a very revealing indication that the Senate is completely out of touch with the needs of the people of this country, at least the needs of those living in poverty. I suggest its statement "That the Senate committee poverty-line incomes are not generous is demonstrated by this public opinion survey" is a masterpiece of understatement. I believe that the Senate committee on poverty, the Croll committee, has one fatal flaw: Instead of attempting to set a guaranteed income at the poverty line, it decided it could go one better and set a guaranteed income 30 per cent below the poverty line.

This proposal has been properly described by some authorities as a glorified welfare program, and by others, such as Dr. Baetz of the Canadian Council on Social Development, as guaranteed poverty. This is something like putting a band-aid over a serious cancer. You are hiding the sore from view and believing you have effected a cure. To solve the problem of poverty in this country by suggesting a minimum income that is 30 per cent below the poverty line is, in my view, nothing more nor less than an insult to those who already are suffering more than enough.

Thousands of people in poverty are asking the government for help, and a Senate committee produces a report recommending that these people have an annual income 30 per cent below the poverty line. No wonder the four

staff members quit. No wonder they recommended an income that would provide sufficient for people to live on, rather than to merely exist. And no wonder, in final desperation, they pointed to sources where the required money could be found, which included $5 million a year by abolishing the Senate. We have been describing to the government for days and weeks ways and means to raise this money. We have pointed out that if the big corporations of this country paid their fair share of taxation as other people do, the extra revenue would go a long way towards meeting the needs of people in poverty. Yet this government has turned a deaf ear to our pleas, paying no attention to what we say.

I do not deny, and neither does any other member of this party, the need for building up the economy. As a matter of fact, none of us wants to see the introduction of a guaranteed income without at the same time giving those who are able bodied the opportunity to work and earn an income. What we are objecting to is the absence both of income and of work, and the silence of the government on this issue. I should have liked to see some of the government leaders give their opinion that the Senate committee report on poverty was unworthy of those who are supposed to be the senior statesmen of this country. I suggest that any body of people that calls for a guaranteed annual minimum income that is 30 per cent below the poverty line deserves to be removed from its position as the lawmakers in this country.

I was pleased to see a report in yesterday's Ottawa *Citizen* concerning a statement made by the Secretary of the Central Committee of the Canadian Council of Churches, the Reverend Floyd Honey, who had this to say about poverty:

> Maybe we should demonstrate in the streets. Whatever we do, let us make no mistake about it, it is going to cost money if we are going to take this seriously as an objective.

Then, he went on to criticize the Senate committee report on poverty by saying it did not deal with conditions that create poverty. Instead, he said, the report deals only with measures to relieve the worst misery of those who suffer from it most acutely. Reverend Honey called on delegates to work "toward turning the church into an effective lobby for the poor instead of a chaplaincy service for the comfortable". I suggest that for the church that is strong language. I trust Reverend Honey will be acclaimed a worthy secretary of the Canadian Council of Churches and that he was reflecting the views of that body.

I was very much impressed with something the Minister of National Health and Welfare (Mr. Munro), who is now in his seat, said not very long ago when dealing with a criticism that is made of people who are poverty stricken, and particularly of those on welfare. In a speech he made in Toronto on September 30 last he had this to say:

> But the opinion that the average welfare recipient is a healthy loafer cannot be supported in fact, and we know it. Let us look at the figures assembled for the Task Force on Alienation in the summer and fall of 1970. Breaking down the welfare population, the permanently disabled represent 41 per cent of the total. Mothers raising families on their own are 26 per cent. The older age group constitutes 9 per cent of the total. Those with a temporary disability or illness are 8 per cent of the total. Those who are employed but are being supplemented because of insufficient income represent 3 per cent of the total. Together, these amount to 87 per cent of the welfare population. Only 13 per cent of the population is made up of the unemployed employables.

Even if only 13 per cent of the population in receipt of social assistance is made up of unemployed employables, what is the government doing to provide work for them? I know all about the DREE program. The government says it will provide work, but I have been checking the names of the firms which have been receiving money and have found great discrepancies between the amounts of money being provided and the number of jobs expected to result. This is not the government's money, it is the taxpayers' money. We should make a very thorough investigation as to whether this money is being well spent. Even if it were being well spent in every way, the private sector of this country could not provide anything like the number of jobs required to give people work, or even to do pioneer work which must be done in respect of the new service jobs we require. Little groups are doing some pioneering in this field. Most of them are private or voluntary groups. In my own city such a group is trying to pioneer jobs for women as social work aides, teacher aides and child care workers. I hope the government will pioneer jobs along this line for these women when they are trained.

• (4:00 p.m.)

Why is the government not providing the lead in getting jobs started on a large scale? This is the way to handle poverty. Apparently only 13 per cent of the people now receiving social assistance are unemployed employables. If we are content to keep that great number of people on social assistance, there is no way poverty will disappear. When you keep people on social assistance year after year you might as well cut off their wind-pipes because you are cutting off their access to work, their self-expression, their communication with other people and the opportunity of growing and developing. You are cutting off all these things, and practically shutting them up in jail with a diet that is not much above bread and water.

We have to deal with poverty on a two-pronged approach. We must provide a minimum income which must certainly not be set below the poverty line and enough work for the people who can work full or part-time. I think of that poetess who wrote some years ago the best of all God's gifts is work, and the second is rest. We are giving these people far too much rest, and rest and rust are very closely allied when it comes to human beings. Some of you saw the program on television last Sunday night about a young executive who was highly placed in his firm but was told that because of business conditions he would have to be let out. He was let out and the rest of the film showed the terrible heartbreak and struggle he had. He had to let his car and his house go; his family lost its access to good things such as vacations, amenities and so on. He travelled around to all the employment agencies and asked among his friends but could not get a job. He became bitter and his confidence left bit by bit. In the final shot, we saw him looking over a bridge down at the railroad track wondering whether he had reached the last stage and should commit suicide. Finally, he decided to keep his options open a little longer in the hope that something would turn up. I am sure that everyone who saw it was horrified and upset by this film.

Yet this is the kind of thing that is happening daily in thousands of homes across this country. It involves not only those who are caught in the trap of poverty, but those a cut above it as well who are afraid of being dragged down by the general effects of so many people already unemployed. Poverty is a terrible cancer which is eating away at the body politic and if we do not deal with it we will all be affected in the form of a steady deterioration of our citizenship and the quality of living in Canada. The time is coming when people will not put uo with this any longer. We found out yesterday that one of the poor sectors of Canada, the native Indians, certainly mean business in definite way. Incidentally, they were at the Council of Churches meeting as were representatives of the National Black Coalition of Canada. These are people who are not going to be kept within the artificial boundaries of being Indian, black, poor or female. These boundaries are no longer effective. I wish this government would do something about this problem of poverty before there is more suffering.

Those are the things I wanted to say. I will draw my remarks to a conclusion by saying that we in this country have to come to grips with the situation quickly. If we do not, we can see a preview of what will happen by looking at some of the great cities in the United States, where they did not act soon enough and where even the affluent dare not go out of doors after dark. There is fear, guilt and terror beginning to stalk the land in a big way. Let us prevent Canada from developing along those lines. There is time to act, but only if this government sets now as its top priority the creation of an environment with opportunities for suitable and useful work which will allow our citizens to participate in a meaningful way in the life of this country and enjoy the good things their own efforts and those of our forefathers have made possible.

Mr. Walter Deakon (High Park): Mr. Speaker, I am pleased to take part in this debate, and in doing so I shall endeavour to confine my remarks to the measures implemented and those to be implemented by the present government in the field of social security. Canada's nationwide social security system is recognized as one of the better ones in the world. It has achieved this status largely since the Second World War by extending programs to cover different contingencies and by improving the coverage and benefits under these programs to form a comprehensive system. Under the system, the federal government provides basic income support common to all residents of Canada. A partnership between the federal and provincial governments provides flexibility in social services according to individual provincial needs.

While it is recognized that there is room for marginal differences in income support measures between provinces or within provincial areas, basic measures to provide a Canadian minimum must be country-wide if interprovincial migration to employment is to be facilitated. The development of Canada's income security measures within the past decade has been dramatic. Cardinal among the provisions by the federal government to give people new security have been the introduction of the Canada Pension Plan with its many types of benefits—the Quebec Pension Plan is its counterpart in that province—and the Guaranteed Income Supplement to the Old Age Security pension, under which next year a married couple can receive a maximum of $260.10 a month, and a single person as much as $137.70.

The Canada Assistance Plan, an important companion measure, is a federal-provincial program through which the federal government supports the provision of adequate financial assistance, welfare and health services to persons who have no other income or whose income is insufficient to meet their needs. The individual provinces design their own welfare programs and administer them, sometimes in conjunction with municipalities. The federal government meets half the cost of financial assistance and of welfare services provided to persons in need. The provision of assistance and services at the provincial level enables the provinces to tailor their welfare programs to meet different regional needs. In November 1970, the federal government tabled the white paper on income security for Canadians, some proposals of which parliament has already put into effect.

• (4:10 p.m.)

The white paper proposed to shift the weight of federal government direct payments more in favour of people in need, as evidenced in the considerable increase in payments under the guaranteed income supplement to the old age security pension. It also provided a major rationalization of income security programs to contribute substantially to the prevention and alleviation of poverty in Canada by redistributing to the best effect the money already in the system.

The white paper proposed improvements in the conditions of millions of low income people, the saving of hundreds of thousands more from falling into poverty, and the improvement of basic income protection for most people. Under its proposals, available resources would be concentrated more upon the people in the greatest need; the improvement of programs and making them poverty oriented would reduce the dependence of people on social assistance and assist low income families with children. A major anti-poverty measure to assist greatly low income families with children proposed in the white paper was the family income security plan, familiarly known as FISP, which would replace the familiar family allowance program.

This program of federal payments would concentrate national resources upon families with the lowest resources, as measured by income, through a new extension of the guaranteed income concept. Representations by interested organizations and individuals and discussions between the federal government and provincial governments resulted in revisions of the program proposals. These were announced in a statement to Parliament by the Minister of National Health and Welfare (Mr. Munro) shortly before the summer recess.

While the new proposals retain the anti-poverty concept of selectivity by placing substantially larger sums in the hands of low income families, they embody significant changes. They extend the program to children aged 16 and 17, improve benefits, introduce a formula based upon family size, adjust the income floor of $4,500 by an additional $500 a year for each additional child, smooth out the rate of reduction and, of particular importance, make FISP nontaxable. The revised FISP will benefit an

estimated 2.14 million families, with about 1.25 million receiving maximum benefits as compared to the 640,000 previously expected to be eligible. This will distribute an estimated $800 million annually as against present payments of $650 million.

During the five years preceding 1971 the basic old age security pension was altered significantly. The eligibility age was reduced gradually from 70 to 65 and the basic benefit was increased from $75 to the present rate of $80 a month. In 1967, the special needs of low income older people were recognized by introduction of the guaranteed income supplement to the old age security pension. It provided an additional benefit of up to $30 a month on the basis of an income test.

The shift in weight of federal government direct payments more in favour of people in need proposed in the white paper on income security has already been demonstrated by major increases in payments this year under the guaranteed income supplement. These increases have been in effect since last April. Recipients of the guaranteed income supplement are entitled to a maximum 2 per cent annual escalation of the combined total of their old age security and their guaranteed income supplement to reflect price increases. As of April next, a married couple receiving the guaranteed income supplement could get as much as $270.10 a month in lieu of $255; a single person, $137.70 in place of $135. In 1971 approximately a million people have benefited fully or partially from changes in the guaranteed income supplement by having substantial additional purchasing power placed in their hands through direct federal government payments. Through the old age security pension and the guaranteed income supplement, the federal government will distribute an estimated $2.2 billion in 1971-72 directly to Canadian pensioners.

Since its introduction in 1965, the Canada Pension Plan has become familiar to most employed people in Canada as a keystone of social insurance. It not only provides contributors with retirement pensions in addition to the old age security pension, but protects their dependants if they die, just as it protects contributors if they become disabled. Unlike the old age security pension, the guaranteed income supplement and FISP, however, the Canada Pension Plan is a contributory program into which the self employed, employees and employers pay on the basis of pensionable earnings. Its counterpart in the province of Quebec is the Quebec Pension Plan, and there is portability between the two plans just as there is with the Canada Pension Plan throughout all other provinces in Canada.

While the white paper on income security proposed technical changes to increase benefits under the Canada Pension Plan, these cannot be effective before January, 1973. There is a statutory requirement that three years notice of major changes be provided to permit consultation with the provinces. There is also the continuing need to maintain comparability between the Canada and Quebec Pension Plans so that this insurance system maintains national standards. The proposed changes, however, would have a profound future effect on the income levels of almost all Canadians. Higher pensions would reduce greatly the chances of individuals and families falling into poverty. Extra protection for widows, disabled workers and their dependants would provide assistance to people who have often been forced to fall back on welfare.

Social assistance, an important component of income security, is under the jurisdiction of the provincial governments which design and administer programs to suit their particular circumstances. The Canada Assistance Plan enables the federal government to meet half the cost of social assistance and health care services provided or supported by the provinces and municipalities to persons who have no income or whose income is insufficient to meet their needs. It also makes it possible for the federal government to share in up to 50 per cent of costs incurred by provinces and municipalities to improve and extend welfare services.

The Canada Assistance Plan provides federal sharing for costs of benefits for persons who require financial support; supplementation, where needed, of benefits paid under other programs; supplementation, where needed, of earned income; child welfare, including adoption services, foster home care and institutional care; health care services which are not covered by federal-provincial hospital or medical care insurance programs; care in homes for special cases; preventative and rehabilitative welfare services; and programs to improve the work capacity of persons who have particular difficulty in securing or retaining employment. It is estimated that the federal government will contribute more than $686 million to the provinces under the Canada Assistance Plan in 1971-72. This, together with a comparable expenditure by the provinces, will help some 1.4 million persons through social assistance payments, including over 100,000 children who are in the care of child welfare authorities. Most of these children live in foster homes.

• (4:20 p.m.)

The White Paper on Income Security points out that although improvements in federal income security programs will make many people independent of social assistance, or less dependent on such aid, there will be a continuing need for social assistance. For this reason, the federal government is collaborating with the provinces to secure needed improvements in these essential welfare programs. Major changes in unemployment insurance which go into full effect next January will greatly improve income protection for people in the labour force, reduce dependence on social assistance and improve unemployment benefits substantially. One of the significant improvements is the introduction of sickness and maternity programs.

The vast sums paid to Canadian residents in unemployment insurance represent an additional element of great magnitude in the federal government's involvement in income security and in evolving measures to improve the economic well-being of people in need, to reduce the hazard of personal economic disaster, and to provide income security for millions whose ability to achieve it individually is extremely limited.

In conclusion, Mr. Speaker, I should like to assure all my hon. colleagues that the government is genuinely concerned with the welfare of the citizens of Canada, and one only needs to travel abroad to realize this.

[*Translation*]

Mr. Léonel Beaudoin (Richmond): Mr. Speaker, I am happy to support the motion put by my leader, the hon. member for Témiscamingue (Mr. Caouette).

The notice of motion reads as follows:

That this House condemns the government for its failure to propose legislation establishing a social and economic security plan placing all Canadians above the poverty line.

Mr. Speaker, I sincerely believe the non-confidence motion comes at the right time. For the last few months, the government, the opposition parties and inquiry commissions of all kinds, even Senate committees, have been considering the problem, or rather the solution, of an economic and social security plan for all Canadians.

Today, I would like to draw the attention of the House on a much debated aspect of establishing such a program, that is the determination of standards to define the poverty level.

The Economic Council of Canada states that more than 700,000 Canadians, among the aged, live below the poverty level. And how does the Economic Council of Canada define poverty?

At pages 104 and 105 of the Fifth Annual Review of the Economic Council of Canada, published in September, 1968, it is stated, and I quote:

To feel poverty is, among other things, to feel oneself an unwilling outsider—a virtual nonparticipant in the society in which one lives. The problem of poverty in developed industrial societies is increasingly viewed not as a sheer lack of essentials to sustain life, but as an insufficient access to certain goods, services, and conditions of life which are available to everyone else and have come to be accepted as basic to a decent, minimum standard of living.

Mr. Speaker, the Economic Council of Canada believes that poverty is not determined by the size of one's income, but rather by a state of mind. I could say that being poor is feeling that one's rights are not recognized and that one does not have the minimum required to survive.

The Western Quebec Social Service in a special bulletin dated December 1966 reported as follows:

Poverty appears to us mainly as material destitution, lack of wages, low incomes, etc. We seldom pause to consider the moral aspect of poverty and it is perhaps there that poverty shows itself more extensively and painfully.

A socio-economic study alone could determine the extent of poverty, but it is not difficult to see poverty and find in each city and village families with an inadequate income suffering from illness or unemployment, families deeply in debt, families with poor accommodations, families that are ill-fed and undernourished. There is also a social and moral aspect of poverty which is not less frequently found: broken families, irresponsible parents, neglected and abandoned children, delinquents, penniless old people.

Mr. Speaker, the Social Service which has made several investigations in Montreal and elsewhere recognizes that it is difficult to determine who is poor or destitute.

• (4:30 p.m.)

Poverty exists in Canada, that is certain, but we must first find out, through all these investigations, who are the poor. Thus, in the report of the Special Senate Committee on Poverty, at page 175, one can read the following:

A PROPOSAL FOR A GUARANTEED ANNUAL INCOME

The United Nations' *Universal Declaration of Human Rights*, to which Canada is a signatory nation, states, in Article 25:

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family including food, clothing, housing, and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond his control.

The Senate Committee is firmly convinced that the time has now come for Canada to incorporate the right to an adequate standard of living for all Canadians into the *Canadian Bill of Rights*. It is also clear that an adequate standard of living in the Canadian context is dependent on the security provided by an adequate income. The acceptance by Canada of an adequate minimum income as a matter of right for all citizens is the principal recommendation of this report.

The provision of a Guaranteed Annual Income to all Canadians is more than an anti-poverty measure: it is an idea whose time has come. If properly designed, implemented, and operated, such a plan will restore to decency and dignity those Canadians who, through no fault of their own, have been stigmatized and demeaned because they are unable to earn an income adequate for themselves and their families. It will also protect all Canadians from loss of income through accident, illness, technological progress, and the many events that can deprive any of us of our income and make us poor.

Here I draw the attention of the House to the fact that this report refers to technological progress in Canada. In the last few years, technical progress has created and improved the machine, replaced many human workers and created for ever I think, in Canada an almost permanent poverty, that is unemployment. To palliate this unemployment which will exist, a guaranteed income will have to be established.

Mr. Speaker, the Senate committee has highlighted the problem we are concerned with. Poverty must be considered very seriously and it is up to the government to take remedial measures, not for political reasons but with a real concern to help all Canadians.

Every day, Mr. Speaker, I receive scores of letters from my constituents who are in untenable situations. Poverty does exist and it is very easy for us as members of the House of Commons to come into contact with these sad cases.

As far as I am concerned, I must say that every Saturday when I receive my constituents at home, I have to witness some very sad scenes. Sometimes they are aged people or wage earners who for some reason are unable to provide for their families and come to me for help.

The present system is such that the people who are asking for what is due to them must humble themselves and, psychologically, that is deplorable. It is high time for the government to consider this problem and to carry on what we are proposing today, that is a system of economic and social security placing all Canadians above the poverty level.

Mr. Speaker, *Le Petit Journal* of July 8, 1971 featured the following article, and I quote:

One third of the people of Montreal are poverty stricken.

To day, in 1971, a Montreal family whose total annual income is below $6,000 is considered as a "low income family," poor that is.

To establish the poverty level at $6,000 a year, sociologists started from the fact that families with an annual income of $6,000 or less have to spend 76.5 per cent of their income on their basic needs—food, clothing, and housing. This figure is higher than the

70 per cent standard established by the Economic Council of Canada.

On the other hand, the Montreal Diet Dispensary established at $3,990 the cost of meeting certain minimum basic needs for a family of two adults and two children. This amount is only enough to keep a family from starving altogether. We can add another $2,000 if all minimum basic needs are to be met, which sets the poverty—or deprivation—level at approximately $6,000.

This amount only allows a family to make both ends meet, without enabling them to make any plans or to meet urgent needs such as illness, and so on.

Now, in Montreal 33.1 per cent of families earn less than $6,000 a year.

Which means, to put it bluntly, that one third of Montreal's population lives in a state of poverty.

These 33.1 per cent of poor people are divided into several categories. There are poor people, poorer people and very poor people. The "poorer people" would include, for example, the bachelor earning $40 or $50 a week or the family man earning $70 or $75 a week.

In my riding, there are family heads who work every day for a weekly salary of $65 to $70. This means that these families are deprived of the bare necessities and that they live in dire poverty.

I proceed with my quotation from *Le Petit Journal:*

The "very poor people" are those whose sole income consists of social welfare benefits. In Montreal and within the municipal boundaries only, there are 85,000 persons who can be labelled "very poor"; they include 40,000 ongoing cases in the social welfare files to which should be added 45,000 dependants.

Such a situation, Mr. Speaker, indicates beyond any shadow of doubt that there are among us typical instances of extreme poverty and it is about time that the government should set their minds on correcting this state of affairs. This situation actually exists and I think that it is most important that federal members who are sitting comfortably in the House, well-heated and well-paid, should become aware of the situation.

If I may be allowed to do so, I would call the attention of the House on an article published by *Le Petit Journal* and which, in a nutshell, would be summed up thus: the geographical distribution of poverty requires that one should know which region of Canada is involved.

In concluding my remarks, I hope that I have convinced hon. members that poverty does exist and that it is urgent to solve the problem.

The Social Credit Party of Canada has a solution to offer which I think would be ideal in helping to solve this problem. In my opinion, this solution is precisely that mentioned by my leader, the hon. member for Témiscamingue, and namely to guarantee to each and every Canadian, whatever his situation, provided his income is under $15,000, a guaranteed income, depending on his personal commitments and the size of his familly.

Mr. Rosaire Gendron (Témiscouata): Mr. Speaker, first I wish to commend my colleagues from the Social Credit party for presenting this motion to the House and drawing the attention of hon. members to the serious problem of poverty and want.

However, I think this problem should be considered under two aspects, namely that of local poverty and that of unequal opportunities in certain areas and for certain individuals.

[Mr. Beaudoin.]

Not enough can ever be said about the need to adopt measures that will correct these social inequalities. We agree on the diagnostic stated by the movers of this motion even though we sometimes find it difficult to agree on the required remedies.

It would be dangerous to increase the frustration of the poor by deceiving them with inefficient remedies. There is a tendency sometimes to propose quite simplistic solutions which do not truly take into account the complexity of the problem. I mean, if solving this problem were only a question of financial measures and advances from the Bank of Canada it would be really too simple and we could very easily cure our local problems.

• (4:40 p.m.)

We could then have export products for the underdeveloped countries which would be happy to accept our proposal to solve their problems. But everyone can see that it is much more complicated and even those who put a strong emphasis on those problems are often opposed to taxation.

One must agree that if we are to declare war on poverty the participation of each and everyone is necessary, and so are sacrifices. To say that we have found money to wage war and that we have not found any to solve the urgent problem of poverty would be simplifying the problem. It is a demagogic way of bringing about a solution.

One must remember that during the war the national debt was multiplied by five and the income tax increased in the same proportion. If the Canadian population wanted to go through the same sacrifices we might have part of the solution to those problems. But it is obvious that the emergency of the times of war, just like fire burning a property, calls for solutions that are not in time of peace acceptable to the population as a whole.

Does that mean that the program is not urgent, that we will not have to pay the price and make sacrifices to find the right solution? We must really want it but it must also be recognized that the problem is very complicated and very difficult to solve and that there will be no magic formula. It will be the end result of the co-operation of the entire Canadian population.

To level out regional disparities it will be necessary to give a new dimension to the problem, and that is participation. I believe we are going the wrong way sometimes about that problem because we do not give enough consideration to the solutions brought forward by people who are the first concerned in that matter, namely the poor people of the underdeveloped areas. We try too hard perhaps to design solutions conceived only at the higher government levels instead of pooling the desires of the people concerned and the means, for the poor people, of considering a solution to their own problems as well as the solutions advocated by high authorities.

I am thinking here of the problems faced by the Eastern Quebec Planning Bureau as to the pilot area, and let us not forget that only $70 million out of the $271 million voted for the five-year plan were spent while so many needs existed.

The big problem that was faced there was that it was difficult to secure the local participation and it consisted also perhaps in the special way technocrats and senior

officials advocated solutions without giving enough consideration to the desires of the people concerned.

And in that field, I believe that instead of considering the establishment of new structures we should improve the existing ones and provide municipal councils, which know better about those problems, with modern solutions and structures, in short regroup them into local governments with the same social ambitions where one would have a feeling of belonging, in order that these area governments may take the responsibility of area planning and of implementing the programs needed to cope with the situation.

Had we had such a regional government in the Lower St-Lawrence and Gaspé, the Grand Portage, the Metis and the Magdalen Islands areas, had we, with the help of experts, those I call architects, and that of the local owners and citizens, looked for solutions to all problems, we would have obtained better results; indeed, the amounts voted for that purpose not only would have been entirely spent but would have proved insufficient.

Now, remedies to the problem of poverty at the individual level are harder to find. Whereas the mover of the motion proposes a universal social security plan, the government, through its legislation, is bent instead on studying selective solutions. The governments want to study the question of income under two main aspects: the protection it should get and the support it needs.

Some income programs are being more and more criticized for their being universal, that is that most Canadians, if not all, are eligible, whatever their income may be. In some cases, payments are being made even to people already largely provided for. Family allowances, and in particular those granted to young people, belong to that category.

Now, the new government plan is designed to correct that situation and to channel the tax dollar through to the families most in need, in order that all the able-bodied recipients be encouraged to find a job. Moreover, some flexible aid is available to those who need it only on a temporary basis.

While trying to remedy the income deficiencies and to reduce poverty, the new plan will help stabilize employment, wages and prices. The protective aspect of social insurance is emphasized instead of the universality or the automatic right to benefits.

The family allowance plan has failed to channel funds where the need was the most urgent. It is estimated, for example, that in 1971, 24 per cent of family allowances will be paid out to families with an income under $5,000, while 76 per cent will be paid out to families with a higher income.

Under the present Family allowance plan, which provides for the payment of allowances on a universal basis without any means or needs test, it would cost $80 million a year to increase the benefits by only $1 per child, there being 7 million children in Canada. Doubling the rate would account for additional expenditures of $560 million a year.

The need for a family income security plan is quite obvious. It accomplishes an equitable distribution of the taxpayer's dollar, allocating it to those who need it most, without however depriving of any motivation those able to be part of the active labour force.

Besides, the white paper was intended to co-ordinate all the elements of social security, in order to allow Canada to develop a completely integrated welfare program, a program which will undoubtedly set an example to the rest of the world.

The plan is a step in this direction. This Family Income Security Plan, as its name very aptly puts it, will complement the old age pension, the guaranteed income supplement, the unemployment insurance and the Canada Assistance Plan.

Consultations with groups, individuals and provincial governments have led to an agreement under which benefits from this new plan will be based on three fundamental criteria: The number of children, their age, and the family income.

More than two million families, it is expected, will draw benefits under this new plan and about one and a quarter million will receive maximum benefits, that is children of poor workers and welfare cases as well as most mothers who are the sole supports of 300,000 children.

The highest monthly benefits in the plan will amount, as perhaps hon. members wish, to $15 for each child under the age of 12 and to $20 for children aged 12 to 17 inclusively. However, in order to ensure an equitable distribution of the taxpayer's money, the monthly benefits for each child will decrease as the family income increases.

It has been decided to set the minimum income of a family with one child at $4,500. Thus, the family whose annual income is $4,500 and which includes only one child will receive the $15 maximum benefit if the child is less than 12 years old.

With each additional child, a family will be entitled to receive a minimum of $500 more, while being paid the maximum benefits. In other words, a family including two children will be paid the maximum benefits as long as its income does not exceed $5,000. In the same way, a family including three children will be entitled to the maximum benefits as long as its income does not exceed $5,500. The minimum income of a family may increase by $500 per year for each child after the first one.

During the discussions which preceded the drafting of the white paper, it was suggested that benefits should cease when the family income reached $10,000 annually. But it was later decided not to impose this ceiling. The maximum income that a family may receive will depend on the number of children and on the rate of decrease.

• (4:50 p.m.)

Not only will this plan replace the old one, it will extend coverage to the young people of 16 and 17. It will also replace the former youth allowances program. It is the result of the wishes and requests made by various groups and the provincial governments.

This plan gives the provinces enough leaway to set up their own priorities with regard to additional programs and family assistance. In fact, higher payments, based on selection, will provide the provinces with a basis from which they can develop the kind of family assistance they prefer. Similarly, the income scale adopted by the new plan can serve as a criterion for the provinces, thus spar-

ing the citizens the compulsory means test at both federal and provincial levels.

It is quite important to remember that those benefits will be tax-free.

I pointed out earlier how important the integration of that program into a comprehensive income security scheme would be for all Canadians, a scheme taking into account the need for both protection and welfare.

An important aspect of that integration is how the plan will complement the federal unemployment insurance program. While continuing to draw unemployment insurance, the unemployed who have a large family will be encouraged to find a job. In addition, the plan fits equally well with the provincial as well as the federal welfare programs.

What are the basic factors of that total income security program? We have already explained the special role that will be played by the Family Income Security Program.

We have also shown that it will be closely related to unemployment insurance. Major changes will be effected within the unemployment insurance plan as from January 1972. Such changes will protect to a greater extent the income of those people in the labour force. In fact, there will be less dependent on social assistance or welfare and the unemployed will be in a better position. A considerable improvement will be the introduction within the framework of unemployment insurance of sickness and maternity benefits.

The large amounts of money which the Unemployment Insurance Commission is paying to Canadian citizens represent another contribution of the federal government to income security. Unemployment insurance is meant to improve the economic situation of the needy.

Old age pension and its guaranteed income supplement are another way for the federal government to help Canadians. In the five years preceding 1971 , the old age pension was considerably changed. The eligible age was gradually lowered from 70 to 65 and the basic benefit was raised from $75 to the current rate of $80 a month.

In 1967, there was recognition of the particular needs of older people with low income through the introduction of the guaranteed income supplement linked to the old age pension. The supplementary benefit could reach $30 a month according to the established income.

In accordance with the intention of the federal government of changing direct payments for the benefit of those who needed them most, the guaranteed income supplement has now been increased. The higher allowances have been effective since last April.

From April 1972, a married couple who receives a guaranteed income supplement could get as much as $260.10 a month instead of $255, and a single person could receive $137.70 instead of $135.

In 1971, about a million people benefitted, in part or in full, from changes to the guaranteed income supplement.

The recipients of this supplement are also entitled to a maximum increase of 2 per cent a year of the combined amount of their old age pension and their guaranteed income supplement. This measure is intended to fight the cost of living increase.

[Mr. Gendron.]

The federal government will have paid, in 1971-72, in old age pensions and guaranteed income supplement, about $2.2 billion. This money will directly fall into the pockets of retired Canadians.

Since its implementation in 1965, the Canada or Quebec Pension Plans are viewed by labour as the corner-stone of social security. They not only supply contributors with a retirement pension over and above the old age pension, but they are also conceived to protect dependents in case of death or disability.

However, the Canada Pension Plan and the Quebec Pension Plan differ from the old age pension and the guaranteed income supplement and the new Family Income Security Plan in that they are contributory and extend to self-employed persons as well as to employees and employers who contribute to it.

Although the Minister of National Health and Welfare recommended technical changes in his white paper in order to increase Canada Pension Plan benefits, these changes will only be implemented in January 1973.

The reason for this is that a three-year delay is required by law in the case of major changes in order to allow for consultation with the provinces.

The additional protection provided by these changes for widows, the disabled and their dependents will help those who very often have to turn to welfare. Finally, of course, the Canada Assistance Plan allows the federal government to support provincial programs in this area. The federal government assumes half the cost of welfare which the provinces provide for people with no income, or whose income does not allow them to meet their most basic needs. Ottawa also assumes half the cost of provincial prevention and rehabilitation services.

Old age pension and the guaranteed income supplement, the Canada Pension Plan, unemployment insurance, the Canada Assistance Plan and, now, the Family Income Security Plan are altogether essential steps on the road leading towards a comprehensive income security plan in Canada.

We realize that it does not mean the end of all social issues in Canada, that failing a miraculous cure all legislators and all the people should try by every possible means to find a solution to the serious poverty problem.

[*English*]

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: Order, please. Before I recognize the hon. member for Simcoe North (Mr. Rynard), hon. members might permit me to read the proceedings for the adjournment motion this evening. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: The hon. member for Moose Jaw (Mr. Skoberg)—External Affairs—South Africa—Government policy respecting position of non-whites; the hon. member

for Brant (Mr. Blackburn)—Indian Affairs—Future of Mohawk Institute.

GOVERNMENT ORDERS

BUSINESS OF SUPPLY

ALLOTTED DAY S.O.58—INABILITY OF GOVERNMENT TO INSTITUTE ECONOMIC AND SOCIAL SECURITY PROGRAMS

The House resumed consideration of the motion of Mr. Caouette:

That this House condemns the government for its failure to propose legislation establishing a social and economic security plan placing all Canadians above the poverty level.

Mr. P. B. Rynard (Simcoe North): Mr. Speaker, I would first like to congratulate the hon. member for Témiscamingue (Mr. Caouette) who brought this subject to the attention of the House. The reduction and elimination or poverty in Canada involves many facets of our society. First, we have to improve and make more effective all of our welfare programs. Second, and one of the most important, we have to expand our economy to provide jobs for the people. We must train those who have been unemployed for long periods, so that they will be able to enter the labour market. We must also reduce taxes. This involves the lowering of taxes both from a personal standpoint and a corporation standpoint. The elimination of poverty must involve a drive for adequate health services, and this is what I propose to speak about this afternoon, to help improve the deplorable, physical and psychological conditions which characterize many of Canada's poor.

The Canadian Medical Association points out that even in the most affluent nations like Canada and the United States, 20 per cent of the population or one-fifth of the people are poor, but it is this 20 per cent that suffers 75 per cent of all the major illnesses. There is talk of escalating costs in the health field. This is where we must start; this is the key to the solution.

Statistics on the health of Canada's poor are indeed appalling. A report published by Montreal City Health Services indicates that the health of privileged children is five times better than that of poor children. Many of the poor children suffer infectious disease on a ratio seven times higher than that of privileged children. Nine out of ten of the poor children eventually need hospital treatment, while only two out of ten of the privileged children enter hospitals. In other words, the cost of hospitalization for the poor is almost four times as great as it is for the affluent. This constitutes an economic problem which must be borne in mind when dealing with the cost of health care in medical terms.

• (5:00 p.m.)

How shall we meet this challenge? Obviously, we must try to prevent illness in the poorer children, and in order to do this we must see them before they become ill. A method must be devised of having these children checked in a preventive medical clinic rather than sending them to a treatment clinic or to an emergency unit in a hospital where they wind up in a bed costing $50 or more per day. The economic aspect of this approach is graphically illustrated when one considers that hospitalization costs comprise 60 per cent of the total amount spent on health, whereas the hospitals meet only 15 per cent of the total demand for health services. This was emphasized by none other than Dr. LeClair, deputy minister of health, when he stated that too much money was being spent on cure and too little on prevention. He went on further to say that governments had been taking the coward's way out in their approach to health problems. I do not know whether the Minister of National Health and Welfare (Mr. Munro) agrees with him, but it does not appear that he is influencing the minister much. Incidentally, Dr. LeClair was the dean of the new medical school at Sherbrooke. According to him, it has been forecast that at the present rate of escalation health and education costs will use up all the projected gross national product by the year 2,000. So, something must be done.

In spite of the mounting expenditure in this field, very few concerned people are happy about the state of medical care today. They are unhappy about the lack of preventive medicine, about the dismal effects of inadequate nutrition. It is estimated that 40 per cent of the poor live on unbalanced diets. A better system of preventive medicine would not in itself cure all the evils. Diet has a direct effect on health. So do consumer buying patterns. Some of the labour unions in the State of New York have recognized this fact and have concerned themselves both with diet and with consumer buying. Indeed, they will provide a shopping service which takes into account cost to the consumer and dietary sufficiency. They will also ensure that adequate diets will be provided for pregnant women. Statistics show that metabolic toxemia in later pregnancy causes, among other things, one-third of all infant deaths up to the age of one year.

This leads us to one conclusion. If preventive medicine is to be practiced correctly, we must have more doctors. This is the key to the situation. It may cost $50 for a complete check-up to prevent hospital treatment later, but if we can prevent hospitalization we shall save $50 a day and more, depending on the length of time for which a patient is hospitalized. If a patient were in hospital for seven days, for example, he would pay $350 or more depending upon where the hospital is located, in addition to the cost of the doctor's care and laboratory expenses. Early diagnosis, the discovery and prevention of long illnesses, would keep down hospital expenses. Many diseases, for example, cardiovascular complaints, arthritis and respiratory ailments, can be dealt with effectively if they are seen early enough. Then, there is cancer, which kills about one in seven, and which is nearly always curable if it is removed early enough. If it is not, the patient is subjected to a long period of hospitalization, suffering and death. The stakes are high.

They key to the solution is more doctors. If there is any question about this, the report of the World Health Organization shows that Canada, one of the affluent nations, is among the worst of the lot. Russia, for example, has twice as many medical doctors on a per capita basis as we have in Canada. That is shocking. The Canadian people deserve better than that. But Russia also has partly-trained doctors called feldshers who practice factory

medicine and work in outlying areas. Russia is aiming for a ratio of 3.6 doctors per 1,000 people. Canada, in the next decade, will be hard put to it to provide one practicing doctor, a general practitioner, for every 1,500 people. How can a doctor in Canada today carry the load he is expected to bear? He is drastically overworked, and anyone who visits a doctor's office or an emergency unit at a hospital can confirm this. Many of us, I suggest, should do this from time to time to find out what is going on. Because of overwork and consequent fatigue, a doctor in Canada today simply cannot deliver top medical services. Little Israel has the same number of doctors per capita as has Russia. France, United Kingdom, West Germany and the United States are all ahead of Canada.

If further proof of our neglect in providing the necessary number of doctors is needed, the World Health Organization estimated that the desirable ratio is one physician per 1,000 people. In these circumstances, is it not shameful that more than 600 students with the correct qualifications could not be admitted to our medical schools? If I were Minister of Health I would be taking a long look at that situation, because he and the government are failing to provide the number of doctors that the nation requires. But the government refuses to listen. Wailing and moaning about escalating health care costs, they are like the little boy who put his finger in the hole in the dyke. He tried to stop the leak, and this is what the government is doing. I wish the minister was in the House today. I know he has other duties. Time after time I have asked him to see what could be done. For the last four years I have asked that medical schools be run on a year-round basis, cutting the cost and increasing the number of doctors produced by shortening the course from six years to four years. The buildings are there, we have the teachers, we have everything required. Why is this not done?

Let me say this as a final plea. In the war against poverty, it must never be forgotten that preventive medicine has a very large part to play. If disease and illness are to be prevented, indispositions must be spotted at an early stage. It follows there must be sufficient doctors engaged in the practice of preventive medicine to check these people and prevent illnesses of long duration.

• (5:10 p.m.)

I have put the figures on the record. I hope the minister will read what has been said this afternoon by many of my colleagues and will take some action. Let him get his head out of the sand and remember that while he has been doing nothing people have been suffering and dying because of the inadequacy of our facilities for the practice of preventive medicine. This is a question that appeals to all hon. members because it is not a partisan one. It is a matter that affects people all across Canada. We must take some action to deal with the situation and the government has a part to play.

I well remember, as Your Honour does because you were here at the time, the cutbacks made in the health resources fund set up to build medical schools and centres to train doctors. To me this was a deplorable mistake, after the government had deceived the people by bringing in what it said was a full medicare plan. This the government has to answer for, as it must answer for the current shortage of doctors. I do not put the blame for this on the federal government alone but on governments of all levels. Not only are we unable to provide sufficient doctors for the Canadian people; we steal and import them from other areas in the world where there are even less doctors than in Canada. This, in itself, is deplorable.

As a result of this debate this afternoon, I hope the minister and his government will examine what can be done. They have been considering the situation for a long time; let us hope the government now treats it as an emergency and does something.

[*Translation*]

Mr. Adrien Lambert (Bellechasse): Mr. Speaker, the motion presented in the House today by the Social Credit Party of Canada is extremely important because it brings forward solutions which would partially, if not totally, solve the social and economic issues that plague so many people and give responsible Canadians serious cause for worry.

Last year, on November 24—exactly a year ago yesterday—I spoke during the debate on Bill C-181 to provide temporary emergency powers in order to check terrorism in Canada and I said the following:

> For many years, we have been warned by competent persons that if we did not reform our economic system, we would suffer from very serious social troubles. Only three years ago, American economists and sociologists, in a letter addressed to the President of the United States—

He is not just a nobody.

> —stated that the first condition to avoid an unprecedented economic and social disorder would be to secure for each individual a guaranteed minimum income.

This cannot be a myth because those are the words of an economist warning the President of the United States that we must come to such a state of affairs, since the physical possibilities are there. In order to avoid disorder, he told the President:

> Since our country is close to the United States, obviously the warning served to Americans applies also to Canadians. Monopolies, trusts, economic dictatorship, all these keep on ruling the roost—

What I said in 1970 applies also to 1971, and I resume the quotation:

> under the benevolent eye of this government. Financiers keep on controlling this country's money supply and credit and thus, they distribute the lifeblood through the economic system whose life is in their hands.
>
> There, Mr. Speaker, is the main cause of the disorders that we live through and which also create misery and unemployment, as well as a lack of confidence from the younger elements of our present society.

We must at least be realistic and listen carefully to what young people are saying. I have a dozen young people at home. I listen to their remarks and I worry for them since our large and beautiful Canada offers them no challenging future, a country where one should be able to breathe more freely. Also young people should be able to set up a home and look to the future with confidence. If young people want children, that is their business, but let them enjoy security and the prospect of a decent living.

Last year, again, I stated:

> So far, government authorities have met this disorder by displaying police machinery. Certainly it is the duty of the state to

protect its citizens against aggression by those who threaten its legitimacy. However, it is also its duty to control the greediness of those who squeeze the people, of the big financiers who have abusively increased interest rates, one of the main causes of inflation and unemployment.

A social and economic situation cannot be remedied the way a bomb is defused. In a certain sense, when democratic governments have to rely on police forces to restore the prosperity and security of the country, it means they are gradually losing the game.

When groups of citizens, even if they are a minority, come to contest the legitimacy of government and to doubt the ability of public institutions to govern properly, when they resort to violence and disorder, it is a sign that something is wrong with the system.

This is an indication that it is most urgent that we should pass from the mere denunciation of the effects of violence to the consideration of its causes.

• (5:20 p.m.)

When solutions are proffered, serious minded people will sometimes say that this is demagogy, that the proposals are naive, that we must keep on beating around the bush and keep our imperfect system even though some older parts are worn out, in the hope that they can be adapted to the machinery and end up operating in a normal way.

Referring to violence, one notes that the situation is almost unchanged since last year. We have witnesses, this year, a number of demonstrations here and there.

Some situations have actually arisen that were of concern to every Canadian who wishes to live in peace and security whilst going about under normal conditions.

The right hon. Prime Minister (Mr. Trudeau) travels across Canada surrounded by police forces as was recently the case in Quebec City. I am not making up that story which was published by the newspaper *Le Soleil* on November 13, and I quote:

Police forces steal the show from politicians.

When I was a little boy and used to read in the papers that Hitler, Mussolini, Stalin, and the great politicians of that time were going about—

An hon. Member: Ah, ah!

Mr. Lambert (Bellechasse): Whatever hon. members might say, I am referring to a situation that has happened and which is now menacing our own country.

When the Prime Minister cannot travel without such protection, something disturbing is happening. It is up to hon. members to talk about those things in Parliament to try and improve the situation. Let us wake up while there is still time! Some people are sleeping over a volcano and do not know it!

There was a very interesting caricature published in the newspaper *Le Soleil*. The caption was short but it spoke for itself. There was a man saying, "I inherited a small factory—". He was very happy, very radiant. "I make a little $75,000 a year—". I am very glad for him. "I spend my winters in the South!" How lucky can you get! "I might say I am perfectly happy—but—". But there is a question mark. The man says, "I wonder why people are demonstrating in the streets?" Everything is going well for him. Everything is perfect so he asks himself why people are demonstrating in the streets. That is what he is asking himself. But he does not want to look any further. He does not try to find out. He is just wondering.

So the government appointed a commission to analyze the economic conditions and determine if there were really poor people in Canada and if their lot could be improved. The Croll report on poverty talks about income security but the Prime Minister commented the report by saying it was impossible to realize. Here are comments published in the newspaper *Le Soleil* on November 13, 1971, under the heading: "Trudeau thinks nothing more can be done in the field of welfare and unemployment without jeopardizing other priorities". He was answering questions put to him by a newspaper man who asked him this:

Are your income programs adequate at this time?

The Prime Minister answered:

—I wish there was more money for everyone in Canada—

—More could be spent, but then there would be less money left to build bridges, highways, public buildings ... If money is shifted, as you say, if our priorities are changed, naturally it would be possible for instance to eliminate the police, the army, the firemen and the mail carriers. People would then come to the post office to pick up their mail and they would put out fires with their own hoses.

I was amazed when I read that. Frankly that upsets me. I hope the Prime Minister was misquoted, because I am convinced that he is much more clever than that. Besides he has often proved it. I will quote shortly some of his remarks at a press conference.

I do not understand why the Canadian government, particularly the Prime Minister, thinks it is impossible economically to provide income security for all. That is similar to what takes place in a family. That is what fathers and mothers are doing when raising children. As far as the youngest of the family is concerned, he is insured security at the table, in his bed, in the kitchen, in order that his basic needs are satisfied and when that duty has been accomplished, the others are forgotten, even if they have more, even if we must spend more for them because we have fulfilled our mission to insure the youngest one of the family security and the satisfaction of his basic needs.

That is our aim. We do not want to make all Canadians millionaires, but we want to provide the working class, the weak and the needy with the necessary revenue to satisfy their basic needs, that is income security.

Is the gross national product sufficient to provide the necessary goods to meet the demands of consumers provided with a guaranteed minimum income as suggested by the Social Credit? The Prime Minister is supposed to answer that question. About a month ago, the Prime Minister stated, during a press conference, that in 1971 the gross national product will reach some $95 billion. He also said that in 1961 it was in the vicinity of $40 billion. He spoke the truth when he gave those figures. It means therefore that over a period of ten years, the gross national product jumped from $40 to $95 billion. It also means that Canadians are industrious workers, that our economic system, where productivity is concerned, is truly efficient and that we must continue to develop it that it might become even more so.

In 1970, the gross national product in Canada amounted to $48 billion and according to the Prime Minister it will

reach $95 million in 1971. This means that during a year the rise of the GNP will be $11 billion, while there will be fewer active workers. Indeed, several thousand Canadians able to work will not have contributed to increase the gross national product. This means that machines kept on producing. But who did this? Canadians. Let us read the statistics released by the Canadian Imperial Bank of Commerce in its September 1971 bulletin. Production in man-hours is given. In agriculture, it went up from 100, as the basic figure, to 177, in ten years. That is almost double. In industry, it went up from 100 to 140. In business, it went up from 100 to 141.

• (5:30 p.m.)

If we can increase our gross national production at such a rate, and if Canadians have contributed to that production, I submit this: Just as in a family, when together we managed to have a good crop and draw a good income, the whole family must benefit from it. Not the neighbours. One may sometimes help the neighbours in need, but first of all, one must help the members of one's own family. So, considering present conditions and the efficiency and output of the workers, we should allow the latter to enjoy the benefits of their work by increasing their purchasing power.

Mr. Speaker, I do not know if I will finally become convinced that the opposite is true, but I feel that it is impossible, in a country such as ours, to attempt to establish a balance between the volume of production and the money supply by way of wages. In our system, because of inventions of all kinds, that is impossible. If we stick to the old saying: If you want a share of the production, you must contribute to it through your work in order to receive a salary which will enable you to buy the goods that are produced, we are in error. I believe that we should change our way of seeing things and try to understand that this system, in the field of production, is truly efficient, and that the necessary steps should be taken to ensure a minimum income, a minimum of well-being, something which will enable anyone with guts to live a normal life.

And as explained this afternoon by the leader of the Social Credit party, the hon. member for Témiscamingue (Mr. Caouette), if some workers are able to get a large income, in the order of $15,000, so much the better for them since the country will be none the worse for it. Instead of getting discouraged people will be given incentive to work. And in 1972, if such a system were applied, the gross national production might rise to $120 billion.

There, Mr. Speaker, are the effects of a sound economy which would permit a normal life.

A while ago my colleague the hon. member for Témiscouata (Mr. Gendron) was talking about complex problems. Now and then he would deliberately make them more complicated. I get along well with the hon. member for Témiscouata. I respect him and I think he respects me as well. I once had evidence of this. We differ on the means to take to solve problems. However, I shall not tolerate his saying that Créditiste proposals are simplistic and demagogic. I shall not accept that. Why? Because, in my opinion, hon. members sitting on this side of the House are as serious as those sitting to the right of the Speaker. We have a role to fulfill in this place: stating problems as they exist in Canada, in our areas, and trying sincerely to put forward solutions to make them disappear or at least to improve the situation.

[Mr. Lambert (Bellechasse).]

I hesitate to say this as I bear malice towards none, but it would be hypocrisy to seek to defend a system which keeps two Canadians out of five in undeserved poverty. I am not the one who says so, Mr. Speaker, it appears in the Fifth Annual Review of the Economic Council and in the report of the Special Senate Committee on Poverty in Canada, two government agencies, paid for by Canadians to seek out the causes of discontent in this country.

Any attempt to persuade the people that more cannot be done, that there is no other way, that it is quite normal for poverty to exist in the midst of affluence is a disservice to the people and if we pursue such a course we must necessarily build more prisons. We built one in Sainte-Anne-des-Plaines in 1969 at a cost of $32,450 per inmate. I heard a news report this week to the effect that the upkeep of one inmate costs $10,000 per year. Would it not be more realistic to decide on ensuring a minimum guaranteed income to people 18 years old and over, which would cost much less than maintaining inmates in prisons? They would thus be guaranteed freedom and would work towards building up the country.

Mr. Deputy Speaker (Mr. Boulanger): Order. I regret having to interrupt the hon. member, but his time is up.

[*English*]

Mr. Lincoln M. Alexander (Hamilton West): Mr. Speaker, the motion before us is of extreme importance. However, I am reminded of the Niagara Falls conference in 1969 at which my party brought the question of poverty and all its implications to the public attention. At that time, when words such as "guaranteed minimum income" were mentioned, it appeared to me that the whole country became excited.

We are now facing a most important social problem and it seems to me that we need a program for an income development plan. In other words, we have to create incentives to keep people working. Let me take the example of a businessman in Hamilton who employs someone at $100 a week. The man whom he employs wishes a raise of $20 and the businessman says he cannot afford it: he says, "If you want to look at my books, here they are. As a result of expenses, and so forth, I cannot give you that raise". The employee says, "That's fine. If you can't afford it, I'll quit", and he goes on welfare and receives approximately $80 a week. There is a significant point to be made here. It means that rather than a source being available to the employee which would provide the extra $20, all he can do, because of the complexities and archaic set-up of the system, is to go on welfare and receive $80.

We must try to develop an incentive to get people to work—particularly the unemployed, because most of them want to work. Only about 3 per cent of the unemployed will not work. Therefore, we must give them some incentive which will make them realize that it is much better to work, because when they are on social assistance they cannot improve their lot. In other words, when you make a dollar while on social assistance it is not automatically deductible. This is extremely important when you are trying to assess a particular program to eliminate one of our great social evils.

One of the important statements which appeared in the report of the poverty committee reads as follows:

> The elimination of the scourge of poverty from the land is a vital national goal. It cannot be achieved without the compassion, the understanding, and the co-operation of the Canadian people.

When I think of that statement I am reminded of the blind, the working poor, the handicapped, the widows with children, the undertrained and the aged. I know that we are all concerned about them and the Canadian people are prepared to become involved. In my view, the aged should receive the highest priority. I receive from senior citizen constituents many letters which make me extremely despondent because it seems to me that with the $80 that is fixed and the $55 which is on a sliding scale—the $80 not being subject to any particular cost of living bonus—they cannot make it. I do not have to tell you of the frustrations and anxieties that they experience. Surely our aged people are deserving of more consideration than the government has given them.

• (5:40 p.m.)

When we talk about poverty in Canada, Mr. Speaker, we are talking about approximately five million people who are living at or below the poverty line. What does this really mean? It means that we have people who are deprived. On the other hand, it means that we are impoverishing the economy. We are losing $1.5 billion to $2 billion that could go into the development of the economy. All this means lost productivity. Then we must mention health services, welfare services and legal aid services. All of these added together spell a tremendous problem.

I would like to concentrate for a minute or two on the working poor, those who should be receiving our sympathy—those who, as I said before, have the frustrating experience of contributing to our society but who are not getting any benefit from it. They continue to punch a clock in order to remain a productive part of the mainstream of our economy. We expect them to have faith in our political and economic systems to which they give so much and from which they receive so little.

We have to face realities when we consider any program designed to provide a guaranteed annual income, whether it be through a negative income tax or other means. Over and above everything there is what I consider to be the most important policy, that of full employment. In order to end poverty we must first be prepared to transfer substantial funds from the middle and upper income classes to the lower income classes. This is a prerequisite; without it there is no sense in talking about ending poverty. We will have to convince the upper and middle income classes that a fairly substantial transfer of funds to the lower income classes is necessary in order to assist the poor—unless, of course, we call for a drastic reduction in living standards all around.

The second thing we must be concerned about in this area is that if we intend to abolish poverty, our whole thinking must be reassessed in terms of spending our tax dollar. We have been spending much of that dollar on low priority programs. Here I mention the money that we have spent on the B and B Commission. I am not saying that it is wrong to implement its recommendations, but I wonder if it should be one of our main priorities when we have five million people living at or below the poverty line.

Foreign aid is another matter that must be considered. I believe the target is to spend 1 per cent of our gross national product on aid for undeveloped countries. I think this is a fantastic assessment of man's interest in mankind when we have in Canada five million people living at or below the poverty line. Then there is all the money that was spent on the *Bonaventure* and the hydrofoil craft. We shall have to re-assess where our tax dollar goes if we are to treat the problem of poverty seriously.

Mr. Danforth: We have to establish priorities.

Mr. Alexander: We have to establish priorities, as my hon. friend from Kent-Essex (Mr. Danforth) has suggested. Canadians are generous but they are also extremely practical. They want to know what the results may be and where their money is going. In other words, they want a comprehensive study undertaken of all programs before running blindly off into the realm of a guaranteed annual income, because they know that someone has to pay the shot. There has been considerable debate on the question of elimination of poverty through the adoption of one scheme or another. We should not rush headlong into a guaranteed annual income scheme until we have made a comprehensive study of the entire problem.

The Minister of National Health and Welfare (Mr. Munro) has indicated that a guaranteed annual income scheme would cost us $3 billion. The Croll Committee, without taking into account a guaranteed annual income for those at the upper level of income of the poverty line, estimates that such a scheme would cost about $1 billion. I maintain that the Canadian people will not stand for such a scheme unless they know it is adequate and has low administrative costs. We must find a system of transferring adequate funds to the lower income classes at relatively low administrative cost.

As indicated by the report of the Senate Committee on Poverty in Canada, something like $4,364,000,000 was spent on federal and provincial income security programs in 1969-70. This covered the whole gamut of social insurance programs such as the Canada Pension Plan, the Quebec Pension Plan, unemployment insurance, workmen's compensation, veterans pensions, old age security, guaranteed income supplement, family allowances, youth allowances, social assistance programs for special groups such as the aged, the blind, the disabled, veterans, Indians and Eskimos, mothers allowances, unemployment assistance and the Canada Assistance Plan.

What concerns a lot of people is that many generalities have been expressed with respect to those who are on welfare. A vocal minority of Canadians are concerned because they believe that the vast majority of those on welfare are what can be called perpetual welfare cases. The Minister of National Health and Welfare has done many things for which he can be commended, and on the other hand he has done things for which he cannot be praised. But one thing he has done is to break down the figures in this respect. His figures—and we should keep them in mind—show that only 2 per cent or 3 per cent of those on welfare are what could be called types who are prepared to beat the game. If we are to maintain our credibility when we talk about these programs, one point

that must be stressed is that only 2 per cent or 3 per cent of those on welfare attempt to beat the system.

What bothers many people is that there are employable individuals who refuse to work. So far as I am concerned, a minimum of assistance should be given to that type of person. A lot of people are very concerned about this problem. It seems to me that we are giving assistance to people who do not need it. We should reassess our priorities in this regard.

The motion before us reads:

That this House condemns the government for its failure to propose legislation establishing a social and economic security plan placing all Canadians above the poverty level.

The motion is not quite correct. The hon. member for High Park (Mr. Deakon) gave a list of programs that the government has introduced. He told us how much money is being spent, how the programs are working and said that Canada is a great country in which to live. I do not think anyone would question the last statement—but there are so many programs that it is a real fiasco. The policy has no long-term goals. The federal and provincial governments are involved in administering and financing income security programs. Under social insurance we have the federal government dealing with unemployment insurance, veterans pensions and the Canada Pension Plan, while the provincial governments deal with workmen's compensation and the Quebec Pension Plan, comparable to and co-ordinated with the Canada Pension Plan.

Under demogrants the federal government deals with old age security, family allowances and supplementary family allowance programs in Quebec and Newfoundland; provincial governments deal with Quebec schooling allowances. The guaranteed income is administered by the federal government. We have social assistance administered by the federal government, dealing with war veterans allowances and social assistance for Indians on reserves, and Eskimos. Then we have—

An hon. Member: Slow down, Linc.

Mr. Alexander: Mr. Speaker, perhaps I read that too quickly, and I extend my apologies. What I am trying to say is that we have an extremely complex plan with no long-term goals.

There is a booklet called "Canadian Business" which tells what is wrong with the present system. Reprint No. 7009 is entitled "Guaranteed minimum income: there's more than one answer". I was very impressed with this little reprint by James L. Clare because he talks about the "existing social welfare income maintenance schemes" and then asks several questions. The answers to every question except the second one is "No," and the answer to the second question is "Often none".

The questions and answers are: eliminates poverty, no; incentive for poor to work, often none; breaks "poverty-cycle" and removes need for public housing and other subsidies to the poor, no; readily and fully understandable to poor, no; visible and open for comprehension by non-poor, no; takes care of sporadic and seasonal unemployment most readily, no; eliminates testing, no; eliminates "snooping", no; minimizes administrative overheads, no. It appears to me that the structure that has been set up is meant to maintain poverty. This is what a lot of people find disturbing.

I am running out of time, Mr. Speaker, but let me say that no matter what type of program we have, we still must have a policy of full employment. This is the key.

Some hon. Members: Hear, hear!

Mr. Alexander: The hon. member for Vancouver-Kingsway (Mrs. MacInnis) indicated that approximately 13 per cent of the people within the five million I mentioned are employable unemployed. So it does not matter what we are talking about in terms of full employment, whether it is 3 per cent or 4 per cent—but certainly is is not 7.1 per cent seasonally adjusted. I think that is scandalous when we think of what the results actually mean. Here we are really perpetuating poverty by creating unemployment.

We do not have time now to go into all the ramifications of this problem. When you do not give the people of Canada purchasing power through development of our economy it is not difficult to see that the butcher, the baker and the candlestick-maker are deprived of income. That is why I am concerned about the attitude of the government and about this tax bill which affects vital institutions in our country.

I think of our multinational corporations and how the government is not willing to throw a little "shaft" into them and thereby get more money from them. At this time, too, the United States is bringing in the DISC program. Then there is the recent surcharge which, as things get rough, will probably go as high as 15 per cent. This government brings in capital gains and a labour bill that certainly had the business community—I am not saying "up in arms" but they are questioning the attitude of the government. If we are talking about increased productivity which leads to increased employment, how can we accept the competition bill that was brought in? It would upset the whole nation.

I see the Minister of Regional Economic Expansion (Mr. Marchand) laughing. I do not want to get to him because—

Mr. Marchand: Increased productivity does not create employment; that is the problem.

Mr. Alexander: His program is creating unemployment in some areas in order to create employment in other areas. I do not think we have heard the last of that.

Mr. Marchand (Langelier): Name one case.

Mr. Alexander: We need incentives, and as long as the government proceeds—

The Acting Speaker (Mr. Boulanger): Order, please. I regret to interrupt the hon. member, but his time has expired. It being six o'clock, this House stands adjourned until eight o'clock tonight.

At six o'clock the House took recess.

AFTER RECESS

The House resumed at 8 p.m.

Hon. John C. Munro (Minister of National Health and Welfare): Mr. Speaker, we heard this afternoon several speakers of the opposition parties—

Mr. Lundrigan: How do you know that, John?

Mr. Munro: I was here and heard some of them. I heard all I could stand. As I say, we heard several speakers of the opposition parties talk about the question of poverty. I must say that many of the comments I have heard before. Some of them have some validity, others do not. Some of them were pretty empty of any real, suggested remedies to correct the situation. I often suspect that is the case because some of the remedies invoked are rather unpalatable, politically, for some of the parties to embrace and therefore it is safe to adopt a critical posture but say little about them.

The constant refrain some hon. members indulged in was that all our welfare, income and social policies are fragmented and overlapping and that the resources made available under these programs are inadequate for the job. We have all heard that before. Really, what is implicit in remarks of that kind is the suggestion that it would be nice if we could introduce one over-all policy—I think it has been referred to as a better policy—under which we could rationalize the many policies into one piece of legislation covering this whole area.

I think hon. members were really referring to a guaranteed annual income, although to judge from the notes I have of remarks made when I was absent no representative of any party really embraced the guaranteed annual income as the philosophy on which his party was prepared to stand or which it would advocate in the next election. I will be interested to learn this evening whether any opposition party is prepared to embrace, as part of its philosophy, the guaranteed annual income. If any party is prepared to endorse it, at what level will it endorse it? Will its members be talking about the poverty lines mentioned by the Economic Council? They are well known. Or will they talk about income that is a fraction of the poverty line income?

Also, will the members of such a party talk about costs, and where they will find the money necessary? Even if they do not want to go into the cost implications of the program, are they advocating or will they advocate a guaranteed annual income? With the possible exception of the Créditiste party, the parties in this House have failed to adopt the position of unequivocally embracing this concept.

Mr. Lundrigan: The minister is speaking and I would ask, what is his position? Never mind what the Prime Minister (Mr. Trudeau) thinks.

The Acting Speaker (Mr. Boulanger): Order, please. Will the hon. member kindly resume his seat. The minister has the floor.

An hon. Member: Oh, come on!

Mr. Lundrigan: Mr. Speaker, on a point of something or other—

The Acting Speaker (Mr. Boulanger): Order, please.

Mr. Lundrigan: On a point of order, Mr. Speaker, the minister, in common with his cabinet colleagues, has been coached about some kind of common attitude to the effect that the opposition must provide the answers. We want him to spell out the answers to this problem and to indicate if there is a change of position on his part.

The Acting Speaker (Mr. Boulanger): Order, please. Will the hon. member please resume his seat. The hon. member's question is a matter of debate. The Minister of National Health and Welfare (Mr. Munro) has the floor.

Mr. Munro: Mr. Speaker, perhaps during the remainder of this debate the opposition will have a chance to clarify its position. It can make clear what it means when it talks about the "fragmented" approach to welfare. Perhaps the opposition will tell us what policies they would advocate in order to correct this situation.

• (8:10 p.m.)

I hope to lay out this evening the government's position with regard to the guaranteed annual income and some of the difficulties we have encountered with regard to it. It is often said that if you have a guaranteed annual income, you can phase out many programs—in fact, discontinue them—and the funds expended on some of the programs will be offset against the cost of a guaranteed annual income. That is partially true, but only partially true.

I would be interested to hear those who advocate a guaranteed annual income tell us just what programs we should phase out or discontinue. For example, would they discontinue the unemployment insurance program or the Canada Pension Plan, both of which are social insurance schemes? Considerable moneys go into both these programs from the private sector. Individuals make contributions. It costs the individual money. Not many members in the opposition would suggest that these programs be discontinued.

Opposition members refer to "a great multiplicity of programs" and how they should all be rationalized. However, when you start to identify them one by one, not many people stand up and say they should be discontinued. Certainly, I am not advocating that we should discontinue these programs. I think they are good. I can think of people from both sides of this House who worked hard for them. They have been of real benefit.

Unemployment insurance provides income for an individual who has experienced an unfortunate occurrence in his life. He finds it necessary to turn to unemployment insurance. The principal unfortunate occurrence is unemployment and immediate cessation of income. There are sickness and maternity benefits, but let us talk about the unemployment aspect. The benefits received from unemployment insurance are preventative. If a person has little savings it prevents him from immediately falling into welfare and into the poverty cycle. It gives him an income which he earns through his contributions. It is social insurance. It is preventative. It tides him over the transitional period until, hopefully, he can find employment. There are not too many people who would say we should discontinue that program.

There are not too many people who would say we should discontinue the Canada Pension Plan. It provides

benefits for people who are experiencing a multitude of unfortunate occurrences such as premature death of the breadwinner. It provides benefits for the widow and the children. I do not think anyone would suggest that this plan should be discontinued.

The principal protection under the Canada Pension Plan for the contributor is his retirement benefit and that of his wife. He has earned those benefits through his contributions. It provides an opportunity for him to maintain a standard of life analogous to that of his working days. It is supplemental to the guaranteed income supplement and old age security. I have not heard any members opposite suggest that this program be discontinued, nor will I make this suggestion. It, too, is preventative.

On the happening of these occurrences, whether it be attaining retirement or on the death of the breadwinner, there is an income that is guaranteed. That income has been earned. It often prevents the beneficiary from falling into the poverty trap. With both unemployment insurance and the Canada Pension Plan we have a net that prevents these people, on the occurrence of any of these unfortunate happenings, immediately falling into welfare and poverty. They may have some savings, although they may not be great. On the occurrence of any of these unfortunate events it is not necessary for them to use all their savings and then fall into the poverty cycle.

What are some of the other programs these people talk about in our "fragmented" approach to income security? I touched on unemployment insurance and the Canada Pension Plan. No one is standing up and cheering about discontinuing those plans. Let us talk about old age security. It is a universal program, a demogrant program.

Mr. McKinley: You are cutting off the people who save their money.

Mr. Knowles (Norfolk-Haldimand): It is our right.

The Acting Speaker (Mr. Boulanger): Order, please. The Chair would like to hear the hon. member who is speaking.

Mr. Munro: I see a great deal of validity in the comments, "It is a right, "They should have it, "They paid for it through their taxes." Many of the things this country affords people to a greater or lesser degree are done through taxes. I do not see any hilarity about discontinuing the universal part of the old age security payment that goes to all Canadians and, incidentally, costs hundreds of millions of dollars.

We have social insurance programs that we are going to keep, such as unemployment insurance, the Canada Pension Plan and, with a high degree of unanimity, agree we are going to keep the old age security. What other program does the opposition suggest we should discontinue? Is it family allowance? The family allowance program is universal; it goes to all families in this country, irrespective of their income, in the same way as old age security. Families of millionaires receive family allowances just as any senior citizen receives the old age security. Perhaps there are some who would discontinue this program in terms of its universal connotation.

Will these people support the government now in what we are suggesting? We are suggesting that the family allowance become selective, income-tested and go to those in need. We have to discontinue some of these programs if we are to reallocate our resources in order to get more of our money through the public sector to those who really need it. We have suggested that FISP be made selective, income-tested and redirected to families in real need. We are also suggesting that it goes a long way to build in incentives in our society.

I do not agree with some of the excessive statements that are made, but we have all heard it said that far too many people are receiving welfare who do not deserve it and should not be getting it. In fact, I have heard people say that the benefit levels for welfare are so high that there is no longer any incentive to work. I find those statements incredible in most circumstances; however, that is what we hear. The family income security plan offers incremental income to the working poor. There is an incentive to keep working. A person will receive incremental income to maintain himself and his family in better fashion.

I hope it is apparent that in terms of moving to a guaranteed income approach the government is prepared to take certain tangible action. We have taken it in the guaranteed income supplement for the aged. That is now an income-tested program. It has allowed us to most advantageously use our resources for over one million Canadians who need it. They prove they need it by filing applications stating why they need more than $80. This has allowed us to set income floors at realistic levels, certainly far more realistic than was the case a few years ago. We can now start to pay $260 to a couple and $137 to a single person. Inadequate as that may be, a few years ago we were at the level of around $80.

I repeat that one million Canadians are now receiving all or part of the guaranteed income supplement. That is the philosophy of this party: we are going to tailor some of these programs and shift them over to an income-tested approach. We are going to start to move toward a guaranteed annual income in this way. However, we are not going to be deceitful to the degree where we will say, "Let's discontinue or rationalize all these programs and get into one over-all program" and, when faced with the necessity of making a decision as to whether some of them should be discontinued, not have anything to offer except silence.

• (8:20 p.m.)

We have stated clearly that these social insurance schemes should be continued and we have indicated the manner in which we believe the resources going into university programs should be changed so as to reallocate those resources to areas of greatest need.

I move, now, to consider another program and I suggest this is really the program some people are talking about when they talk in terms of a guaranteed annual income. I refer to the traditional relief arrangements. "Let us not pay them welfare any more," they say, "let us pay them a guaranteed annual income."

Mr. Forrestall: Get them jobs.

Mr. Munro: First, let us talk about the people on relief or welfare. I think a high percentage of these, almost 90 per

cent—one study established the figure was 87 per cent—are totally outside the work force, incapable of ever entering the work force. They are the sick, the disabled, deserted or divorced wives with children to support, with children to raise, and so on—people who through physical or mental incapacity could not in any case enter the work force. Is it suggested that with respect to this component of those on welfare we should replace welfare payments by a guaranteed annual income?

Perhaps that would not be a bad idea. We don't have to worry about incentives there, about what effect it would have on the desire of people to be involved in constructive work. But what levels are they talking about? Do they suggest we should pay these people a guaranteed annual income at the poverty line? If they do, I should like to hear it. This is one area in which in all conscience we should be ready to move as soon as possible. But I have not heard many specifics from the other side; from the opposition I have heard mostly rhetoric.

Mr. Forrestall: Give us access to your information.

Mr. Munro: I have read in the Croll report that if it be considered too costly to move to a guaranteed annual income immediately then it suggests we should pay 70 per cent of the poverty line. Many of us have heard that suggestion. But if we pay 70 per cent of the poverty line to hundreds of thousands who are completely out of the work force and who cannot re-enter it, what do we accomplish? All we have done is replace one welfare scheme for another. We have institutionalized poverty and, in fact, disconnected these people from certain services which are valuable to them.

Very few people talk about how a link-up will be accomplished. Some say that when people who are now on welfare wish to work, we should find work for them to do. I agree with that and I believe we are moving in that direction. The time has come when we are prepared to admit that the private sector, in days of advancing technology, cannot hold out much prospect of making jobs available for all Canadians who want them. This being the case, the public sector will have to move in increasingly to create job opportunities in the public service and through the help of voluntary associations.

Some of the programs we have adopted acknowledge this proposition, although I have not heard them extolled with any degree of enthusiasm by hon. members opposite. However, I would draw attention to the Opportunities for Youth program through which the government intervened directly this summer to provide job opportunities for our youth. Moreover, there are the policies recently announced by the Minister of Finance (Mr. Benson), under which local initiative has assisted in providing job opportunities, the subsidies offered to industry for training workers, creating jobs which will be of tangible benefit not only to those directly concerned but to the country as a whole. So we are moving to provide job opportunities for some of the individuals who are now on welfare and perhaps we shall move further in that direction.

But while we talk about a guaranteed annual income for those who are permanently out of the work force, I certainly hope we are also thinking about a guaranteed annual income for those who are already engaged in the work force at lower rates of remuneration. Otherwise we are building in serious disincentives. Suppose a married man who is not working is paid a guaranteed annual income of $4,000 a year. Is somebody who works and earns $4,000 to be given nothing? What is the incentive there? They have to receive something. Our cost projections indicate that here alone we are talking literally about hundreds of millions of dollars. So when we talk about these programs and about those which should be discontinued, taking account of the offset through the discontinuance of certain benefits, we are contemplating new expenditures which would amount to perhaps $2 billion a year.

This brings us to the next question. Where is the money coming from in the short term? We are being asked to move in with additional resources in this particular area while being confronted with legitimate demands to create job opportunities through a number of different programs. I do not think it is possible to do both these things at one time and do either well.

I should like to review briefly the record of the government in this field. I do not think the government has anything about which to be apologetic. I believe our Canada Assistance Plan, the plan we agreed upon with the provinces in 1966, is providing valuable assistance to those in need, albeit at levels which are often inadequate. We are moving into new areas by asking the provinces to take advantage of other aspects of the assistance plan, costs of which can be shared between the federal government and the provinces. I think that is progressive legislation.

• (8:30 p.m.)

Recent legislation to provide an adequate income to senior citizens through a marked increase, the second biggest increase in Canada, under the guaranteed income supplement is a step that is of tangible benefit to roughly one million Canadians. The Canada Pension Plan, which was brought in with the help of some members of the opposition but under the authorship of the government, has been and will continue to be of real benefit to hundreds of thousands of Canadians. I think the new benefit structure under unemployment insurance brought in by my colleague, the Minister of Labour (Mr. Mackasey), will be of real assistance to people in our work force who may be temporarily unemployed for a short time. Policies of this kind, together with the one we are now advocating in terms of FISP, doubling and in some cases almost tripling the benefit structure for families in the lower income groups, will provide the supplemental income necessary in many cases to put the poor above the poverty line and to give them some sense of adequacy and decency.

With our record of concern and accomplishment in the field of income security, and if the House acts on some of the recommendations that we have made, we will be able to make tangible, worth-while and constructive proposals that will lead to the alleviation of poverty.

Mr. Lundrigan: Mr. Speaker, may I put a brief question to the minister? I have listened for the last 20 minutes to his apologizing for the government's stand on the guaranteed annual income. But why is the minister prepared to offer the provinces $15 million of the Canadian taxpayers' money in an effort to assess the value of a guaranteed

annual income through pilot projects? Is that not a waste of money, in view of what he has now said?

Mr. Munro: Mr. Speaker, I did indicate to the House—I suppose the hon. member was not listening—that the guaranteed annual income poses, to me at least, some very serious questions that have to be answered. I am not as sure as I once was that it is the panacea that many have claimed it is, and I think another look should be taken at it. One of the things we should look at is the effect it has on incentive. We should also look at the level at which the guaranteed annual income should be paid and whether or not we are just institutionalizing poverty.

The advantages of such a proposal must be closely examined. One of the best ways to find out the answers to some of these questions is to undertake experimental projects. Many of the provinces agree with this. Provinces of all political complexions, think that we should have experimental demonstration projects in the guaranteed annual income field which over the course of the next year or so that we might find concrete answers to some of these questions.

Mr. Lundrigan: May I ask the minister whether the experiences in New Jersey and in numerous parts of the world which have carried on this sort of experiment have been fruitful? Do we have to go on spending $15 million in order to find out the answers to the four or five questions that the minister has raised? Is our poverty so unique that we have to spend so much money to find answers to the problem?

Mr. Munro: The experiment in New Jersey is hardly sufficient on which to base an answer, especially since it has not yet completely concluded. The New Jersey experiment may provide some answers, though it was a very limited experiment involving relatively few people.

My next comment in relation to some of the things the hon. member has just said is that I do not feel a guaranteed annual income project carried on in another country is much of a guide to us in Canada. The circumstances might be entirely different, as might be the environment in which the projects are conducted. In addition, the sense of values might be quite different. I do not think we would get many accurate answers from an experiment conducted under those circumstances. In view of the fact that we are talking about spending billions of dollars on a new system of income guarantees that is thought by many to offer concrete hope for many people, I do not think that spending $15 million on a few experiments of our own is at all wasteful.

[*Translation*]

Mr. Henry Latulippe (Compton): Mr. Speaker, I am glad of this opportunity to give my opinion on the present situation and especially on the motion under discussion, which reads as follows:

> That this House condemns the government for its failure to propose legislation establishing a social and economic security plan placing all Canadians above the poverty level.

Mr. Speaker, why do we have poor people in Canada? Can the present system have been any good, considering it led one third of the population to stagnation and poverty?

[Mr. Lundrigan.]

Mr. Speaker, that is the result of our planned economy where a certain amount of steering is noticeable. Otherwise the results would be different. But that planned economy has brought poverty to some of our fellow citizens and has made it possible for others to become rich.

Mr. Speaker, we do not want equality for all people, but we say that Canada has surplus products which should be distributed to the needy. In fact there are surpluses a plenty as shown by official statistics in recent years. And we do not know what to do with those surpluses. There are surpluses, but there is also poverty.

• (8:40 p.m.)

Mr. Speaker, I do not agree with those who say that poverty exists in Canada. We do not have poverty in Canada but abundance, and I ask the minister to find a way to distribute this abundance.

We live in abundance and we don't know what to do with the surplus production. We seek all kinds of ways to export the goods we produce because we want to sell our surpluses. There are some Canadian citizens who are undernourished; they would need some of that surplus production and through appropriate means we could distribute it in order to meet the needs of our people, those we call the "poor", who have nothing to eat.

The Minister of National Health and Welfare (Mr. Munro) was saying a short while ago that the present system does not provide the means to solve the problem. In his opinion, jobs should be secured for all citizens. But the only way to create jobs is to borrow and invest. In order to invest, it is necessary to borrow and to repay the loan together with interests. So more is taken from society than what is actually invested.

That is why, Mr. Speaker, we are increasingly vulnerable to the shortcomings of the system. One hand gives while the other takes more away, thus aggravating the economic situation and increasing the number of poor people.

In order to understand well the present trend of the Canadian economy, under the direction of its financial, economic and political élite, it is only necessary to take a look at the past from 1934 until now. The results of our national economic system cannot be due to chance but are the consequence of haphazard management by qualified Canadians to whom we entrust the administration of our public and social affairs.

Every Canadian is interested in a fair distribution of the national product destined to consumption and to capitalization for future years.

We produce first to meet the needs of the citizens and then to provide for the security and the development of Canada in years to come.

Thus the purpose of production is twofold: consumption and capitalization. This is what the minister fails to study.

The Bank of Canada was established in 1934 in order to balance the management of our economy. Let us see, in the light of the figures I will quote the orientation given by financial and political authorities to the production in relation to consumption and capitalization.

In 1934, the gross national product was $4 billion, consumption $3,600 million and capitalization $400 million. Consequently, 10 per cent of the GNP was capitalized.

In 1945, production amounted to $12 billion and consumption to $10.8 billion. Capitalization totalled $1.2 billion, that is another 10 per cent of consumption. The mean capitalization was kept at 10 per cent.

In 1960, production amounted to $36 billion and consumption to $27 billion, that is a level of consumption of 75 per cent. Capitalization stood at $9 billion. The latter went up therefore from 10 per cent to 25 per cent in 15 years.

In 1971, production amounted to $90 billion, consumption to $54 billion and capitalization to $36 billion equivalent to 40 per cent of consumption.

A balance was struck in 1944 when capitalization stood at 10 per cent. In 1971, it jumped to 40 per cent. We are over capitalizing and this is where the minister should intervene. As can be seen, the more we produce, the more we capitalize and the less we consume. Consumption, as a result, is tremendously reduced.

All efforts are directed toward production, capitalization and productivity to the prejudice of consumers.

From 1934 to 1971, we have been through depression, war, prosperity and inflation, and we have now returned to depression, unemployment and increasing poverty. In the face of an ever increasing and potentially unlimited production as evidenced by the experience of the last 40 years, it becomes urgent to pause, to stop and even to reverse the trend immediately to avoid the catastrophe which becomes imminent day after day.

Let us focus our attention on the 1971 statistics and see how the abundant production of this year is divided between consumption and capitalization. Once again, the gross national production amounts to $90 billion. That is wonderful. The consumption stands at $54 billion. We consume 60 per cent of our production. There is therefore a deficit in consumption. We capitalize $36 billion, namely 40 per cent of our consumption. That is too much. A breakdown of capitalization gives the following: $6 billion comes from individuals and $30 billion from corporations.

Before capitalizing too much, we should consume enough. That is what the minister never understood, that is what he should learn because it is possible to balance our economy, to capitalize less and to make more products available to consumers, so that consumers may benefit by the national production and the production surplus.

A study of national accounts shows clearly the pattern of national economic activity, under the supreme authority of the government, that has the overall control of production, distribution of production in consumption and capitalization between individuals and corporations.

• (8:50 p.m.)

After all the economic operations for the year 1971 are in one can see that individuals capitalize only $6 billion after paying their expenses and taxes. Corporations capitalize $30 billion annually after paying their administration and operating costs and their taxes.

Those results are not accidental. They are forecast and calculated in advance according to methods known to experts but often unknown to the population, the underprivileged and working classes which are more and more deprived of the benefits of increased national production.

To illustrate this, may I say that the production in 1926 stood at $5.15 billion and that the basic tax exemption was $1,500. May I also point out that in 1971 when production totals $90 billion, or $4,200 per capita, the tax exemption compared to the production is $1,000. Since 1926, the tax exemption went down from $1,500 to $1,000 and there are some who say that we are doing much for the population of Canada when the cost of living has perhaps increased by 200 per cent compared to the gross national production. So the working man in increasingly deprived of the product of his income as he sees his tax exemption being steadily reduced compared to the national production per capita.

From 1929 to 1933 the tax exemption was equal to three times the national production per capita. In 1970-71, it is only one quarter of the national production per capita. During that period the situation has deteriorated to the extent that the tax exemption decreased from three times more to four times less than the national production per capita. That is the reason for unemployment and poverty.

Accountants, economists, administrators, and ministers are all in a position to appraise these computation methods and the prejudicial impact they have on our national economic balance while the people's buying power is steadily eroded and production is forever increasing, at least as far as production costs are concerned.

With the same national production per capita since 1944, that is to say when the family allowances were established, they have always been set at $6 and $8 per month for children from 6 to 14.

From 1944 to 1971, the national production increased from $11 to $91 billion and no way has been found to have the 7 million children under 16 enjoy it although they make up one third of Canada's population.

I am blaming not only the minister but also the government and all hon. members for failing to see this problem clearly and for not distributing the surplus production in proportion to the consumers' needs.

Whether the per capita production be $1,000 or $4,200, family allowances are set at $6 and $8. And now, in connection with the family allowances, the government is wrangling with the provincial governments; there is talk of taking from those who already do not have enough so as to give to others. In fact, no solution has been found to this problem. Again it's utter nonsense while our poverty level and our troubles are increasing and when we can but forecast an even more serious situation in the future.

The 1971 national accounts therefore show that public and private companies have capitalized $30 billion for the future, that is one third of the current year's national production after paying their administration costs and taxes. The time has come to open our eyes and realize that the best things, even in moderation, can become dangerous. Indeed, a $30 billion capitalization on a $90 billion production is obviously exaggerated, especially when consumption is lacking on the part of the dependent citizens short of personal purchasing power and having to rely on the productive citizen or on society in general to keep alive.

Thank God, these are not haphazard results. They derive from a well planned orientation, from a scientific technology devised and directed by experts and university

graduates specializing in money matters, economics, politics, or the social, industrial and administrative sciences.

There is no question of entirely spoiling a system which does so well in planning production, capitalization and even to a great extent consumption for the 8,700,000 Canadian producers contributing to production and earning wages for their work as well as interest on their principal.

Mr. Speaker, there remains only to plan a guaranteed personal income for the $13 million dependent Canadian citizens in order that every Canadian without any income from work or capital can be sure of a guaranteed vital minimum, large enough and planned according to his needs and the production capacity.

Such is the situation in which we find ourselves, Mr. Speaker. That is where we should focus our efforts. We should ask our great experts, politicians, economists and others to see to it that the surplus production is distributed—

The Acting Speaker (Mr. Boulanger): Order. I regret having to interrupt the hon. member, but his time has expired.

[*English*]

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, like others who have spoken in this debate today, I should like to commend the hon. member for Témiscamingue (Mr. Caouette) for placing on the order paper the motion that we are now discussing. I think I can also say that the debate has been a very interesting one. All of those who have taken part have been obviously sincere and earnest in their desire to get rid of poverty. I think that all of us realize, as the hon. member for Vancouver-Kingsway (Mrs. MacInnis) put it, that poverty is a cancer that can destroy our society.

Although I have paid tribute to those who have taken part in this debate for the sincerity and earnestness of their approach, I must say that I disagree with many things that have been said. It does seem to me that many of the ideas and proposals that have been made fly in the face of one basic, fundamental fact. That fact is that you do not get rid of poverty simply by paying people money because they are poor. When that is done, no matter what title may be given to the payments, the result is that the poor are kept in their poverty.

If I may use the words of the Minister of National Health and Welfare, there are many measures that have the effect of institutionalizing poverty, and that goes for any scheme that gives money to people simply because they are poor. We have to find a much better way, and I hope that even this day's debate will result in some new thinking about this important issue.

The Minister of National Health and Welfare was quite right in asking that spokesmen for the various parties in this House should make clear where they stand with respect to the guaranteed annual income. I am afraid that is a phrase which a few years ago was capable of at least two different definitions, but the developments which have taken place have narrowed the field. It used to be that one could say he stood for a guaranteed annual income when what he really meant, as I did, was that he stood for universal programs, for demogrants. I still think that that is a good connotation to put upon the phrase "guaranteed annual income". However, because of developments that have taken place in other jurisdictions, and because of the use of the title "guaranteed income supplement" with respect to the attachment to old age security, and because of the way in which the Croll report uses the phrase "guaranteed annual income," it has now come to mean something in the nature of the negative income tax. It has now come to mean a program under which, by use of an income test, people are given money to bring them up to a certain level.

• (9:00 p.m.)

I have to say that if the guaranteed annual income means that, if it means what is set out in the Croll report, I am not for it any more than is the Minister of National Health and Welfare (Mr. Munro). But I am for a guaranteed annual income as I see it. I am for universal programs. I am for demogrants to designated groups in our society.

I said earlier that the fundamental fact that all of us who want to get rid of poverty must face up to is that we will never get rid of it by programs that institutionalize poverty, by programs under which money is given to people simply because they are poor. Programs like that keep them poor, start their children off poor, and as a result we will go on having a society in which not just 25 per cent by perhaps even a larger percentage of our people are poor throughout their years, despite the potential affluence of a country like this.

What bothers me most of all about the recommendations in the Croll report—and many people use the kind of language that is in that document—is that it generously criticizes all of our present welfare programs, saying they are a hodge-podge, saying they are no good, saying they do damage to the poor, and then it suggests another one. The Croll report proposes just one big welfare scheme that would be much easier to administer because it is on a one-shot basis, but I suggest it is far removed from the realities of the situation.

That applies not only to the Croll report. I submit it applies to much of the thinking of the present government. I was with the Minister of National Health and Welfare when he was criticizing those who are prepared to drop a number of our programs—he specified some of them—in favour of one over-all scheme. But I am not with him when in the administration of this phase of this government's activities he moves away from the universal principle and moves into more and more income-tested programs.

I hope the minister is not going to say, "Oh, there is Stanley again, still preaching the same old thing he has preached for the last 30 years."

An hon. Member: Thirty-five years.

Mr. Knowles (Winnipeg North Centre): Thirty-five, 40 years, or whatever it is. I submit that in advocating universal programs and demogrants I am not advocating anything that is old-fashioned. It is welfare; it is the means test that is old-fashioned. I am advocating what is going to come, the day of universal allowances, of eco-

nomic equality. Let us move in that direction, not backward as so many want to do.

I submit that the minister, because he is well versed in this, is aware that the programs under government jurisdiction that do the most for the morale and the spirit of our people are the universal programs. Old age security does it. Granted, the minister has spoiled it a bit by the income test he has attached to a portion of it, but the basic $80 is still there as a universal right that is earned simply by age and residence; and compared with what the old, means test pension did to the souls of older people, that pension is a godsend, not only in terms of dollars but in terms of what it does for their morale.

The same thing is true of the Canada Pension Plan. It has not been around very many years yet but it is having its effect, not only on those retired who are drawing the small pensions already available but widows and those suffering illness or accident get the benefits of the Canada Pension Plan, and they get those benefits as of right. They paid for them with the contributions they made.

The same is true of unemployment insurance and family allowances. For all of the light criticism that there is about family allowances because some people get them who may not need them, the fact is that that payment has meant a great deal to millions of parents, mothers in particular, and I say it has been a good program across the years—good mainly because it was a program based on a universal right.

Mr. Munro: May I ask the hon. member a question?

Mr. Knowles (Winnipeg North Centre): Certainly.

Mr. Munro: If the hon. member is advocating emphasis in terms of universal payments and, getting away from the selective income test approach that he has identified, that we take in some of our programs, I would ask him if we are to guarantee income floors—and for the sake of this particular argument we will take the poverty levels spoken of by the Economic Council—and if we are to guarantee income floors to everyone in Canada, and here I am talking about young married couples and couples with children—I am not talking about just those people who are out of the work force—would he make payments of this nature to everyone in Canada?

Let us say that here we are talking about roughly $4,000 for a man with a wife and two children. Would he pay that $4,000 to virtually everyone in Canada and somehow recover it back through the tax system? Is that the way he would approach an income floor?

Mr. Knowles (Winnipeg North Centre): That is precisely the direction in which I think we ought to move, and I think that is precisely the direction we shall move, given time. I think the minister should take the first steps in that direction now, instead of taking the reverse steps that I believe he is taking despite the enunciation of the good principles and intentions that we heard from him tonight, just as we have heard from him on other occasions.

The minister talked about what we are going to do for the working poor. For heaven's sake, let us stop using that language. When we use that language and treat them accordingly, we are condemning them to be working poor for the rest of their lives—and that goes for their children and their children's children. We have to move in the direction of equality in our society that will establish the kind of floor the minister has mentioned, or perhaps even a higher floor, and this as a matter of right to all Canadians.

I have heard the question asked today and previously: Who will pay for the cost? What will we tax the upper and middle income people in order to do this? That is a problem. I know that very well, but I submit that is nothing compared with the cost we are imposing on 25 per cent of our people by keeping them in poverty, the human cost, the cost in morale, and the cost in spirit. If we believe Canada is the kind of country where human beings count, we ought to see this as a top priority, getting our income so distributed that we do something for the souls and the morale of our people. And we do not do that the Croll way or by the backward steps the minister has taken, steps which I think are contrary to the views he holds.

The minister looked at me a few minutes ago when he talked about some of the help that the government got from this side of the House with a certain program a few years back. During that time I got to know the minister well. It was before he became minister—and I think he agrees with me on this. I urge him, from his place in the cabinet, to say "No" every time he can to any of these retrogressive steps, and to say "Yes" to forward steps in terms of universal programs and demogrants.

Instead of saying that we cannot do it because we cannot immediately pay $4,000 to every family in Canada, I say let us start with certain defined groups. I still think we can improve the pensions we pay to our older people, but I must not spend too much time on that subject because whenever I get started on it the first thing I know is that my allotted time is up. However, I still think there should be a substantial increase in that basic $80 a month.

I think the time has come to provide for pensions at age 60. I have said this a number of times and the government will hear from me many times until we get it. I advocate pensions at 60, both old age security pensions and Canada Pension Plan benefits, on a voluntary basis, in other words for those who are prepared to leave the labour market. I would not make any other restrictions so far as drawing these two pensions are concerned, but I do say that people who leave the labour market should get these two pensions at age 60.

• (9:10 p.m.)

I believe that the federal government should have quite a bit to say about its action in providing superannuation for civil servants at age 55 after they have 30 years' service. This sort of lead should be given to industry and society generally. A pension after 30 years of service to an employer, public or private, is fully justified, and it is time such a practice became general. These steps also have the effect of creating employment for those who are younger, but I shall not get off into that tonight as I want to make precise suggestions of what I think the government should pursue. One is in the area of the old age security, increasing the amount which is now $80 to a higher figure and making it possible to pay both old age security and the Canada Pension Plan benefit at age 60.

Another area in which the government should move ahead on the kind of basis I am advocating is with respect

to family allowance or FISP, as the minister wants to call it. I wish the minister would not establish that cut-off line above which people do not get any family allowance at all. If he wants to make a difference—he is in power and I am not—he could make it the way he has with the old age security, establish a basic amount for each child that everyone gets on a universal basis and, if you will, have something more for those whose incomes are lower.

Another place where the demogrant or universal principle could be applied would be for mothers in the homes. I trust my colleague for Vancouver-Kingsway (Mrs. MacInnis) is applauding this. I know she is—

Mrs. MacInnis: Hear, hear!

Mr. Knowles (Winnipeg North Centre): —for it is her idea and mine too. This is one area where we should now establish a demogrant, a universal program of payment as of right which would take care of many of the relief and welfare difficulties that face our people. It would do this on a basis that will be good for the morale of those homes, for it would be a matter of right. I would give it not just to the mothers who are part of the minister's working poor; I would give it to every mother who is at home raising her children in addition to what is paid to the children themselves. It would cost money, say some of my Conservative friends. Of course it would, but nothing in terms of the costs to the souls and spirits of our people because they live their lives in poverty and their children and grandchildren have to do the same.

There is a precise program. Put your family allowance, if you will, on at least a partly universal basis and pay it across the board and add to that a demogrant to the mothers who are at home or, for that matter, women who are at home, whether mothers or not. These are areas where we can start. The minister, I know, is thinking in the right direction because of the question he asked me. He would like to move in the direction of a universal grant to all the people of Canada. He is young enough; he will see that day. So shall I, for that matter, Mr. Speaker—

Mr. Alexander: That is questionable.

Mr. Forrestall: You have undermined your credibility—it is a question of 40 years.

Mr. Knowles (Winnipeg North Centre): When I came here they told me we would never get the means test off the old age pension and that we would never get the amount of the pension up to $40 a month. If you have seen these battles won as I have, you know you are on the right track; and if you stay at it you will see still further victories.

Mr. Deachman: And the Liberals have done all of it.

Mr. Knowles (Winnipeg North Centre): The Croll way is all wrong. He would wipe out old age security. He lost my support when he proposed that—but apart from the fact, he puts the whole of the solution to the problem of the poor on the basis that makes them all recipients of one big, grand welfare scheme. The Munro approach—at least the one he is implementing, not the one he really believes in—is to go for selectivity, to go for income tests and means tests. This has the effect of saying that we give money to people—why? Because they are mothers, because they are wives, because they are a certain age, because they have lived in the country a certain length of time? No. Because they are poor. So they stay poor.

I suggest, therefore, that what we should do is extend the principle that has worked the best, the universal principle. My friend in the back row over there likes to boast of what the Liberals have done. They have done a lot through the pressure from this side of the House over the last 50 years, Mr. Speaker, but they know from their experience that the programs that have worked best are those that have been universal, those that have followed a demogrant principle. I say, for God's sake, for the sake of the people of this country and for our future, let us move still further in that direction.

The Acting Speaker (Mr. Laniel): Order, please. I must advise the minister that if he wants to ask a question at this time, because of the fact that the time allotted to the hon. member for Winnipeg North Centre (Mr. Knowles) has expired he may only ask a question with the unanimous consent of the House. Would the House give the minister permission to ask a question?

Some hon. Members: Agreed.

An hon. Member: He needs to ask a lot of them.

Hon. John C. Munro (Minister of National Health and Welfare): Thank you, Mr. Speaker, and I should like to thank hon. members for allowing me time to ask this question. I asked the hon. member whether this universal benefit would be paid out at levels we have not yet attained—far from it—to everyone in Canada, and recover the money through taxes. This is putting an awful lot of money through the system. Once it is paid out we have to try to recover moneys of a nature we have never put through the tax system in Canada. There would be great problems inherent in implementing the recovery rates necessary at the high income levels for the benefits paid out. I imagine the hon. member has given some thought to the problems inherent in that type of approach, and I should like to hear his views.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, first of all may I say that the minister is quite right in his description of how I think the matter ought to work, namely, that the grants be paid universally and that the income tax be used to collect back from those who do not need it. The minister says that this involves a huge operation in terms of dollars. I hope I do not appear too much of a person out of the past if I say that I remember reading in *Hansard* that the late Hon. Charles Dunning said more or less the same thing to the late J. S. Woodsworth when he asked for a pension of $20 a month—it was a good idea but the dollars involved would break the country. Yes, it is a big operation, this kind of money being paid out and coming back. I submit, however, that what it would do for the morale and spirit of our people and the vitality of our economy is worth it.

An hon. Member: Recycle it.

Mr. Knowles (Winnipeg North Centre): My hon. friend says it is a form of recycling. If recycling works in other fields, it will work in this area too, as indeed it already has.

• (9:20 p.m.)

[*Translation*]

Mr. Guy LeBlanc (Rimouski): Mr. Speaker, I am glad of this opportunity to express my opinion on as serious and important a matter as that of poverty—which could be eliminated through the establishment of a social and economic system, as was suggested by the hon. member for Témiscamingue (Mr. Caouette) in the motion under discussion. However, it seems to me that blaming the government for failing to propose legislation establishing a system designed to fight poverty is an exaggeration and is far from the truth.

Unfortunately, we in Canada keep considering the problem of poverty in different ways. We should find solutions and, above all, implement them. The hon. member for Témiscamingue blames the government for failing to propose legislation. Like many other members, I cannot agree with him.

On the contrary, the liberal government has neglected nothing to date. Although it has probably been unable to correct the situation, it has left no stone unturned in the present circumstances.

The minister spoke to the House a moment ago, summarizing the attitude of the government by saying, I believe, that the government had nothing to apologize for. On the contrary, the government and the Liberals should be proud of their efforts, of their achievements to date and also of their program for the future. He also recalled that many have responsibilities in this field. The federal government has great responsibilities because of the action it must take at the level of the national economy, but the provinces also have theirs, all the more so since some of the legislation related to poverty comes under their jurisdiction. Moreover, all citizens should unite to fight poverty, one of the heaviest burdens the country has to carry during this period.

No need to try to sum up all the measures this government has adopted recently. Nevertheless, let us recall those dealing with unemployment insurance. The tax bill is not all bad. On the contrary, there are many improvements that will help better the lot of the middle class and of the poor. The government has also deployed great efforts to find housing for the poor, notably in cities.

The government has taken steps to improve the living conditions of needy veterans, not to mention the proposals mentioned by the minister with respect to income security.

Estimates concerning federal funds to be spent on the income security plan and on social programs for 1969-70 were around $5.328 billion whereas the provincial share amounted to $2.845 billion for a total of $8.173 billion. Something has obviously been done. We cannot rest on our laurels and we are confident that more will be done if all of us work together in order to solve that problem.

But from what I have learned it also seems to me that, after all, the liberal party has been the first to introduce social measures and to urge other governments to continue that socialization program. As far as the present government is concerned, it does everything to strike at the very roots of poverty.

We recognize there are still several things to do. I think the minister admits it. Every possible effort is made. If the problem is difficult to solve, it is perhaps due to the rapid change in technological and scientific fields, which creates difficulties for a majority of the people preventing some to integrate with those who had the opportunity of going further.

However, we hope Canadians will take their responsibilities in that area. It might also be—and I think the government is considering that hypothesis—that we are now dealing with the symptoms. It may be too difficult or impossible to reach the root of the problem, if we examine the last report of the Senate Special Committee on Poverty. Indeed, the committee was constituted within the framework of our institutions and it helps the government consider the question seriously. In its report the Senate Special Committee deals with the symptom of the poverty problem in the following terms:

The system has failed because it has treated the symptoms of poverty and left the disease itself untouched.

It is probably a little like a person having a headache because he has stomach trouble. He is given aspirins instead of being treated for his digestive ailment. Yet it is first necessary to know the cause of the disorder and then to remove it. It might be a real cause, difficult to find out because of the complex problem.

Political "simplifiers" always come up with easy solutions, solutions seldom applied. It is easy to criticize those on the front line by holding up to ridicule some of their slogans like the "just society". When the liberal party, following its leader, voiced its aims and its ideal by speaking of a "just society" we were aware, as was our leader, that such a "just society" could not be achieved by one single man or by a small group of men. It requires the help of all Canadians, of all governments. The state ship must be pulled in the same direction.

However, one must not be so naive as to believe that the ideally just society will be achieved today or tomorrow. As we are working towards a "just society", we should not destroy what we have already but strive more and more after that end.

• (9:30 p.m.)

In my view, we should endeavour to determine the true facts with regard to poverty. There are poor people among the young, the sick, the disabled and the older people. There are poor people in the underprivileged regions, especially in the rural areas. Some people are only temporarily poor because of illness or accidents. There are also the poor who are in a chronic state of dependence, those in the cities who have their own characteristics.

If the poor appear to be increasing in our society, it is probably because of technological progress which, in my view, is developing at a truly fantastic rate.

I remember the example give nearlier by the hon. member for Témiscamingue, and I agree with him, because I also meet such people in my riding. I cannot understand that at present a husband over 65 only draws a $135 monthly allowance, while his wife, because she is not yet 65, nor 60, gets nothing. A few months ago, she might have received $50 or $60, but because of the new

provincial legislation, she no longer gets anything. In fact, the two of them only receive $135, which, in my view, is quite inadequate to allow them to live decently.

There are also unemployment insurance benefits for certain provincial employees as, for instance, those of the Department of Highways. Sometime ago, at least, they were not eligible for unemployment insurance.

Even among the poor, there are complaints at times about irregularities. We can presume that this happens, but we can not prove it. Some way should be found to put an end to those irregularities. Responsible people tell us that some are drawing welfare cheques and could apparently do without them, while their neighbors who can hardly make both ends meet, are not entitled to the same benefits.

I read the report of the Senate committee on poverty to which I referred a while ago. We can hardly understand the deep causes of poverty and its destructive effects on the whole community.

Several members have suggested solutions earlier. The Liberal government has implemented several in the past, especially since 1968. The Minister of National Health and Welfare (Mr. Munro) intends to continue to do so, but he needs time as well as physical and financial opportunities.

If we go by the testimony of some of our electors, we can see they want to work. Means should be found to get people back into production, to make them work as they want to. Although long term programs may seem wiser, we should perhaps endeavour to set up progressive programs which would be applied by extremely competent and experienced people.

As some have suggested, namely the members of the special Senate committee on poverty, we must aim towards a guaranteed annual income which, it would seem, could not be set up easily overnight, in spite of what some may say.

And this solution, as suggested by some people, could easily be applied through the negative income tax method combined with an incentive to work, as many Canadians wish. The federal government, constituted by the Liberal Party, tends to realize these objectives as fast as possible.

Together, with the help of the federal government and of all governments of Canada and also, if possible, with the help of all those who are affected by poverty, we should try to develop a system to have those needy Canadians participate in the political decision, making process, in order to eradicate poverty some day.

I am with those who have confidence in this government, who can congratulate the government for the action it has taken and the realizations it authored, especially since 1968. We are hopeful that the government will continue to take action and to consider the problem as it is in order to study the best solutions and apply them.

[*English*]

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, this evening, at 20 minutes to 10, I have the distinct honour of speaking on behalf of the Official Opposition on the serious problem of poverty. I have listened to speakers from all four parties. There has been a lot of sound and fury which signifies very little, to say the least.

[Mr. LeBlanc (Rimouski).]

Tonight I feel a little of the frustration of the people involved—the unemployed, poverty-stricken and helpless Canadians across this country. This afternoon the Minister of Regional Economic Expansion (Mr. Marchand) was present in this chamber. Tonight the Minister of National Health and Welfare (Mr. Munro) is in the chamber for a while. He did not show up during the afternoon or, at the very least, the beginning of the debate. Neither the Minister of Manpower and Immigration (Mr. Lang) nor the acting minister have been in the chamber.

Mr. Munro: On a point of order, Mr. Speaker—

Mr. Lundrigan: I know the minister is in Japan. I am talking about the acting minister.

Mr. Munro: Will the hon. member clarify his remarks about my presence in the House this afternoon? Was he inferring that I was just here at the beginning of the debate?

Mr. Lundrigan: I did not see the minister here for the whole debate. I have been here since the debate started. I have not seen the Minister of Manpower and Immigration, the acting minister or the parliamentary secretary. I have not seen the Minister of Finance (Mr. Benson) here today.

The Acting Speaker (Mr. Laniel): Order, please.

Mr. Lundrigan: What for?

The Acting Speaker (Mr. Laniel): I do not think the House will gain anything by having a roll-call of hon. members. The hon. member should speak to the motion.

Mr. Lundrigan: I am speaking to the motion. Today, in the House of Commons, we are talking about the most important problem facing this nation—the unemployment of half a million Canadians and the fact that there are over four million Canadians living below the poverty line. We are talking to an empty House.

Some hon. Members: Hear, hear!

Mr. Lundrigan: Two cabinet ministers have been in the House today. The members of the opposition are trying to state their points of view. We have been referring to the Economic Council's report, the Senate committee report on poverty and the economic development report.

An hon. Member: There are only seven of your members here.

Mr. Lundrigan: I do not see any advantage in members of the House of Commons standing in their place and speaking about poverty when the front bench, decision-makers of this country are not present. That is folly and it should be recorded. I would like to see the proceedings of this House being televised today so that the people of Canada could see the response of this elected government to poverty-stricken Canadians.

The Minister of National Health and Welfare had the gumption to come here tonight to speak politically and very beautifully about the guaranteed annual income and the pilot project which is costing $15 million, while at the same time being married to it politically. He said to the members of this House and the Canadian people, "We think it might be the political thing to do because we

might have to withdraw other programs not politically palatable to the Canadian people. We are willing to spend $15 million because we are married to that kind of concept." That was beautiful figureskating; the minister should be complimented on his presentation.

• (9:40 p.m.)

I expected the minister, having heard the criticisms contained in the Senate committee poverty report, to at least comment on the fact that it did not concentrate on ways in which we can improve our economy and put people to work. I expected the minister to make some reference to the ways in which the economy of this nation can be improved in order to take people off the welfare rolls. That is what I expected. That is what the Canadian people expected. Instead, he came in with his coached approach to the problem. He asked what the opposition believed should be done. He asked what the members of the Official Opposition, the Créditiste party and the New Democratic Party believe should be done. This is the approach of the Prime Minister (Mr. Trudeau). Those in the front benches of the Liberal party have been well coached.

Some hon. Members: Hear, hear!

Mr. Lundrigan: I intend to say only a few words. I firmly believe it is a waste of time to state my point of view but I will do so anyway. When I rose to my feet this evening I was tempted to speak for only two or three minutes ane then resume my seat. I was going to make the simple point that this debate was a waste of time because of the absence of the decision-making group of this country. I want to make two or three points which I hope will be communicated to those in the Department of Manpower who are responsible for dealing with the problem of poverty in Canada.

There is in operation in Canada a manpower training program. I believe every Canadian realizes that there is a positive correlation between the level of education, the level of training, the level of technical or professional competency in a country and the degree of its economic development. The government appropriately repeated programs which had been instituted by previous governments by passing the Adult Occupational Training Act in 1967 and introducing a manpower training program. Since that time, 1,134,000 Canadians have received instruction under this program. The cost in 1970-71 was $460 million. A few weeks ago, on October 14, the Minister of Manpower and Immigration announced that a further $35 million would be set aside for training adult Canadians who are unemployed, that $20 million would be allocated with respect to on the job training, and $15 million to upgrading skills so as to best qualify Canadians to find employment on the Canadian labour market.

I do not agree with all the observations made by the Senate committee on poverty or by the Economic Council, to the effect that these programs are of no value. I believe that this kind of training is an essential characteristic of a human resource development program. It does take people off the unemployment rolls, although it might be said to constitute a form of hidden unemployment. It does put money into the economy. Moreover, when a trained labour force exists there is a greater opportunity for development to take place.

In Nova Scotia, for example, we do have the capability of training people, so there is a better chance that industry will locate in the province. These are benefits which are derived from the manpower training program. I do not believe that a training program can create jobs; and, of course, neither does any Canadian. I do not believe the Prime Minister's statement that unemployment is a structural problem, that a great many opportunities are wide open but that people are either too lazy to work or do not fit into the openings which exist. I do not believe that, because from the research we have done the facts are to the contrary. In Canada today there are many tens of thousands of professionally trained and highly-skilled people who are unable to find work because there is broad and massive unemployment.

I believe we should reassess the manpower retraining programs because very often they are not able to take unskilled Canadian workers and expose them to training sufficiently to bring them up to the standards of skill required to enable them to fit into the labour market. People who are being trained either at upgrading centres or adult education classes are often not as competent, even after several years, as a young person who has just graduated from high school and who is also unemployed. We are spending money to educate people who find themselves, at the end, in the same boat as a young person who is unemployed.

Despite the large sums spent on these programs—$460 million in 1970-71—we have only been able to influence, on the average, 5 per cent of the unemployed in the country. Last year approximately 100,000 people were affected by upgrading schools, basic training schools and other aspects of the program. There has been a terrible lack of co-ordination between these programs and the needs of the economic community. We have trained people in all kinds of basic skills, but they find they have no opportunity to use them because it turned out there was a flux of persons of that kind before the program even began.

I now wish to make two or three recommendations. I know it is a waste of time. I know it is a lost cause. I know they will never be heard of again. It will be written up in *Hansard* and a waste of the taxpayers' dollars even to print it.

An hon. Member: Agreed.

Mr. Lundrigan: First, I think we have to identify the components of the labour force in Canada. In one province there are 5,000 adult Canadians who have never been to school. Of what value is any kind of upgrading training to that kind of Canadian? Does this not suggest that we ought to look at other methods of bringing such people into the labour force? Again, there has to be a way of relating present programs to social institutions, to welfare programs and to unemployment insurance benefits.

Today—and this is hard to believe—if a young person is qualified to receive unemployment insurance benefits and finds himself out of work and decides he will enter a technical school or a university to improve his qualifications, he is denied unemployment insurance benefits because of the fact that he is not available for work if

called upon, under the narrow definition in the regulations. But if he has been on welfare and has not worked for five years, he can qualify for as much as $100 a week if he goes to an upgrading school. A young fellow called on me at my office today, a strapping Canadian willing to do a day's work. We went to Carleton University to improve his qualifications after drawing unemployment insurance benefits for a couple of weeks. While he was there he got a bill demanding a refund of what he had drawn. If I were that young Canadian I doubt whether my reaction would be as mild as his was.

There has to be a better system of ascertaining real labour needs in Canada. Is it necessary to turn people out in scores as electricians or plumbers to find that the labour market is already glutted with that type of person? I believe the three-year labour requirement should be revised. At present, before a person can enter an upgrading school he must show that he has been on the labour market for three years. That requirement should be eliminated. A move was made in this direction by the Minister of Manpower when he announced a $15 million on the job program. He said, with respect to training of this type, there was no need for the requirement that the trainee should have spent three years in the labour force. The present provision discriminates against a young person who is willing to enter an upgrading school. Then there is the requirement that anyone taking part in this type of training cannot continue for longer than 52 weeks. How absurd that is, when one considers that there are probably thousands of disadvantaged Canadians who might well be required to attend for two years before being able to moving into a technical training institution to better themselves. They probably include many who have 30 or 40 years of productive activity before them. This requirement should be eliminated.

I believe there should be some mechanism by which new apprentices can more easily find their way into industry. How often have hon. members received letters from young people saying they have just finished their trade training, with an "A" certificate in mechanics, boiler maintenance or some other craft, only to be told at the Manpower office that they must have experience?

• (9:50 p.m.)

In most European countries there are schemes whereby governments encourage industry, through the use of incentives of various kinds, to subsidize initial employment opportunities for young apprentices for a year or so. This is something the Canadian government should consider. It is absolutely frustrating for our young people to walk out of training institutions at the age of 18 up to 25, full of vim and vigour, having listened to their teachers from kindergarden talking of the virtues of education, only to find that after all their formal education they cannot find their way into the labour force of Canada.

I am sure you are eager, Mr. Speaker, to announce that my time is up, so I shall end on the point made by the hon. member for Hamilton West (Mr. Alexander) who had something to say about owning property. There is one fundamental aspect in this regard of which the government seems to be unaware. The best way to assist the people of Canada today who are poverty-stricken—I am not talking about the lame, the incapacitated, the blind or the elderly who need a better social system, but about able-bodied Canadians, 447,000 of whom are out of work—is to get the economy rolling again.

This government has been in power for 3½ years and has been espousing a just society and the elimination of regional disparity. There must be some way to get the unemployed back to work. There is no substitute for the way of life in which a man gets up in the morning, climbs into his vehicle, whether it be a dump truck, a half-ton pick-up or a 1947 model, who has a little home and back yard, who does a full day's work, and at the end of the week brings home his pay cheque. That is the essence of living.

It is not good for Canada, or for any other country for that matter, to have to pay its people with a government pay cheque. The essence of living is for the government to provide opportunities for people to work and to make some contribution to their family, to the community, to the country, to mankind and society. This is what my hon. friends to my left do not understand. One hon. member to my left, who is a big spender, qualified two years ago for the old age pension, yet I have never heard him or any of his colleagues talk about how to get the economy rolling in order that our people can obtain a better living.

This is why I become excited about the half million Canadians who are unemployed. They should be taking part day after day in some constructive employment activity so that they can go home in the evening feeling proud of themselves. I hear nothing from the government about this. They seem unaware that Canadians across this country, from little old Newfoundland to west of Vancouver, need jobs. This half million is crying out for jobs. They are not interested in somebody giving them $5 extra during the winter months for welfare or to buy some extra oil. They are interested in their homes, their jobs. The opportunity to work is the right of all Canadians across the whole dominion.

The sooner we elect people to positions of political authority who are willing to work toward such a goal, the sooner the Canadian people will put aside their frustrations, anxieties and fears and play their rightful part in an active economy. This is the attitude that members on this side of the House display and the kind of policy that we promote. I am confident that the Canadian people will buy this policy in the not too distant future.

[*Translation*]

Mr. Yves Forest (Brome-Missisquoi): Mr. Speaker, the motion brought forward by the hon. member for Témiscamingue (Mr. Caouette) gives us today an opportunity to discuss a major problem in any society, namely the best way to fight the poverty which unfortunately is the lot of too many people, in an era when technological advances have led to the solution of so many problems and facilitated the progress of humanity in so many ways.

I regret that the few remaining minutes will not allow me to complete my remarks in this respect and I hope to have another opportunity to express my views on this important problem of poverty in Canada.

Of course, it is not easy to determine a poverty line. Poverty has been described as lack of money, which is a relative definition, as inadequate access to some of the goods, services and living conditions to which others have

access and which are considered to be indispensable for an acceptable standard of living. That applies also to other blanket definitions based on the existence of disparities.

Of course, poverty also depends on circumstances of time and place—and somebody could be poor in Canada and yet be considered as almost rich in an underdeveloped country—although I am quite aware that this comparison is not of much comfort to those who are considered poor in Canada.

It would be preferable to turn to the definition of the basic rights of the individual as it appears in the Universal Declaration of Human Rights. It states that everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services.

Everyone has the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Alas, after a quarter of a century, we are unfortunately still far from that goal, in the world, and it is strange that such a motion should be moved in a country whose standard of living is one of the highest, a country which has a system of social security quite properly considered the best and the most comprehensive as compared with those in effect in the other free countries of the world.

Mr. Speaker: Order, please. It being 10 o'clock, it is my duty to inform the House that pursuant to Standing Order 58(11), the time allotted for the consideration of the motion is expired.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

[*English*]

EXTERNAL AFFAIRS—SOUTH AFRICA—GOVERNMENT POLICY RESPECTING POSITION OF NON-WHITES

Mr. John L. Skoberg (Moose Jaw): Mr. Speaker, on November 4 I asked the Prime Minister (Mr. Trudeau) whether Lieutenant-Colonel W. Kenneth Robinson, a Member of Parliament, was expressing government policy when he stated on a short summer visit to South Africa that—and then I was called to order. I continued my question as follows:

> Is it government policy to suggest that South African non-whites should realize they are not yet ready for full political independence, as was indicated by Lieutenant-Colonel W. Kenneth Robinson?

Again I was called to order. The question I asked on November 4 stemmed from an article in the Durban *Mercury* of South Africa, dated August 8, 1971, and headlined "Canadian MPs impressed by practicality". It read:

• (10:00 p.m.)

> This is the general opinion of four Canadian MPs who arrived in Durban yesterday for a short visit as part of their itinerary arranged by the South Africa Foundation.
>
> The four men, including three members of the ruling Liberal Party under Prime Minister Pierre Trudeau, are: Lt.-Col. W. Kenneth Robinson (Toronto-Lakeshore), Mr. Harold Stafford (Elgin), Mr. Marcel Roy (Laval) and Mr. Gilbert Rondeau (Shefford). Mr. Rondeau is a member of the Social Credit Party.

The article continues:

> The South African non-whites were anxious to avoid "the mistakes made by Zambia and some other black African states" and were prepared to advance slowly towards the development of their own country within a country.
>
> The four MPs said they would report back on their visit and agreed that South Africa's image in Canada had been tarnished by "bigots".
>
> All the information we get over there is hopelessly biased. We don't get the full picture at all and some of the facts that we do get are badly distorted," Col. Robinson said.
>
> Col. Robinson said that there was a feeling in Canada that freedom was more important than anything else—regardless of standards of education and conditions of living.

In my opinion, freedom of speech, freedom of religion, freedom from hunger and freedom from fear are the fundamental rights of all people in this world. I repeat, everybody living in a democratic nation of our world should subscribe to that philosophy. It is fact that these MPs went to South Africa to see for themselves what apartheid and racism was all about. I imagine they stayed in an integrated hotel when they were there. It is also a fact that three members were recognized as members of the ruling Liberal party under Prime Minister Trudeau and one of them used the real scare tactic of the domineering military mind, with the handle "Lieutenant-Colonel W. Kenneth Robinson". It is strange, indeed, that the same member is shown in the "Parliamentary Guide" of 1971 simply as, "Robinson, William Kenneth (Lakeshore), first elected to House of Commons 1968, party politics: Liberal," and then his address. His attitude is certainly striking so far as our country is concerned.

The real issue before us is indicated in a statement made by Lester Pearson speaking about the Commonwealth, in South Africa. He stated:

> If the Commonwealth does not condemn racialism in any form and wherever it shows itself; if it does not reject and fight discrimination in race and color, in any form; if any of its members base their politics on such discrimination; then the Commonwealth is not going to survive in its present—or indeed in any acceptable—form.

That was a speech by Lester Pearson to the Royal Commonwealth Society in November of 1968, which is not very long ago. Now that these Canadian Members of Parliament have associated themselves with the Trudeau Liberals, I wonder if what they had to say in South Africa is really government policy. This is what I am wondering, because we have to decide when Members of Parliament go on trips such as this whether they are speaking as government people when associated with the Prime Minister of this country. This is the real issue and the question I should like to ask tonight.

One must ask questions already asked of these Members of Parliament visiting South Africa, and one must also ask the latest group of two Conservatives and one Liberal who visited South Africa at the invitation and

expense of the South Africa Foundation, which is a foundation established in South Africa—supported by big business—to protect commercial interests and to improve the public image. It is my information that one, Jimmy Sinclair of Vancouver, has visited South Africa at the invitation of this foundation. But one must say in all sincerity that so far as these people are concerned, they have not made any pronouncements whatsoever in so far as that country is concerned.

Surely Canadians can at least recognize the fact that we must do everything possible in opposing apartheid and racism. We cannot be proud of our Indian and Eskimo situation, but at the same time if we want to remain within the world of nations we must stand up and be counted. When we look at a recent copy of the *Globe and Mail* we see that South Africa is referred to as a police state. We find that an Anglican dean has been confined to prison. Of course, it becomes an issue as to whether or not we are prepared to stand up for the right of individuals to express their opinion against apartheid and racism.

I would sincerely ask that the government indicate to the House tonight whether in fact, when visiting Members of Parliament go to other countries, they are really speaking for the government of this country when they associate themselves with the Prime Minister.

Mr. Paul St. Pierre (Parliamentary Secretary to Secretary of State for External Affairs): I must say it is rather interesting to hear the hon. member for Moose Jaw (Mr. Skoberg) quote a newspaper in Durban, South Africa, with such authority. I wonder whether on other occasions he would bring forward the statements of a newspaper in that country as substantiation for the facts which he is putting before the House. He has mentioned the names of three members of this Parliament. I would be curious to know whether he has approached them and asked whether that report was correct or incorrect.

Mr. Skoberg: I am asking you.

Mr. St. Pierre: It is quite possible for the member to go to the Members of Parliament and ask, "Are the facts correct as presented, or are they not?" I cannot ask him this question in the course of my answer tonight, but since he has not gone to them I must assume—

Mr. Skoberg: How do you know?

Mr. St. Pierre: —he has accepted the statement of a newspaper in Durban, South Africa, as being official and accurate. I hope he will remember this on other occasions.

Mr. Skoberg: How do you know I have not gone to them?

Mr. St. Pierre: Would the hon. member permit a question?

Mr. Speaker: Order, please. The parliamentary secretary has the floor and I suggest that the hon. member should give the representative of the government his three minutes.

Mr. St. Pierre: I would be delighted if the hon. member would answer this question, but I am sure he would not care to do so. Have you asked the Members of Parliament concerned whether or not these statements are correct?

Mr. Speaker: Order, please. I suggest to the parliamentary secretary that he has only three minutes, and he has already used up two minutes of his time. He has about 50 seconds left.

Mr. St. Pierre: The position of the Canadian government is very clear. The position represented in the South African newspaper is entirely contrary to this government's policy. The Secretary of State for External Affairs (Mr. Sharp) has on many occasions reaffirmed this government's and the Canadian people's abhorrence of South Africa's apartheid policy. The South African government is well aware of our views with regard to racial discrimination in any form. I should like to quote the following remark made by the Secretary of State for External Affairs on November 3:

> The sooner apartheid ends in South Africa the better the world will be.

INDIAN AFFAIRS—FUTURE OF MOHAWK INSTITUTE

Mr. Derek Blackburn (Brant): Mr. Speaker, I rise tonight to address the House on a very important matter concerning the constituency of Brant which I have the honour to represent. The area along the banks of the Grand River has always been synonymous with Indian history and tradition since the eighteenth century when Joseph Brant and the Iroquois loyalists came from New York state to settle the region. Over the years the Iroquois have established for themselves one of the most progressive reserves in Canada, although there is still a great deal to be done in the area of economic development.

One very important area that still needs greater development is in the sphere of Indian culture. If the native people of this country are to maintain their great cultural legacy to pass on to future generations, I would like to suggest that the federal government should in every way possible provide sufficient funds for their needs.

In the report of June 30, 1971, the Standing Committee on Indian Affairs and Northern Development, of which I am now a member, recommended that the federal government promote the development of Indian culture. I quote briefly from that report as follows:

• (10:10 p.m.)

> That all curriculums within the federal program be revised to include:
>
> (a) substantially more Indian history, including Indian contributions to the economy, science, medicine, agriculture, explorations, etc.
>
> (b) special courses in Indian culture, music, art handicrafts, etc., and that pressure be brought upon the respective provincial systems to inaugurate similar reforms wherever Indian children are being taught.

The report continues:

> The committee is convinced that the stimulation of pride in one's culture and background is an essential ingredient of the reform which is required in our schools.

The report went on to outline the determination to promote native language instruction, pre-school instruction, vocational training in native crafts, as well as the setting

up of additional teacher training and teacher assistant training programs.

In the city of Brantford there is located the Mohawk Institute, formerly an Indian residential school. In its time it served its purpose, but today the trend is away from such institutions and the institute was closed well over a year ago. For the past year the Six Nations band council has been negotiating with the federal government for possession of the premises for the purpose of establishing a cultural and educational centre. It is also anticipated that part of the premises will be used as headquarters for the Association of Iroquois and Allied Indians.

Earlier this month the Six Nations band council won their battle for possession of the building. The Six Nations band council has obtained $25,000 toward the cost of operating the institute. Some $5,000 of this was contributed by the Association of Iroquois and Allied Indians; $10,000 came from the Indian affairs local office and another $10,000 came from the Indian Department headquarters. A spokesman on the reserve has said that this sum of money would likely carry the institute through until the new fiscal year which begins April 1, 1972.

In view of the fact that it is costing $60,000 a year just to maintain it as a vacant building, and that it costs approximately $250,000 a year to operate the institute as a residential school, it is quite obvious that a great deal more money will be needed for the many objectives which the Indians in my riding are seeking to achieve.

I now come to a very important point in my support of the establishment of an Indian cultural and educational complex within the old Mohawk Institute. Last Sunday evening on a national television program, Harold Cardinal, president of the Indian Association of Alberta, produced a document which he alleged was a copy of a confidential cabinet statement, part of which I will now quote:

(c) The departments of the Secretary of State and of Indian Affairs and Northern Development be authorized to establish jointly a five-year renewable financing program for the support of native cultural and educational centres. This program should provide up to two million dollars in the fiscal year 1970-71, one million of which must be provided to the Secretary of State in supplementary estimates. In each of the subsequent four years, up to ten million dollars would be included for the program in financial estimates.

For the purpose of my address this evening I am not concerned about the alleged leakage of this document. If section (c) which I have just quoted is correct and authentic, then I congratulate the cabinet, and in particular the Minister of Indian Affairs and Northern Development (Mr. Chrétien), for providing this money for the purpose of the promotion, development and maintenance of centres for Indian cultural and educational activities.

What I would particularly like to emphasize are the obvious advantages of establishing such a centre in the old Mohawk Institute in Brantford. To begin with, the Indian people already have the building. The building is in good shape. It has historical ties in the community. The Six Nations band council now has possession of the building. Some funds have already been granted.

Mr. Speaker, I urge the government to act as soon as possible to accede to the request made by the Indians of the Six Nations reserve to establish the Mohawk Institute as an Indian cultural and educational centre. I do not wish to sound patronizing or emotional, but we do owe a great deal to the native peoples of our country. When the first white settlers arrived, the Indian gave to them his best skills, without which they could not have survived. Our forefathers, to a substantial degree, gave the native North American their worst characteristics and qualities. I submit to you that the day is long overdue for us to rectify this situation.

In closing, Mr. Speaker, I would like to quote from a document entitled "Statement of the government of Canada on Indian policy, 1969"—

Mr. Speaker: Order, please. I apologize, but I must interrupt the hon. member. Perhaps the quotation might be used in a subsequent representation by the hon. member. The Parliamentary Secretary to the Prime Minister (Mr. Danson).

Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister): Mr. Speaker, I hope that if I cannot have equal time I can at least have equivalent overtime so that I can read the statement prepared in response to the statement prepared by the hon. member for Brant (Mr. Blackburn) who made a very touching appeal and, I think, a very genuine one.

The Mohawk Institute was Canada's oldest Indian residential school, organized in 1831. For many years it was operated under the able direction of the Anglican Church of Canada. In more recent times, operation of the Mohawk Institute was the direct responsibility of the Department of Indian Affairs and Northern Development, with the continuation of a co-operative relationship with the Anglican church.

The Mohawk Institute ceased to be used as a residence or day school in June, 1970. Other arrangements had been made for the education of children from the Six Nations reserve. At that time the Six Nations band council was asked to consider alternate uses of the buildings and property of the Mohawk Institute in order to be of maximum benefit to the residents of the reserve. The band council referred this question to its lands committee.

An officer of the department of land, and a band member of the Six Nations reserve, was loaned to the lands committee to carry out some preliminary studies. I am told that Mr. Hill's studies led to an interim report which was presented to the band council in late July. This preliminary report indicated a plan of possible involvement, along with the band, of educational and cultural agencies of the province of Ontario, and similar federal government agencies. The minister has been informed that Mr. Hill's report was taken under advisement by the Six Nations band council and its lands committee.

In October of this year the minister was approached by the Six Nations band council requesting that the council should immediately take over buildings and property of the Mohawk Institute and that the department should assist further in developing a detailed and final plan for the use of the facility. At the minister's direction, the property was made available to the band, along with funds for maintenance until the end of this fiscal year. Also, a teacher from the minister's staff on the Six

Nations reserve was loaned to the band to administer the property and to finalize planning for the use of the site.

The minister expects to receive a copy of the final plan for the use of the Mohawk Institute property, after the Six Nations band council has considered and approved the plans. Hopefully, this will occur before the end of this fiscal year. In the interim, the band may decide to use the buildings occasionally for certain programs and events.

While saying that the Mohawk Institute was Canada's oldest Indian residential school, I do not wish to imply that the buildings and property are less than valuable. The main building—built in 1904—containing residence facilities and some classrooms is a sound, brick building which has been extremely well maintained. As well, there is a much more modern classroom complex which was built quite recently. There are several other buildings such as garages, barns, etc. The total land involved is approximately ten acres which are immediately adjacent to the boundary of the city of Brantford, which I am sure the hon. member knows. As such it has significant value as a property for sale, leasing or commercial development. I hope this answers the hon. member's question.

Motion agreed to and the House adjourned at 10:21 p.m.

HOUSE OF COMMONS

Friday, November 26, 1971

The House met at 11 a.m.

ORAL QUESTION PERIOD

INDUSTRY

CANADA-U.S. AUTO PACT—ONTARIO PARTICIPATION IN NEGOTIATIONS WITH UNITED STATES—REQUEST FOR STATEMENT ON DISCUSSIONS

Mr. H. W. Danforth (Kent-Essex): I should like to address a question to the Acting Prime Minister, Mr. Speaker. Because of the tremendous importance of the automobile industry to the economy and job opportunities, especially in Ontario, and because Premier Davis has indicated that his government would strenuously oppose any negotiated changes in the pact that would or could result in loss of Canadian employment, will the Acting Prime Minister assure the House that representatives of the Ontario government will be invited to participate in these negotiations?

Hon. Mitchell Sharp (Acting Prime Minister): No, Mr. Speaker. I cannot, of course, give that undertaking but we would be very happy to have representations from the Ontario government at any time.

Mr. Danforth: Because of the public concern about this very serious problem, will the government not consider an early statement to the House dealing specifically with the manner in which these negotiations will be carried on as far as the provinces are concerned, whether or not there is now a relationship between the negotiations and the removal of the American surcharge against Canadian imports, and dealing specifically with the areas in the auto pact on which the United States seeks renegotiation?

Mr. Sharp: Mr. Speaker, I think I have made it plain on a number of occasions that the Canadian government is not negotiating the removal of the surcharge. The surcharge was imposed unilaterally by the United States. We are prepared to co-operate with the United States in dealing with common problems, but I can assure the hon. member that the auto pact is not a means of negotiation to get rid of the surcharge. The decision about the surcharge is one to be made by the United States in light of their whole balance of payments problem.

CANADA-U.S. AUTO PACT—STAGE OF DISCUSSIONS—ANNOUNCEMENT OF GOVERNMENT POSITION

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, is the Acting Prime Minister in a position to inform the House at what stage the negotiations are now on the auto pact, forgetting the surcharge question? The auto pact discussions have been going on for some time. Can the Acting Prime Minister advise when the government will be in a position to announce its position on the auto pact?

Hon. Mitchell Sharp (Acting Prime Minister): We have had a number of discussions recently with the United States at the official level, Mr. Speaker. There has not been an occasion recently for ministers to meet on the question, but it has been discussed at some length and in some depth by officials of the two governments. I cannot say when the question will be settled.

Mr. Broadbent: In view of the fact that Canada has had a net deficit in balance of trade figures in the automotive industry of approximately $1,716.4 million during the auto pact years that is, from 1965 to 1971, would the Acting Prime Minister take steps to correct the profoundly erroneous impression left by the CBC National News last night at eleven o'clock when the auto pact was described as being "heavily weighted in Canada's favour"?

• (11:10 a.m.)

Mr. Sharp: Mr. Speaker, if it helps at all to say things in this House that become known in the United States, I thank the hon. gentleman for his comment which will help to correct that impression and I should like to endorse it.

* * *

ENERGY

RECONSIDERATION BY NATIONAL ENERGY BOARD OF REFUSAL OF NATURAL GAS EXPORT APPLICATIONS

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, may I direct a question to the Acting Prime Minister. Since trade negotiations are going on or should be going on with the United States, can he assure the House now that the decision made in reference to the export of natural gas, which forms part of the trade discussions or should be part of the trade discussions with the United States, was not brought about with any idea of retaliation? If not, will the government ask the National Energy Board to review its decision?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, as the hon. gentleman knows—I think he was in the House when the relevant legislation was approved—the government cannot interfere in the discussions that go on or in the decisions made by the National Energy Board. If the National Energy Board had approved the export of gas, the Canadian government would then have been asked whether it approved. However, when the National Energy Board decides that there is not sufficient gas to permit export to the United States, that is a final decision of the National Energy Board.

Mr. Woolliams: Mr. Speaker, may I follow that up. I am not asking the cabinet to veto the decision. That is a question of law. What I am asking involves a simple question of fact and not a question of law. Will the government ask the board to review its decision? There is nothing in the legislation to prevent the government saying to the National Energy Board, will you review your decision, will you review the evidence and see if you cannot go farther inasmuch as the United States has approached the U.S.S.R. and may take from that country part of its natural gas and crude petroleum requirements, thus cutting Canada off? It is important.

Mr. Sharp: Mr. Speaker, it is not the intention of the Canadian government to ask the National Energy Board to review its decision. That would seem to us to be a kind of interference with what Parliament intended should be a purely objective finding.

Mr. Baldwin: Come now. Don't be so coy.

Mr. Speaker: Has the hon. member for Hamilton West a supplementary?

Mr. Alexander: Mr. Speaker, it is not a supplementary to the question just asked.

Mr. Speaker: Order, please. If it is not a supplementary to that question, perhaps the hon. member will allow the Chair to recognize the hon. member for York South and then return to the hon. member for Hamilton West.

* * *

LABOUR CONDITIONS

UNEMPLOYMENT—NUMBER OF JOBLESS EXPECTED BECAUSE OF U.S. IMPORT SURTAX—RESULTS OF NEW SURVEY

Mr. David Lewis (York South): Mr. Speaker, in view of the absence of the Minister of Industry, Trade and Commerce who would have been here if he were not out of the country, may I ask the Acting Prime Minister a question arising out of a report that the number of jobless expected as a result of the American surtax is much lower than the number indicated by the Minister of Industry, Trade and Commerce when the $80 million assistance legislation was introduced. Has a new survey been made and what is the result of that survey with regard to the extent of the impact of the American surtax on Canadian manufacturing?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I think the Acting Minister of Industry, Trade and Commerce will be prepared to answer that question.

Hon. Alastair Gillespie (Acting Minister of Industry, Trade and Commerce): Mr. Speaker, I have been informed that a working paper was prepared which reviewed the figures from the point of view of the effects of the surtax on Canadian employment and that this working paper indicated that the effect might be considerably smaller than the first figures had indicated. That is all I can say at this time. This question is under continuing review on the part of the government.

[Mr. Sharp.]

Mr. Baldwin: On what date will the information be leaked?

Mr. Lewis: Obviously the first figures cited by the Minister of Industry, Trade and Commerce in September—I do not recall the exact date—were exaggerated figures suggested by the companies involved. May I ask the acting minister what the figure is in the latest working paper as to the effect of the surtax and whether the figure of 44,000 is correct? May I also ask the acting minister whether or not the $80 million has already been committed to various companies in this country?

Mr. Gillespie: Mr. Speaker, on the first point, I believe that the figure of 44,000 is close, although not precise. With respect to the commitment of the $80 million, as of November 25 there were approximately 250 applications received of which 60 had been approved. The total grants with respect to the applications received were in the order of $8 million of which $1,285,000 has been approved. The total number of persons involved in these applications is 10,000 with respect to those received, and 3,700 with respect to those approved.

Mr. Lewis: In view of the figure just given by the minister that only some 3,000 are involved in the grants approved and only about 10,000 in the applications, where does the $80 million come in and what about the remainder of the 44,000-odd employees who are supposed to be affected by the surtax? Where exactly are we in the program?

Mr. Gillespie: Mr. Speaker, the hon. member will appreciate that applications are being received every day. We are hopeful, as I am sure the hon. member is, that it will not be necessary to commit the whole $80 million. The $80 million is a standby, if needed. We hope it will not all be needed.

Mr. Speaker: Order, please. I believe the hon. member for Hamilton West wanted to ask a related question a moment ago.

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INDUSTRY

AUTO PARTS MANUFACTURERS' REQUEST FOR SPECIAL TOOLING ASSISTANCE GRANTS

Mr. Lincoln M. Alexander (Hamilton West): I wish to direct a question to the Acting Prime Minister. Has the government considered the request of the Auto Parts Manufacturer's Association that the government provide special tooling assistance grants to help meet this industry's present difficulties and, if so, when will a statement be made in this regard?

Hon. Mitchell Sharp (Acting Prime Minister): Mr. Speaker, I have heard the hon. member's representations and I will take them into account.

TRANSPORT

SHORTAGE OF BOXCARS FOR MOVEMENT OF GRAIN—REPAIRING OF UNSERVICEABLE CARS

Right Hon. J. G. Diefenbaker (Prince Albert): My question is directed to the Minister of Transport. It concerns the chronic and critical situation respecting boxcars, particularly on the prairies where there are insufficient boxcars to meet the needs for export of wheat and, indeed, lumber industries are also finding that they cannot ship the products they have available. I know the minister has no authority over the CPR, but will he call together both railway companies in order to see what can be done in this connection? At the same time, I ask the minister about the closure of the CNR car repair shops at Winnipeg and Pointe St. Charles recently. All over western Canada there are cars stored in various yards in a state of disrepair and non-repair and therefore unuseable. The situation is of such serious importance that I ask the minister to give immediate attention to doing something to jack up these railway companies to the realization that action is necessary.

Mr. Speaker: Order, please. I am not sure whether that was a question, a series of questions or an address, but the minister might reply to the question asked by the right hon. member.

Mr. Diefenbaker: They are all part and parcel of the same thing.

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, I compliment the right hon. member on his fine speech.

Some hon. Members: Hear, hear!

Mr. Jamieson: I suspect he is not aware that as a result of his earlier representations some 18 Members of Parliament chose yesterday to meet with spokesmen for the two railways here in Ottawa. I arranged that meeting in Ottawa on the very subject he has raised. Last night I met with the president of Canadian National Railways and received from him a new paper, which I have not yet had a chance to read, about what they are proposing to do with regard to the grain situation. His judgment was that there has been an improvement this year compared with previous years and they are hopeful this improvement will continue.

• (11:20 a.m.)

Mr. Diefenbaker: I suggest the minister go out west to the various yards in smaller towns away from the main yards and see for himself the number of cars piled up there. With regard to this report of the CNR, has that been leaked yet?

DEVELOPMENT OF NEW SYSTEMS APPROACH FOR MOVEMENT OF GRAIN

Mr. A. P. Gleave (Saskatoon-Biggar): Would the minister also take into account the statement made by a vice-president of one of the major railways at a meeting of Wheat Pool delegates in Saskatchewan that it is essential to develop a new systems approach if we are to move the volume of grain which it appears we shall be called upon to move in the future?

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker. If the hon. member is supporting that idea, I do as well. I believe a new systems approach is necessary, but I think the hon. member will also agree that the block system, which is itself something of a new approach, has already improved the situation to some degree.

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IMMIGRATION

ALLEGED ILLICIT TRAFFIC IN ALIENS ENTERING UNITED STATES THROUGH CANADA

Mr. G. W. Baldwin (Peace River): Mr. Speaker, I have a question for the Acting Prime Minister. Is the government aware that Canada is being used as a depot or staging point in connection with large-scale illicit traffic in smuggling aliens into the United States through Canada, and is any action being taken in this regard?

Hon. Mitchell Sharp (Acting Prime Minister): I cannot accept the statement made by the hon. member but I will make inquiries to find out whether there is any substance whatever to his charge.

Mr. Baldwin: Since there seems to be some problem within the cabinet at the highest level about bringing in amendments to the Immigration Act, will the government make a statement on motions at the first opportunity indicating its position in this regard, and will it also take the initiative in referring this whole matter to the appropriate standing committee so it can investigate it and make a report to the House and to the government?

Mr. Sharp: As I say, I cannot accept the initial statement made by the hon. member, but I will make inquiries to see whether there is any substance whatever to the charge.

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AGRICULTURE

SUGGESTED RAPID PASSAGE OF NATIONAL MARKETING LEGISLATION

Mr. Murray McBride (Lanark-Renfrew-Carleton): Mr. Speaker, my question concerns a subject of urgency to the agricultural industry. I address it to the Minister of Agriculture or, in his absence, to the parliamentary secretary. Having regard to the almost unanimous request by the provinces, including the Minister of Agriculture for Alberta, Mr. Horner, for the rapid passage of national agricultural marketing legislation, will the minister now recommend that Bill C-176 be called for swift passage through this House?

[*Translation*]

Mr. Marcel Lessard (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, I thank the hon. member for having asked that question. I can assure him that the Minister of Agriculture took note of the representations of the provincial ministers of agriculture.

When the opportunity arises—and we hope it will be soon—we can discuss this bill which we trust will be passed quickly.

[*English*]

Mr. McIntosh: On a point of order, Mr. Speaker, I am sure the hon. member who asked that last question misinformed the House and the people of Canada in the preamble to his question. The national marketing board proposal was only accepted by the ministers of the prairie provinces with respect to chickens.

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AIR CANADA

DIFFICULTY IN MAKING RESERVATIONS BY TELEPHONE

Mr. John L. Skoberg (Moose Jaw): In view of the statement in Air Canada's manual to the effect that the aim of customer service is to provide the highest possible standard of service at any time and in all conditions, will the Minister of Transport tell us whether he is prepared to explain to the House why telephone calls to Air Canada requesting reservations are invariably answered by a recording indicating that all reservation lines are busy?

Mr. Speaker: Order, please. The hon. member will appreciate that this kind of question should normally be asked in some other way. I would not think that in those terms the question is in order. If the hon. member thinks he can rephrase it or put it in another way, he will be allowed a supplementary.

Mr. Skoberg: I will rephrase the question, Mr. Speaker. Will the Minister of Transport initiate an investigation into why it is that all Air Canada reservation lines to Montreal are invariably answered by a busy signal?

Hon. Donald C. Jamieson (Minister of Transport): My first answer, Mr. Speaker, is that I regret this inconvenience to Air Canada customers. Second, I am delighted that so many people are recognizing that this is the way to fly. I will be glad to look into the matter for the hon. member.

Mr. E. B. Osler (Winnipeg South Centre): Mr. Speaker, may I ask the Minister of Transport why it is easier to get information about Air Canada movements by using the members' line to Winnipeg and asking the Winnipeg office than by using the office in Ottawa?

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FISHERIES

EXTENSION BY MASSACHUSETTS OF FISH PROTECTION BOUNDARY 200 MILES SEAWARD—SIMILAR ACTION BY CANADA

Mr. James A. McGrath (St. John's East): Mr. Speaker, I should like to direct a question to the Minister of Fisheries. Has the minister examined the bill passed by the Massachusetts legislature on November 8 which extends the boundary of that state for purposes of fisheries and environmental protection to a point 200 miles offshore, and is the minister prepared to advocate similar action on the part of Canada since this seems to indicate a change of attitude on the part of the United States?

Hon. Jack Davis (Minister of Fisheries): I have made inquiries, Mr. Speaker, but I have not yet seen this legislation. It would seem to me to be ridiculous. There could be no possible parallel in Canada. If the hon. member is suggesting that Newfoundland alone declare a 200-mile limit, then I think he should talk to the government of that province.

Mr. McGrath: In view of the abysmal ignorance of the Minister of Fisheries and the Secretary of State for External Affairs because of not having seen the bill, I am going to send a copy to them for their education and edification.

AGREEMENT BETWEEN UNITED STATES AND 14 ICNAF NATIONS IMPOSING QUOTA ON YELLOWTAIL FLOUNDER—CANADIAN ACTION RESPECTING CONTINENTAL SHELF

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, has the Minister of Fisheries been apprised of the recent agreement between the United States and the 14 nations of ICNAF in zone 5, the southern zone of the northwest Atlantic fisheries, to impose quotas on certain species of fish, especially yellowtail flounder, and are similar moves being planned by Canada to curtail the present overfishing of that species on our own continental shelf?

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, since Canada has taken the initiative with respect to the establishment of quotas I think we can take some credit for that agreement as well.

Mr. Lundrigan: Has the minister's office been informed of the presence of 40 to 50 Russian and Polish trawlers on the Grand Banks which are overfishing this particular species to the extent that Canadian fishing vessels have had to leave the area, and what action is the minister taking?

Mr. Davis: Mr. Speaker, we are kept aware daily of the presence of foreign fishing fleets off our shores. As to whether these fleets are overfishing a particular species in a particular area, I would have to make further inquiries.

Mr. McGrath: A further supplementary question, Mr. Speaker.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for St. John's East on a final supplementary but we will move on to the next question immediately thereafter.

SUGGESTED TALKS WITH OTHER COUNTRIES TO DETERMINE REACTION TO POSSIBLE CANADIAN EXTENSION OF JURISDICTION TO COVER CONTINENTAL SHELF

Mr. James A. McGrath (St. John's East): Mr, Speaker, I address my supplementary to the Secretary of State for External Affairs, in view of the importance of this matter to Canada, and to the Atlantic provinces in particular, is the minister prepared to initiate bilateral talks with coun-

tries fishing on our continental shelf with a view to determining their attitude toward any action we may take to extend our fishing jurisdiction to cover our continental shelf?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, this is a very hypothetical question. As the hon. member knows, we have probably been more active than any other country, as well as more successful, in dealing in a practical way with the problems both of the territorial seas and the fisheries, and I give all credit to my colleague the Minister of Fisheries—

Mr. Speaker: Order, please.

Mr. McGrath: Mr. Speaker, I give notice that I shall discuss this matter at ten o'clock.

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PENSIONS

LOWERING OF AGE FOR ESCALATION OF PENSIONS OF RETIRED ARMED FORCES AND RCMP PERSONNEL

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, my question is of concern to three ministers, the Minister of National Defence, the Solicitor General in his capacity as the minister responsible for the Royal Canadian Mounted Police, and the President of the Treasury Board, but I shall direct it to the President of the Treasury Board. In view of the commitment made some time ago that something would be done about the matter, can the President of the Treasury Board say what progress is being made in making the necessary arrangements so that retired members of the armed forces and RCMP personnel will get their pensions escalated without having to wait until age 60?

• (11:30 a.m.)

Hon. C. M. Drury (President of the Treasury Board): Mr. Speaker, I cannot report any positive conclusions as yet. I think the hon. gentleman well appreciates that the scale of benefits and timing of both the police and national defence pensions are based on a rather different career concept than those for the ordinary public servants, and the application of all the rules which are appropriate to public service superannuation do not equally apply to the armed forces. This is the reconciliation we are trying to work out now.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, would the minister like to speak further on this matter some night next week at ten o'clock?

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NATIONAL DEFENCE

UNITED STATES HYDROFOIL PROJECT—RELATIONSHIP TO MOTHBALLING OF "BRAS D'OR" AND PRODUCTION-SHARING NEGOTIATIONS

Mr. J. M. Forrestall (Dartmouth-Halifax East): Mr. Speaker, my question is directed to the Minister of National Defence. It arises from reports that when the basic defence production-sharing agreements with the United States were signed in June of 1963 there was a private agreement that a balance would be maintained over the long haul. My question flows from that and has to do with the award to Boeing recently by the United States government of a contract for $5.6 million for the development of a hydrofoil for use by the U.S. navy and other NATO forces. Will the minister explain to the House whether there is any connection between this and the fact that we have now mothballed our own hydrofoil, the *Bras d'Or*, and whether it had anything to do with current negotiations in respect of defence production-sharing arrangements?

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I can say that it has nothing to do with the defence production-sharing agreement. No doubt the fact that the United States wanted to proceed with the development of a hydrofoil with retractable foils may have motivated them in not wishing to participate in the development of our hydrofoil, but this, of course, was a decision taken by them. I do not think there is a direct connection here in so far as the defence production-sharing agreement is concerned.

Mr. Forrestall: So that the record will be clear on this matter, is the minister aware or can he confirm that when the initial agreement was signed in June of 1963 there was appended to it a further document in which Canada agreed to keep a balance over the total period?

Mr. Macdonald (Rosedale): Mr. Speaker, I would remind the hon. member that, as I pointed out in the House last week, the administration of this agreement and, indeed, its negotiation are not the responsibility of the Minister of National Defence. I will, however, draw the hon. member's question to the attention of my colleague who might like to advise the House on this point.

[*Later:*]

CANADA-U.S. PRODUCTION-SHARING—REQUEST FOR TABLING OF ANCILLARY AGREEMENT ON MAINTENANCE OF BALANCE

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my supplementary question arises out of the question of the hon. member for Dartmouth-Halifax East. Will the minister table in the House the ancillary agreement in connection with joint defence expenditures which was made on June 7, 1963? It has never been tabled. It has been spoken of on a number of occasions, and it would be very helpful if it could be tabled now.

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I would remind the right hon. gentleman, as I pointed out to the hon. member for Dartmouth-Halifax East, that the administration of this agreement is not within the administrative responsibility of the Minister of National Defence. I will, however, bring the suggestion to the attention of my colleague who is responsible for this.

Inquiries of the Ministry

AIRPORTS

TORONTO—SELECTION OF NEW SITE

Mr. Norman A. Cafik (Ontario): Mr. Speaker, I should like to ask the Minister of Transport whether he is in a position to give any information to the House as to what, if anything, is happening regarding the new airport location for the metropolitan Toronto area?

Hon. Donald C. Jamieson (Minister of Transport): Not a great deal more than when I answered a question a few days ago, Mr. Speaker. Proposals have been made to the province of Ontario. The last word I had from them was about two days ago, indicating that they needed a week or ten days to complete their review of them. I am ready to meet them whenever they so indicate.

Mr. Cafik: Mr. Speaker, I should like to ask whether any target date has been set within the department for making an announcement on this important subject in order that both levels of government can work toward meeting that deadline?

Mr. Woolliams: It will leak out, don't worry.

Mr. Jamieson: Mr. Speaker, I cannot give a date because it would be my hope the decision would be one made jointly by the province and ourselves. That is our intention, and everything will depend on just how quickly our negotiations with them can be completed.

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POST OFFICE

INTEGRATION OF URBAN TRANSPORTATION SERVICES—COMPENSATION TO CONTRACTORS FOR LOSS OF REVENUE

Mr. Thomas M. Bell (Saint John-Lancaster): Mr. Speaker, I have a question for the Postmaster General, and I might say I leaked this question to him just before 11 o'clock.

Some hon. Members: Oh, oh!

Mr. Bell: Further to the plan to integrate urban transportation services, and further to the assurances that have been given that there will be compensation for the salaries of employees and for equipment, would the government also consider extras for dislocations that the contractors personally might suffer in view of the three-year term of the contracts they are going to lose?

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, the only information I can leak now is that I do not know if there will be compensation, although assurance was given in respect to the purchase of their trucks and their equipment. Some of them will even be asked to be integrated into the Post Office Department. In addition they have the assurance that we have to give them at least three months' notice before cancellation of the contract. If the hon. member is talking about other compensation on top of that because of the loss of business that might have been had over the years, I do not know what the final criteria will be.

[Mr. Macdonald (Rosedale).]

NEGOTIATIONS WITH LETTER CARRIERS UNION ON HIRING OF CASUALS

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, may I say by way of preface that we are pleased to see that the Postmaster General has agreed to meet with the letter carriers union to negotiate—

Mr. Speaker: Order, please. The hon. member should ask his question. I must bring to the attention of the hon. member for Brandon-Souris and others that there are less than ten minutes left before the end of the question period.

Mr. Dinsdale: Mr. Speaker, my comments were related to the question I am going to ask.

Mr. Speaker: Order, please. The hon. member has been here long enough to know that he should not make comments before asking a question. The hon. member should ask his question.

Mr. Dinsdale: Mr. Speaker, may I put it in these terms. Now that the Postmaster General has agreed to meet with the letter carriers union to negotiate an agreement on the casual hiring issue pending an appeal to the Public Service Staff Relations Board, will he inform the House when this very important meeting will take place?

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, that very important meeting has taken place. I received a letter from the president of the letter carriers union at 12 o'clock noon yesterday and we met at two o'clock in my office. The decision we took at that time was that we would have further meetings between officials of my department and officials of the union all next week.

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SCIENCE

PROPOSED INSTITUTE TO STUDY PROBLEMS OF POPULATION GROWTH—REQUEST FOR REPORT

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I should like to direct a question to the Minister of State for Science and Technology. In light of his statement at the time of his appointment last August that one of his first tasks would be to examine the recommendation of the Science Council for the creation of an institute to study the problems of population growth, is he prepared to give an early report on the results of his examination?

Hon. Alastair Gillespie (Minister of State for Science and Technology): Mr. Speaker, I am sure hon. members will appreciate that on occasion one is misquoted. I was answering a question at that time as to the relationship of the Science Council to the ministry and the recommendation in their report on population control on a world-wide basis. I indicated that that and other recommendations of the Science Council would be taken under study by my ministry.

Mrs. MacInnis: Mr. Speaker, can the minister give us an indication of the gestation period required for the birth of this forthcoming report?

FISHERIES

REQUEST FOR REPORT ON STUDIES AND RECOMMENDATIONS FOR PRESERVATION OF HERRING

Mr. Lloyd R. Crouse (South Shore): Mr. Speaker, I should like to direct a question to the Minister of Fisheries. In view of the serious decline in herring resources off the Atlantic coast of Canada, will the minister make a report to the House at an early date on the results obtained through his departmental studies of this matter along with any recommendations which may be made for the preservation and retention of this important species at the national as well as the international level?

• (11:40 a.m.)

Hon. Jack Davis (Minister of Fisheries): Mr. Speaker, this matter has been receiving serious study for several years. We are not absolutely sure of the size of our herring resource. Nor have we been convinced there has been a serious decline in the resource. Still our department moved, two years ago, to limit the tonnage of our herring fishing fleet and, more recently, to limit the capacity of new plants being built to process herring.

Mr. Crouse: Since there are a large number of herring seiners presently tied up in Atlantic Canada, which indicates there are no herring to be caught, is the minister giving any consideration to limiting the processing of the fish caught to processing only for human food inasmuch as continuation of processing for fishmeal may decimate the stocks still further?

Mr. Davis: Yes, Mr. Speaker. The policy has been to shift as much as possible of the catch to herring for food purposes since this produces the highest income for fishermen. I must also point out that, while some vessels are being tied up as the hon. member suggests, we are in our second highest producing year in history.

Mr. Speaker: Order, please. May I suggest to hon. members that we should try in the last four minutes of the question period to have shorter questions, shorter answers and fewer supplementaries. The hon. member for Cape Breton-The Sydneys.

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POST OFFICE

REQUEST FOR REPORT ON SALARY INCREASE FOR POSTMASTERS

Mr. Robert Muir (Cape Breton-The Sydneys): Mr. Speaker, my question is for the hon. and gentlemanly Postmaster General. Some weeks ago I raised the question of the existing anomaly whereby assistant postmasters in staff post offices were receiving a higher salary than the postmasters who have the major responsibility. At that time the hon. gentleman stated that a new contract was being negotiated and he felt that a settlement was imminent. I wonder whether the hon. gentleman can give us either a progress report or a final report on this very important subject?

[*Translation*]

Hon. Jean-Pierre Côté (Postmaster General): Mr. Speaker, I have yet to receive a final report on the matter, but I shall try to give an answer in this regard as early as possible next week.

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[*English*]

AIRPORTS

TORONTO—STUDY OF POSSIBLE WATERFRONT FACILITY

Mr. S. Perry Ryan (Spadina): Mr. Speaker, my question is directed to the Minister of Transport. Can the minister tell the House to what extent the federal government is participating in studies of the need for a waterfront airport in Toronto, and is a particular study being made of the problems of servicing such an airport?

Hon. Donald C. Jamieson (Minister of Transport): Mr. Speaker, we have no current plans—I have made this statement in the House on several previous occasions—for a waterfront airport in Toronto. This is not included in any of the planning we have at the present time. I made this statement a year or more ago and have repeated it several times since.

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ADMINISTRATION OF JUSTICE

SUGGESTED DISCUSSION WITH PROVINCES OF PROGRAM TO PROVIDE TREATMENT AND DIAGNOSTIC CENTRES FOR YOUNG OFFENDERS

Mr. John Gilbert (Broadview): Mr. Speaker, my question is directed to the Solicitor General. In view of the intention of the government not to proceed with Bill C-192, the Young Offenders Act, at this session, and as one of the major criticisms is that there is a lack of diagnostic and treatment centres across the country, will the Solicitor General meet with his counterparts in the provinces to develop a program to solve the shortage of treatment and diagnostic centres?

[*Translation*]

Hon. Jean-Pierre Goyer (Solicitor General): Mr. Speaker, the standing committee considered the whole matter and I should prefer straight off that hon. members agree on a report so that I can make the improvements to the bill which, as I said, we are prepared to improve.

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[*English*]

BROADCASTING

QUEBEC CABLEVISION LEGISLATION—FEDERAL GOVERNMENT POLICY RESPECTING GRANTING OF LICENCES

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, my question is directed to the Acting Prime Minister. In view of the continuing reports from Quebec that the province intends to grant broadcasting licences, I wonder whether the Acting Prime Minister can tell us if it is still the policy of the federal government that the CRTC is the sole agency to grant broadcasting licences in Canada?

Hon. Mitchell Sharp (Acting Prime Minister): Yes, Mr. Speaker. That is right.

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TRANSPORT

SNOWMOBILE DEFICIENCIES—INQUIRY AS TO LEGISLATION—CONSULTATION WITH MANUFACTURERS TO EFFECT IMPROVEMENTS

Mr. David MacDonald (Egmont): Mr. Speaker, my question is for the MInister of Transport. With reference to the recent report of the Canadian Safety Council that there has been a 26.9 per cent increase in the number of deaths through the use of snowmobiles and in view of the minister's own report of November 19 suggesting that there should be legislation enacted in respect of the noise level, lighting, shielding of moving parts, brake lights and so on, I wonder whether the minister has moved forward to provide legislation in this area and whether or not there has been any consultation with the various snowmobile producers in order to effect some of these changes in this year's models?

Hon. Donald C. Jamieson (Minister of Transport): There are several parts to that question, Mr. Speaker. There is no need for additional legislation. What is now on the books gives the authority to make further regulations. We propose to do this in the areas the hon. member has mentioned. There is ongoing consultation with the manufacturers. In fact, the report I tabled had to do with last year's models and some of the improvements we suggested have been implemented in this year's models.

Mr. Speaker: The hon. member for Egmont might be allowed to ask a supplementary and then I will recognize the hon. member for Grand Falls-White Bay-Labrador.

Mr. MacDonald (Egmont): Could the minister give an indication to the House in the next few days concerning the kind of regulations that will be brought forward as well as agreements on the part of the manufacturers in respect of model changes necessary for this year?

Mr. Jamieson: Yes, I would be glad to do that. I already have in fact, and the report itself suggests the areas where regulations would be desirable.

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AIR TRANSPORT

USE BY ROYAL AIR FORCE OF UNITED STATES FACILITIES AT GOOSE BAY BECAUSE OF DETERIORATION OF DEPARTMENT RAMPS AND HANGARS

Mr. Ambrose Hubert Peddle (Grand Falls-White Bay-Labrador): Mr. Speaker, I have a question for the Minister of Transport while he is already warmed up. Is the minister prepared now to reply to my question of November 4 with regard to the transfer of Royal Air Force maintenance activities to the United States Air Force base at Goose Bay?

[Mr. Nowlan.]

Hon. Donald C. Jamieson (Minister of Transport): Yes, Mr. Speaker. I have an answer and indeed I apologize to the hon. member for not having given it before. The reason for the transfer is purely and simply the deterioration in the condition of the ramp used previously by the RAF. This is being repaired. When these repairs are completed matters will revert to what they were before. They will go back to using the ramp in the normal fashion. I believe it is anticipated that the repairs will take something like six months.

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PUBLIC SERVICE

DISPLAYING OF POLITICAL POSTERS BY EMPLOYEES AT HOME OR ON PERSONAL PROPERTY

Mr. John Burton (Regina East): Mr. Speaker, I wish to direct a question to the Acting Prime Minister. Is the government contemplating any changes to the Public Service Employment Act which would make clear that a public servant is not contravening the act when he displays a political poster at his own home or on his own personal property. I ask this question in view of an answer to a question which I received earlier this week.

Hon. C. M. Drury (President of the Treasury Board): Mr. Speaker, this is obviously a question which cannot be answered in one word. I would be glad if the hon. gentleman would give me some of the circumstances.

* * *

INDIAN AFFAIRS

NORTHEASTERN ALBERTA—ACTION BY MINISTER TO SOLVE SCHOOL DISPUTE—DISCUSSION OF LONG-RANGE EDUCATIONAL PROGRAM

Mr. Don Mazankowski (Vegreville): Mr. Speaker, my question is directed to the Minister of Indian Affairs and Northern Development. As a result of the discussions which are taking place with the Indian Association of Alberta and representatives of the Cold Lake Band and the evidence being presented before the Standing Committee on Indian Affairs and Northern Development, can the minister indicate to the House whether he now intends to take any initiatives toward satisfactorily resolving the school crisis in northeastern Alberta?

[*Translation*]

Hon. Jean Chrétien (Minister of Indian Affairs and Northern Development): Mr. Speaker, my position has always been the same, and the children must return to school before I consider changing it. As to discussion of the action to follow, I am prepared to consider any representations submitted.

[*English*]

Mr. Mazankowski: A supplementary—

Mr. Speaker: Order, please. We have gone beyond the question period. Perhaps the hon. member might be allowed a supplementary. I understand the hon. member for Ontario is exercised by the fact that he has not had a

supplementary. I will first recognize the hon. member for Vegreville.

Mr. Mazankowski: Thank you very much, Mr. Speaker, for your indulgence. I should like to ask the minister one more supplementary question. Is he disposed to undertake discussions with the Indian people of northeastern Alberta on a long-term educational program, in a consultative way, in order that they may have a say in the self-determination of their educational rights?

• (11:50 a.m.)

[*Translation*]

Mr. Chrétien: Mr. Speaker, I am willing to start discussions with the Indians of northern Alberta as soon as the children return to school.

I have already discussed this matter with the chief of Keeheewin and I am to confer Tuesday with the chief of Saddle Lake about the future policy. As far as Cold Lake is concerned, we require, before any settlement is considered, that the children first return to school.

[*English*]

Mr. Speaker: Order, please. The hon. member for Ontario on a supplementary.

* * *

INDUSTRY

GALVANIZED SHEET STEEL PRICE INCREASE BY DOFASCO AND STELCO—SUGGESTED ACTION TO ACHIEVE ROLLBACK

Mr. Norman A. Cafik (Ontario): Indeed, Mr. Speaker, I am exercised, but a little exercise will not do any harm, considering my weight.

I have a question for the Minister of Industry, Trade and Commerce and in his absence would like to direct it to the acting minister. In light of Dofasco's and Stelco's announcement of a 4½per cent to 5½per cent price increase on galvanized sheet steel to take effect this Sunday at midnight, and with a view to preventing damage to Canadian firms which are trying to export manufactured goods to the United States, would the minister investigate the possibility of a voluntary rollback in these price increases by Dofasco and Stelco?

Hon. Alastair Gillespie (Acting Minister of Industry, Trade and Commerce): Mr. Speaker, we are all impressed by the energy of the hon. member for Ontario. He has galvanized the House on more than one occasion.

Some hon. Members: Oh, oh!

Mr. Gillespie: I think I should point out that ours is a market economy and that these sort of relationships are normally those which are determined between suppliers and customers. However, having said that, I will undertake to make inquiries and see if there are any implications for Canada's export trade.

Mr. Speaker: Order, please. I must point out that I was under the impression that the hon. member for Ontario was rising for the purpose of asking a supplementary question. A number of other members were seeking the floor who were not recognized because they had already had an opportunity to ask one question, and I was trying to give an opportunity to as many members as possible to ask questions. As a result I think an injustice has been done to some members but I will try to make up for that when we meet on Monday. Orders of the day.

[*Translation*]

Mr. Adrien Lambert (Bellechasse): I rise on a point of order, Mr. Speaker.

Mr. Speaker: Order. The hon. member for Bellechasse on a point of order.

Mr. Lambert (Bellechasse): Mr. Speaker, while I respect the authority and competence of the Chair, I regret that no member of our party has had any opportunity to put one single question today. This makes me better understand to what extent certain minorities can sometimes suffer—

Mr. Speaker: Order. I suggest to the hon. member that when I looked in that corner of the House, none of his colleagues tried to put a question. If, during the next question period, either the hon. member or any of his colleagues have questions they wish to ask, I shall recognize them as I always do.

Mr. Lambert (Bellechasse): Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: Order. The hon. member for Bellechasse on a question of privilege.

Mr. Lambert (Bellechasse): Mr. Speaker, I must mention that I rose several times. I deeply regret that the Chair did not see me. I understand that I sit at the other end of the House but in all justice, I must say that I rose several times.

• (12 noon)

[*English*]

GOVERNMENT ORDERS

INCOME TAX ACT

The House resumed, from Tuesday, November 23, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: In accordance with the statement of the Parliamentary Secretary to the President of the Privy Council, as recorded at page 9777 of *Hansard* for November 22, 1971, the committee will now proceed to consideration of sections 14 to 19 inclusive, 22 to 26 inclusive, 28, 32, 33, 34, 36, 37, 50 to 59 inclusive, 104 to 108 inclusive, 122, 130, 131, 132, 138 to 142 inclusive, and 208 to 211 inclusive, dealing with business and property income. I must bring to the attention of the committee that sections 15, 16, 18,

56, 57 and 58 have already been agreed to. Shall section 14 carry?

On clause 1—section 14: *Sale of goodwill and other "nothings".*

Mr. Lambert (Edmonton West): Mr. Chairman, this general heading covers a great number of things. There are some items that may have been discussed, although the schedule that Your Honour has read out does not in any way correspond with the list I had because I have no reference, under business and property income, to sections 55, 56, and what have you. But that matters little, because I agree that section 14 is the one which should be the lead section. This section deals with "nothings" and goodwill. So far as the taxpayer is concerned there are many things in this bill that are nothings. They do not do him any good. And for the rest of it, the goodwill being generated by the bill for the government is almost down to a nothing level.

If I may have the attention of government members, divorced from some of the major conversations that are going on, I would like to make some points in connection with the section. I know that the hon. member for Winnipeg South Centre likes to make noises while sitting in his seat, showing his lack of knowledge of the bill.

Mr. Osler: On a point of order, Mr. Chairman; some hon. members may have been speaking, but I was one of the few who had not said a word until the subject was mentioned. Then, I said quite loudly, "Say something interesting and we will listen."

The Chairman: That is not a point of order.

Mr. Lambert (Edmonton West): The hon. member's contribution is an indication of his knowledge of what goes on in this House, both with reference to bills and otherwise.

On Wednesday, the Leader of the Opposition made a proposal to the government that certain sections of the bill which were acceptable to the Official Opposition should be proclaimed, and that a number of other sections should stand deferred, not to take effect as law until a day to be fixed by proclamation by the Governor in Council. This proclamation would be subject to an affirmative resolution of the House of Commons. I want to reiterate that proposal because it is absolutely germane to the group of sections we are discussing today, for within this group we have things as diverse as the basic herd, straightline depreciation, co-ops and credit unions, and trusts—whether they are affected by international income, whether they are foreign trusts, or purely domestic trusts. The sections dealing with those matters have been the subject of very great concern and controversy in the country. The government has indicated that it may bring in some future amendments.

There is also a great deal of confusion in the minds of the public, reinforced by the majority of the provinces and reinforced by the professional associations most concerned, the lawyers and the accountants, the chambers of commerce and the manufacturers associations, with regard to proposals concerning corporate taxation. I am not going to go into detail, but those proposals are so complex and their effects are going to be so wide-sweeping that not even the government fully understands their impact. It would be better to take more time to study the proposals and defer the date of their implementation. We know what they are. The government has indicated that it would be prepared to consider these matters and bring in further amendments. But why start people off on the wrong foot when it is fundamentally unsound to do so. I just cannot see that, Mr. Speaker.

[TER ALThe Chairman.]

I am going to put on record what was indicated and why this deferral should take place. The Leader of the Opposition, and I repeat it today, says that sections 6, 8, 20(12), 62, 63, 109, 110 and 117 could be brought in now because we have long advocated tax cuts, as well as other provisions, and these are the ones that apply now. Certainly, I do not think anyone would disagree that there are complexities in the working allowance provision, in the child care expense provision, as there are some rather illogical situations in that field. Then, there is the increase in the basic exemptions to $1,500 and $2,850, as well as all the other details, including the revised rates schedules under section 117. All those matters are within the proposal to the government. I understand that the cabinet is now considering the matter, and I hope by Monday we will have a satisfactory answer.

Why do we say that? First of all, let us look at the preliminary report from the other place, No. 47, as published by the Senate Committee on Banking, Trade and Commerce. This is a very interesting and a very studious document prepared primarily by supporters of the government. I put it to the hon. parliamentary secretary that it is not a document that can be lightly dismissed. I add a word of caution to the government. I understand that the committee in the other place has taken quite a determined stand with regard to a number of these proposals and that, notwithstanding the attitude of the government, amendments are going to be put and carried which conform to the wishes and recommendations of the other place. I can see some difficulties for the progress of this bill if that should be the case. Certainly, it will take more than the extremely short period of time that this government normally allows the other place to consider legislation.

From what I hear there are a number of the government supporters in the other place who are most unhappy with certain provisions in this bill, those dealing with international income, for instance. However, I understand that the government does intend to introduce some amendments to those sections. What are they to be? At one minute before midnight are we going to see those amendments, when the professions and all concerned will not have a chance to examine them? May I commend to hon. members the Senate committee report, because the answers of witnesses certainly clarify a great deal more of this bill than has been clarified in this House where we have a more restricted discussion than if we were in a standing committee and could directly examine the officials from the Department of Finance and the Department of National Revenue involved in the preparation of this bill.

The government has shown a very cavalier attitude with respect to major changes in the Income Tax Act by dismissing or putting aside the views of the provincial governments. After all, the provincial governments have

equal jurisdiction with the federal government in the income tax field, both corporate and personal, but one would think that they were in this field on sufferance. There is at the present time merely an agreement as to the sharing proportions and the collectability of income tax. We know there are divergent views. For instance, the province of Quebec says that it collects its own income tax and other provinces are making threatening noises because of the insensitivity of the federal government to their views.

This document was produced by the federal government which only has a 50 per cent interest in the income tax field, yet it insists that this will be the law. As I said, this is a cavalier attitude and not in keeping with the principle of partnership between the provincial administrations and the federal government administration of this country. It is a complete rejection of that. Last week the provinces made their views known and the majority of provinces, both in number and population, told the federal government that Bill C-259 should be deferred. But the Minister of Finance said, no, that it would go into effect on January 1, 1972. What right does he have to say that? Merely because he is the sponsor of the bill? Constitutionally, it is wrong to say that. It is a "take it or leave it" attitude.

• (12:10 p.m.)

Let me refer to paragraph 12 of the communiqué put out following the federal-provincial conference. It refers to a number of matters arising out of Bill C-259. This is the great paragraph showing the laconic way in which the government treats this. It reads:

> The federal and provincial governments expressed their views on the above matters and related aspects. A diversity of views exists.

According to paragraph 13, the federal government explained the need to implement tax reform on January 1, 1972 and to continue certain undertakings as to levels of revenue to the provinces. How good of it to do so, Mr. Chairman. How downright condescending the federal government was to the provinces which, in income tax matters, have as great an interest as the federal government has. The federal government has laid down a number of conditions. It has said that provincial tax statutes must conform to the federal statute. The provincial administrations have told the federal government that they cannot do this in many instances.

Let me single out the province of Ontario, the province with the largest provincial government in the country. Ontario is the source from which by far the greatest proportion of income tax comes. It is the province that harbours by far the greatest number, if not the majority, of corporate organizations in this country. That province says that it cannot alter its corporation tax act in such a way that it will be effective on January 1, 1972 and conform to the federal statute. The net result will be that businesses operating in the province of Ontario must deal with two separate corporate taxation acts. I appeal to hon. members who have a knowledge of business and who are accountants or lawyers to say how they would care to operate a business firm in the province of Ontario in 1972 under two separate corporate taxation acts. The federal government cares a fat lot about that.

It would appear, unless I hear to the contrary, that members on the government side care not a tittle about that; not even those who come from the province of Ontario care. I suppose their attitude will be, "Tough luck." Well, I hope they see every officer of a corporation in the province of Ontario who will be affected by this and explain their attitude on this bill. Let them say why they support it. I see that the Parliamentary Secretary to the Prime Minister, who is a businessman in Ontario, has just entered the chamber. I should like to see him telling his business associates in Ontario that two corporate tax acts will operate in 1972, if this bill goes through. Whether he likes it or not, his own business interests will be affected. Let him explain if he is prepared to accept that, and why he is prepared to accept that. He was a member of the finance committee when the white paper was being examined. Certainly, there have been changes, and he advocated some changes. They have been introduced into the bill. I give him credit for that. I will ask him, however, just as I would ask others like him, if he is prepared to tell his business associates in the province of Ontario that the federal government has the right to call the tune with regard to the taxation of corporations in Ontario and that the province of Ontario, which has equal jurisdiction, has nothing to say on this subject.

Think of the confusion that will arise in 1972 in the handling of transactions, with the federal government handling them one way and the provincial tax statute saying they must be handled another way. And remember, Mr. Chairman, this is the law. This is not the Temporary Wheat Reserves Act that the government can try to set aside at will. You know, other governments act differently in these matters. This government cannot say that the law of the province of Ontario with regard to corporation taxes can be set aside by the administrative officials of the Department of National Revenue, by the officials or authors of this bill in the Department of Finance or by the government of Canada. This government does not have the right to say that. It is that simple. There has to be accord. That accord is not there.

In my own province, which has an equal right, there is no accord. Yet the federal government says, "Tough luck; we are going ahead. Conform." Is that the way to maintain confederation? I do not think so—unless some people place greater emphasis on certain cultural aspects. If they do, that is their choice. However, from an economic, financial and fiscal standpoint, this sort of attitude does more than almost anything else to alienate people in various sectors of the country. I want to warn hon. members.

The Chairman: Order, please. I regret to interrupt the hon. member. I do so to advise him and the committee that his time has expired.

Some hon. Members: Carry on.

The Chairman: Does the committee consent unanimously?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): Mr. Chairman, I thank the members of the committee for their courtesy. I hope I can maintain the continuity of my remarks. I want to warn hon. members. If there is a feeling of alienation, it is

not limited to the province of Quebec. I do not support that movement, yet it exists in western Canada. Oh, the government should know this, especially if it ever thought that it understood western Canada. That same feeling exists right within the province of Ontario. The Premier of Ontario and several of his ministers last week made strong statements with regard to fiscal and economic matters in Canada. They insisted that there shall be partnership between the Federal government and those of the provinces and that international trade accords shall not be concluded unilaterally with the federal government, that there should be close consultation with the provinces involved.

The auto pact is a case in point. As recently as yesterday Premier Davis said that there should not be any changes in that pact without the full accord of the province of Ontario. The province of Alberta says that there shall be no change in national energy policies affecting the export of oil and gas without prior consultation with, and the agreement of, the province of Alberta among others. The provinces have their interests and surely to goodness the federal government, in the spirit of confederation and in the spirit of partnership that is basic to confederation, must listen. It is for that reason, Mr. Chairman, that I say that most of this bill should stand deferred, except those parts relating to tax cuts.

There is one further point that I want to make on this aspect. I want to read an excerpt from an editorial in a publication that is well known to the hon. member for Outremont. The editorial was taken from the *Canadian Chartered Accountant* of November, 1971. I think some colleagues on the finance committee are conversant with that publication, which may be considered as the professional bible of that body. The editorial is headed "Taxmanship Brinksmanship".

Paragraph 3 reads:

> If every chartered accountant who has responsibility for giving tax advice, whether in industry or in public practice, were to drop everything and devote the remaining time to an in-depth study of the new legislation and its accompanying regulations, it is still doubtful whether this would be sufficient to provide all taxpayers with pre-implementation advice.

• (12:20 p.m.)

How true that is. Those lawyers who are also concerned with tax matters could be included as well. There are further observations. I wonder how many members of this House availed themselves of an opportunity that was offered a few weeks ago under the sponsorship of the finance committee. A team of experts from the Institute of Chartered Accountants produced a highly informative, and as uncomplicated as possible, audio-visual presentation of the major provisions of Bill C-259 in this very building. At no time did more than a dozen members attend, although every member of this House received prior notice. By arrangement with the government House leader, the sittings of this House were so arranged that those interested in fiscal matters could attend those demonstrations which lasted all day. I now quote the final paragraph of this editorial:

> Without being the slightest bit cynical, we offer as a final suggestion that all Members of Parliament take the CICA Tax Reform Course before they presume to pass the legislation into the law of the land!

[Mr. Lambert (Edmonton West).]

About 10 or 12 members of this chamber attended that course. I had an exchange with the hon. member for Winnipeg South Centre a minute ago. We hear many members who have not even cracked the covers of this book, say "agreed". It could be written in Urdu, Hindustani, or Swahili or in any other language. They would still say "agreed". They do not have the slightest idea of what is in this bill or the implications of it.

Mr. Marchand (Kamloops-Cariboo): Oh!

Mr. Lambert (Edmonton West): The hon. member for Kamloops-Cariboo says that he knows. I suppose he knows that the bill increases the exemption to $1,500 and that sort of thing. Those are the saleable items. Will he tell me how the government proposes to handle trusts, international income, small businesses, minerals, petroleum and natural gas? Will he tell me how the mines in his constituency, as well as other parts of his province, are going to be handled and what they are saying about it? He says "agreed". He dismisses the representations from the mining associations in his province against the provisions of this bill as they affect the major industries in his province. The hon. member is one of those who regularly says "agreed" and wants to pass on to something else. I will come back to section 14 later.

Mr. Burton: Mr. Chairman, the discussion today on business and property income includes quite a number of areas of interest. Some of the areas included in the scope of business and property in the summaries of the legislation which have been published and made available to members have already been dealt with to some extent in this debate. There may be some overlapping of discussion on some of the items that have already been considered by the committee. I would like to deal with a number of points concerning business and property income because those items include a number of very important points that deserve consideration by the committee.

The first point I would like to raise concerns the change that is being proposed which will allow corporations in the future to deduct from their taxable income interest on money borrowed to buy shares in other corporations. This is quite an important point. I am very interested in some of the rationale that has been presented by the government on this point.

I wish to quote from the Summary of 1971 Tax Reform Legislation which was tabled on June 18 along with the other budget papers. It has been referred to by some members, including myself, as the "brown paper". I understand in the accounting world they occasionally refer to it as the "blood paper". I quote what that paper has to say about this particular matter:

> The present tax system does not permit a corporation to deduct interest on money borrowed to buy shares of other corporations because the dividends on these shares are normally tax-exempt. To encourage Canadian ownership and investment, the bill provides a full deduction for interest on money borrowed by a corporation to buy shares in any other corporation. The present system allows a deduction for individual taxpayers and this is retained.
>
> This deduction for interest provides a substantial incentive for Canadian corporations to invest in other corporations and permits them to compete on an even footing with foreign corporations. Assuming a tax rate of 50 per cent, the cost of borrowing money for share purchases will be cut in half.

I acknowledge there is undoubtely some change vis-à-vis the position of a Canadian corporation compared to a foreign corporation. How the Canadian corporation is covered is another matter. As I understand the situation, this provision will be available to any corporation which is properly set up in Canada, whether that corporation is controlled domestically or by foreign interests of one sort or another.

It is highly ludicrous for the government to suggest that this is going to encourage Canadian ownership and will help to reverse the tide, especially in light of the present situation. Some of the most recently available figures show that today some 63 per cent of Canadian industry is controlled from outside Canada. Because all of these companies are properly incorporated within the law in Canada, those companies controlled by foreign interests are able to take advantage of this new provision. How this is going to secure a great degree of Canadian ownership in our economy is very difficult to see. It really indicates the ludicrous lengths to which the government is willing to go in order to try to justify some of the rather dubious proposals in the white paper.

Another area which is being treated under business and property income in some of the summaries is the matter of entertainment and related expenses. This has been dealt with already in the debate on some of these sections. I only refer to this matter because it is generally considered as coming within the scope of business and property income. Here again, we have an example of the type of discrimination that exists in terms of the way different Canadians are treated in determining their taxation. Entertainment expenses are allowed on a very wide basis. In fact, the government very markedly backed off from the restrictions that were proposed in the white paper in 1969. They have now restored the status quo in many respects, the only added restriction being that there is some limitation with respect to the location at which conventions and so on may be held if expenses are to qualify as deductible. I suppose some companies will not be able to hold conventions in Miami, the Bahamas and other such places in future. The government backed off when it came to allowing expenses for yachts, camps, lodges and golf course facilities. I do not think the minister could have left these things in the legislation within the area of deductible expenses and still presented a credible picture.

• (12:30 p.m.)

But what has been done with respect to employees? Strict ceilings and severe restrictions have been imposed with regard to what an employee may claim as a tax deductible expense. It is a clear case of treating one class of taxpayer in a different manner from another. Once this law is put into effect I believe the people will recognize just how phony are some of the claims the government is making for it.

I turn now for a moment to the question of depreciation on rental buildings. This comes within the area of business and property income. The so-called "red paper" of June 18 states in this regard:

> The legislation provides that in future each rental building costing $50,000 or more will be placed in a separate capital cost allowance class. As each building is sold the taxpayer will bring into income recaptured depreciation or deduct a terminal loss. Under the present system all buildings of a particular construction are pooled and the day of reckoning can be indefinitely postponed by adding new buildings to the pool.

This is a welcome change. Under the present act, some landlords and owners of real estate were getting away with murder. We agree with this change.

Mr. Lambert (Edmonton West): The tenants will just pay higher rents.

Mr. Burton: The only drawback is that there will be a tendency on the part of some landlords to recover at least part of the loss of benefits by increasing the rents of those who are occupying these buildings. This is a question which deserves further consideration. We should look for means of ensuring that landlords will not be able to do this.

Mr. Lambert (Edmonton West): No federal authority there.

Mr. Burton: I now turn briefly to consider the proposal for changing the accounting system used by professional people. They will now be required to adopt an accrual accounting system rather than report income on a cash basis. This will do away with a good deal of the monkeying with the works that goes on at present, and to this extent we believe the provision is worth supporting. I note that transitional rules are set out for the taxpayers who are being required to switch over from the cash basis to an accrual basis. It is reasonable to do this, and we have no objection.

However, there is no such provision for transitional rules in the case of others who may wish to change over to an accrual accounting system. I have in mind farmers and fishermen who are given an option; they can remain on a cash basis or they can change to an accrual basis. Some hon. members may feel there is no need for transitional rules in these cases, since these people have an option. However, it should be borne in mind that in the light of other proposed changes, fishermen and farmers may in effect be forced to change from one system to the other. It seems to me that this requires further consideration.

As I read section 19 which is before us I note that it appears to deal with the provision by virtue of which some publications, such as *Time* and *Readers' Digest,* qualify to be treated differently from other taxpayers. Well, Mr. Chairman, we have made our stand on this matter clear on many occasions and we hope it will be given consideration by the government. Other provisions include the discretionary authority given to the Minister of Finance with respect to such matters as bank reserves—he is allowed to approve or, perhaps, to determine, what reserves shall be required. At the same time, with respect to other institutions such as credit unions, a different situation might arise.

In all, a number of important considerations are involved in this area of the bill. We hope the government will give consideration to making changes in response to some of the points which have been raised. I believe it is in the best interests of the government itself to make some of these changes if they hope to be in a position to present a credible picture to the public whenever this legislation may be passed into law.

Mr. Aiken: I wish to make one comment, Mr. Chairman. I intended to put a question to the hon. member who has just spoken. I have heard one or two members make the assertion which he has just made, namely, that taking professional people off a cash accounting basis and putting them on an accrual basis will do away with some of the monkey work which is going on.

For the life of me I cannot understand where that idea comes from. A cash receipt basis for a professional man or anybody else means that when he receives money he pays tax on it, and if he does not receive money he does not pay tax on it. The new method means that a businessman will estimate during the year what he might receive and then, at the end of the year, estimate what he might not receive. And between the two, somewhere or other, he guesses what his income amounts to. I cannot see how anybody could feel there is any improvement in the system by placing professional people on an accrual basis. To my mind the accrual basis is the one which is full of opportunities for finagling, double entries, write-offs of estimated losses and so on. The accrual basis opens the door wide for a businessman who can afford an accountant to take advantage of all the write-offs and concessions in such a way as to do the government in. On the other hand, the person who pays tax on money he receives is entering into a straightforward and honest arrangement.

• (12:40 p.m.)

I do not see this new system lasting forever. Farmers and others are entitled to retain the cash receipts system. I have yet to hear from the government why it is that it feels anybody will benefit from placing professionals on an accrual basis, which will leave the door open wide to what is an excellent opportunity to chisel the government through the manipulation of such tools as write-offs, estimates of revenue, delaying the submission of accounts and so on. To my mind, the situation would be nonsensical.

Mr. Ritchie: Mr. Chairman, I should first like to speak, as did the two previous members, about the lack of an option among taxpayers in the professions to choose to use either the cash or the accrual basis. I have had some personal experience of this, and I should like to detail it.

I think the figures given by the hon. member for Regina East must be wrong. When I first started my practice I was advised by my accountant to adopt the accrual basis. He told me it would be a little hard at first but in the long run I would be much better off. I could not agree more with the hon. member for Parry Sound-Muskoka who said that the accrual basis does offer the professional, particularly if he operates his own business, many ways to avoid paying tax in his later years when his earnings are higher. This can be done by not writing off his losses in the early years but writing off very large amounts, as he is able to do, in his later years.

In my profession at the moment this question of adopting either the accrual or cash basis is of no great significance. Under medical plans today payments are usually made within about two months, so it does not matter which system you choose. However, I went into a dentist's office the other day and saw a sign indicating that all work had now to be paid for in cash, that no one was to ask for any credit, and that patients were not to contemplate contracting for more dental work than they could afford to pay for within a week or so. This notice was given because of the new income tax regulations that were to come into force on January 1, under which the dentist would be prohibited from extending credit. The optimistic assumption, of course, was that the bill would be passed by that time.

The important consideration for a professional man, of course, is not how much work he has on his books but how much money he has in his pocket when his work is finished. I think the lack of an option in the change-over from a cash to an accrual basis is a serious mistake. I do not think any of the witnesses for the government who appeared before the committee when it discussed the white paper on taxation made any claim that tax revenue would be increased.

Let me read what the Canadian Dental Association had to say about the accrual in its brief to the finance committee when the white paper on taxation was being considered. As reported at page 43:129 of the committee report for May 14, 1970, they said:

> In the White Paper the Government proposes that dentists be required to report their income on the accrual basis of accounting rather than the cash basis which is now permitted and that receivables and work in process at implementation date be brought into income in accordance with a specified formula. The government believes that the tax postponement permitted by (the cash basis of accounting) has given professionals an unwarranted advantage by comparison to the rest of Canadians.

I think the assumption of the government that the professionals had an unwarranted advantage may have caused them to over-react. I do not think that that is borne out. Certainly, as far as dentists are concerned, who are still largely paid out of the patient's own pocket, the accrual basis is detrimental.

The brief continues:

> The dentist would be loath to provide services if he knew that the account would not be paid for some period of time. The view has been expressed by a number of dentists that if a dentist is required to pay tax on his accounts receivable, the natural tendency would be for him to reduce his accounts receivable to a minimum with the result that a dentist would carry on his practice on a cash basis. Any restriction of credit policy would deny dental services to persons until they had sufficient funds to pay for the services.

This does become a social problem. If the patient cannot pay, the dentist must decide whether he will make no charge for his services or put the amount in his books. Then, not only does he not receive payment, he will also have to pay a penalty to the government by way of income tax. As I say, it is too bad that the option is not extended in this new tax bill.

An accrual basis may be a more tidy way of doing things, but from the practical point of view it means a tightening up of accounts, and to some extent services will not be as good as they were previously. It may be a good thing for everyone concerned from a financial point of view, but as I say professional services will suffer to some extent.

I cannot see how the accrual system is going to bring in more money. Over the life span of a professional, less money will be paid into the federal government's coffers. If a professional has to pay a large amount of tax on

money that he did not receive in his early years, the chances of his establishing himself are diminished. This will in turn increase his desire to join a group through which he is paid a salary, and as a result he will be reluctant to go to the smaller communities where he would have to buy equipment that would otherwise be available to him at a clinic. These rural areas will find increasing difficulty in attracting dentists. To this extent the absence of an option will be detrimental to rural communities, since they do not have resources of their own to establish members of the profession in the area and to place them on a salary for their first few years.

I should like to make a few remarks about building depreciation. This provision is badly drawn. The rural communities in particular will feel the effect of the new rules governing building depreciation under which depreciation, interest and property taxes will not be deductible from income derived other than from the premises. This provision was designed, as I understand it, to catch the very large professional income groups using a building or an apartment block in order to delay indefinitely payment of tax. However, I should like to point out that tax will be recoverable at death, and that provision also includes depreciation. Therefore, in my opinion under these rules the full amount will be recovered no matter how much is outstanding. It is likely to be formidable, and the taxpayer may find himself owing more to the Income Tax Department than the building is worth. I think putting the limit at $50,000 is putting it too low in this modern day and age. One can hardly build a chicken coop for $50,000 today. I should not like to say what the limit should be, but I think $50,000 is too low.

• (12:50 p.m.)

In a small community of the type from which I come, there is practically no mortgage money available from large institutions as there is in cities. For this reason, this clause becomes particularly important. The construction of buildings for rental as stores, factories and plants must take place as a result of an individual in a community being willing to put up the money and carry the mortgage. In most small communities, rentals tend to be too low to carry the mortgage. At present time this measure will be detrimental to the building of new enterprises in small communities.

A good portion of new construction is carried on by one individual who builds the building and another who rents it as a retail outlet, factory or something similar. As a result of this regulation that every building valued at $50,000 or more must stand on its own, higher rents will have to be charged. A survey in my town indicates that rents are lower than the cost of carrying a building, that is depreciation, paying the mortgage and property taxes, at least for the first ten years. This means there will have to be longer term financing and that there will be less activity.

It seems to be particularly advantageous to professional people to build apartment blocks. They can be managed by the professional individual who owns them. This type of investment was useful to that type of taxpayer. Some studies indicate that 45 per cent to 50 per cent of apartments have been built by this type of taxpayer. With this new measure there will be a massive rearrangement of investment in order to carry an apartment building. There will have to be the continuation of private funds for investment in real estate, and almost certainly higher rents will have to be charged. The hon. member for Regina East suggested that this increased cost should not be passed on to the tenant, but I do not see how the landlords can help but pass it on, certainly in respect of new apartment buildings. The result will be that commercial rents will increase in the immediate future.

Having decided to look after one loophole in the tax structure to prevent the acquisition of apartments with the deferment of tax indefinitely, I think the government has overstepped the mark. I do not suggest these people should be allowed to do this indefinitely. There should be some limit. However, this particular proposal will mean that those who have property in small rural communities will pay taxes at a higher rate. Investment dollars can only be spent once, and I think this measure will have the tendency of increasing the transfer of investment dollars away from rural communities. There is extremely little investment in rural communities today because large companies will not locate in these areas. In light of the economics of the situation one cannot blame them, but to that extent I think this provision will cause a reduction in the financial base of small communities, and I am not sure the government will have accomplished very much.

One might suggest that these taxpayers will invest in something else, such as annuities or retirement funds. I do not think that is right. The individual who invests in real estate is of a special type. If he is not allowed to invest in real estate he is not likely to buy annuities, life insurance or become involved in some other form of investment he does not understand.

At one o'clock the House took recess.

AFTER RECESS

The House resumed at 2 p.m.

The Assistant Deputy Chairman: Order. The hon. member for Calgary North.

Mr. Woolliams: Mr. Chairman, I wish to say a few words this afternoon with reference to the tax legislation before us as it affects professional people. I have the feeling that when this provision was drafted whoever did the drafting had never met a payroll and did not understand the situation in respect of a private practice, be it as a chartered accountant, a doctor or a lawyer.

Mr. Benson: Nonsense.

Mr. Woolliams: This may sound like nonsense, but I think the biggest nonsense is the minister and the whole bill, which should have been withdrawn. I know something about the background of the minister and I do not think he ever had it better financially than he has now. However, I am prepared to stay on the subject of the tax bill.

I was saying that I do not believe any of those fellows who drafted this section had ever met a payroll. Somebody asked me if I have. If my good friend across the way

would like to pay the salaries of the employees in my office, I would very much appreciate it. I am saying basically that lawyers who have big corporate clients for whom they have a bill on the books are usually paid. However, lawyers who have a general practice deal with all kinds of cases, and in many instances it may take several years for a client to pay his account. This may be the situation even in respect of a small account, because often these people do not have the money and must pay it by instalments. Sometimes an account may be on the books for a period of two or three years because of the financial position of the client. Now, lawyers will have to pay tax on that account.

Previously, these people were on a cash basis. The 99.9 per cent of lawyers and accountants who were on the cash basis now are to be asked to pay income tax on the accounts receivable. This means, if they pay tax at the rate of 37 per cent or 40 per cent, they will be paying that rate on the accounts receivable which are on the books and which may or may not be collected. I suggest this will create a situation in offices where people will try to avoid the tax legislation by setting up files and not, of course, billing out those files.

To me this whole proposal is preposterous, and I would have thought the minister would have withdrawn this section, especially after what had been said when the white paper was being studied by the committee. This means that the young lawyer or doctor who starts up would have to go to the bank in the first year to borrow money on which to live and with which to pay the tax before the money comes in from the accounts receivable. In other words, this will kill the initiative and ambition of young people in starting out on their own, whether they are in the legal profession, the profession of accountancy or in any other profession. The provision in the bill is a little better than the white paper proposal. At one time, the government wanted to put a tax on work in progress. Hon. members will recall that during committee study of the white paper, I wondered how a gynaecologist would bill on his work in progress. If the foetus were two months old would he bill for one sixth of his fee? The same thing applies in a law office to work in progress.

• (2:10 p.m.)

I know something about the management of a small law office, of how difficult it is to meet the payroll, pay the rent and meet all other costs. In recent times office rents have gone up 200 per cent to 300 per cent. A lawyer might start off an account by writing one letter. Would he have to pay tax on the fee received for that? It might be the first step in the administration of an estate, yet he would be expected to pay tax on that work in progress. Such tax laws create situations that encourage fraud. Lawyers in small offices will not be able to afford to put accounts receivable on their books. I would like to hear the minister explain why he wants this provision in the bill. There was no loss of taxation when the system involved payment on a cash basis. If a case began in 1968, was billed a year later, and the account paid in 1969, then the tax was paid in 1969 when the fee was received. Now, a lawyer may have to pay tax on an account which he may never collect.

This will create an impossible situation for lawyers, accountants, and medical general practitioners.

Mr. Benson: Nonsense.

Mr. Woolliams: The minister says this is nonsense. I do not know. I know something about his background, and I doubt if he has ever operated a small accountant's office. If he has, then I am surprised that he favours this proposal. The situation is different when an accountant belongs to a big national firm dealing with large corporations. If the firm charges the CPR or the National Trust, it knows its account will be paid. But the lawyer who defends John Blow on a small criminal charge, a quasi criminal charge, or in a civil case may not receive his fee for two or three years. Before the introduction of legal aid, many lawyers involved in divorce work carried clients for four or five years before finally writing off those accounts. Under the proposed system, a lawyer will have to pay 40 cents on the dollar on an account that he has not even collected.

This is all part of the Liberal philosophy. The Liberals want big farms, big law firms, big accounting firms. It is only the big man who will be able to afford this system, not the little man. I am shocked at this kind of legislation. I say it came down the legislative pipe because whoever devised it never practised either as an accountant or as a lawyer in a small office, and had the experience of meeting wages, rent and other expenses. Whoever devised this section must have joined a big firm at the start of his career. Mr. Speaker, I believe Canada is still a young country, and I think it is good for young lawyers to start off by opening their own offices, putting in telephones and hiring their own secretaries. This shows they have ambition and initiative. Those are the qualities that built this country. The lawyer, the accountant and the doctor are men who serve society.

I am not talking about the fellow who does corporate work. Once a law firm gets the account for, say, the Bank of Montreal, that account stays with the firm year after year. The firm may hire a young lawyer on salary, and after 20 years he may join the partnership. Such firms can afford this legislation, but the little firms cannot. Again, it is all a question of big government and big business. Under this legislation, including sections of it other than the ones under discussion now, the little Canadian's initiative will be killed and stifled.

Mr. Osler: The little fellows are going to get a lot or reductions.

Mr. Woolliams: Mr. Speaker, there is that member from Winnipeg who speaks very little but, when he does, always speaks sitting down. I have always said he should say, "Thank goodness my grandfather was born before me."

Mr. Osler: Would the hon. member permit a question?

Mr. Woolliams: Certainly, and I hope the hon. member makes the front page of the Winnipeg *Free Press* with his question.

Mr. Osler: In view of the hon. member's allegation that nobody does anything for the middle man, I wish to ask him if he has read those portions of the tax bill which indicate that millions of people are going to benefit from tax reductions?

Mr. Woolliams: That is really a very intelligent interjection. I appreciate the exemptions that the bill provides. We

on this side of the House have asked for them. Twice over the last three years I voted to have exemptions increased. Certainly, there are some good things in the bill. The government could not draft a bill this big, with 190 amendments, without hitting something good. But the over-all effect of the bill must be considered. Lawyers and accountants say that this document is so complex that nobody knows what the tax law will be. Certainly, some people will have higher exemptions, but by the time they get those exemptions, with the cost of living constantly rising as a result of the government's policies, the exemptions will look pretty small.

Further, Mr. Speaker, in reply to the hon. member's question I would point out that the government has extended the unemployment insurance scheme to include a large number of people who will never benefit from it. The result is a new tax against those Canadians, and that will eat up the exemptions they get through this bill. When Liberals talk about the candy in the bill, I reply that there isn't much candy in it. When the bill is enacted Canadians will find out this too late.

The government is trying to ram the bill through by offering to cut personal taxes by 3 per cent and corporate tax by 7 per cent. It says that Canadians will not get these tax cuts unless we put the bill through.

Mr. Knowles (Winnipeg North Centre): That isn't in this bill.

Mr. Woolliams: I know, but that is the attitude of the government; it says that whatever happens, the provisions of the bill can be made retroactive. The other night I pointed out that the capital gains tax could be as high as 61 per cent. If such a tax had been in effect when the grandfather and the father of the hon. member for Winnipeg South Centre were living, it would have had a terrible effect on them. Knowing the record of his father and his grandfather in western Canada, I say that they would have opposed such a tax.

Mr. Lambert (Edmonton West): Mr. Chairman, in my intervention this morning I indicated reasons for supporting the stand of the Leader of the Opposition in proposing deferral of the proclamation of a major portion of the bill. I want to add one further observation in regard to that. Of course, such deferral would involve a change of the effective date of January 1, 1972, for a major portion of the bill. As a result of the deferral, the date for its coming into effect could be postponed until April 30 or June 1 next. However, then we could have the nonsense of the estate tax continuing as law and, on April 30 this act coming into force with the provision that effective January 1 the estate tax would be replaced by the capital gains tax. In addition, there would be the nonsense of the uncertainty with regard to capital gains tax during the interval. However, there is no problem with accepting the principle of the effective date of the law being the date fixed for the proclamation. It could be July 1, for example or later.

• (2:20 p.m.)

As an added reason for a deferral I am going to repeat the argument I have made on previous occasions, that it is absolutely essential that the federal government and the provinces somehow sort out the jungle being created as a result of the withdrawal of the federal estate tax and the continuation of the provincial succession duties, with some provinces wanting to go in on an estate or succession duty that now do not have them, but without there being any mutual credits as between succession duties and the capital gains tax. I have not heard one member from the government benches say that they have even considered the matter. Elimination of the federal estate tax with the continuation of the provincial succession duties and the imposition of a capital gains tax will mean an increase in taxation for the Canadian public. There is no provision for mutual credits as there are now between succession duty and estate tax when one is federal and the other is provincial. There are mutual credits but not under this act, and none have been negotiated.

Not everybody will be taxed for estate or succession duties but there will be a large number across the land. In case some people believe that only the rich will be taxed, let us look at values of farm lands across the country. In Ontario, corn land may be worth $600 or $800 an acre. In the west, in what used to be my constituency, farm land can be worth $350 an acre. In the west 1,000 acres is not an extraordinarily large farm, although it may be in Ontario. At $600 or $800 an acre it does not take long to get a value of about $300,000 for only the farm land and, in addition, there is the value of the buildings and the livestock. These are the people who will be hit by this multiplicity of succession duties and capital gains taxes. Those who are envious are strong advocates of estate taxes and want to destroy what hard work has built. In other words, there are people who want to say to Canadians and others in every generation that we must go back to square one—everybody out of the starting gates at the same time in every generation.

Mr. Brewin: Very sound!

Mr. Lambert (Edmonton West): The hon. gentleman says "Very sound". That is a great way to run the country, a great way to build the country! That is the most patent economic nonsense that could ever be put forward. It arises from the 19th century philosophy that was meant to try to break up estates. It is not justice, it is injustice.

Mr. Knowles (Winnipeg North Centre): It is an attempt to build the country, not private fortunes.

Mr. Lambert (Edmonton West): By so-called redistribution to those who have not earned it and do not deserve it.

I want now to turn to particular points raised by the hon. member for Regina East, and to continue some arguments advanced by my colleague from Calgary North with regard to conventions and expenses. These now are a long way from the white paper proposals. However, there is a rather odd philosophy abroad that because a person derives benefit from some expenses that are allowed for the purpose of earning his living, say business expenses whether it is sole ownership or an incorporated company, that there is something inherently wrong in this. It is tabbed "lush expense account living". No one talks about the multitudes of public servants who go to local, national and international conferences on an expense account paid by the government, although they derive benefit from that. No one talks about union officials who go to local national and international conferences or conventions

and do rather well by them. They derive the personal benefit but the union is not taxed. The union is not taxable, so what difference is there? Mining companies are entitled to send delegates to mining conferences and pay their expenses, but these are deductible because they contribute to earning the income of the company. Some mine workers are sent by their union, on an expense account. The union does not worry, however, because it does not pay income tax. Yet we are told it is wrong for the company to be allowed the expense of sending its representatives. If one is going to be logical then let us insist that some change be made with regard to union delegate's expenses in this example.

The same applies to professional associations. If the Canadian Bar Association or the Canadian Medical Association sends delegates to international conferences, they pay the expenses. Admittedly the individual renders certain services but a trip to Europe is not hard to take nor, by the same token, is a trip to the ILO at Geneva, but nobody pays income tax on that.

Mr. Knowles (Winnipeg North Centre): That is paid for by the government.

Mr. Lambert (Edmonton West): It is paid for by the association or by the government, but it is the individual who is the beneficiary and is tabbed with "expense account living". It was said that it is between individuals that equity must exist. I know some government officials in Ottawa who spend up to 150 or 170 working days of the year attending conferences and meetings outside the city on behalf of their department. They continue to draw salary and all allowances, but hotel bills are paid. They enjoy the higher scale of living at these conventions and meetings and this is alleged to be that "lush expense account living". Let us be fair and look at all the facts related to expense account living as it affects everyone.

It is proposed to disallow memberships in certain types of clubs. It is an undeniable fact of life that a great deal of business is transacted over the luncheon table, or over a drink,—

• (2:30 p.m.)

An hon. Member: Or at the golf course.

Mr. Lambert (Edmonton West): Or at the golf course, of course. You know, businessmen will continue taking public servants and prospective clients they want to influence to a hotel or a club for a meal. They will get a receipt for their lunch or dinner. Oh, yes, that will continue. But they will not be able to go to the club at which you must pay a membership fee in order to attend. It seems to me that these provisions were written by some people who were jealous because they could not belong to certain clubs without paying the necessary fees, and deduct such fees while others could. I do not know. This is all open to question. It seems to me that there is discrimination, absolute discrimination, in regard to this and that an attempt is being made to pick out certain groups and certain institutions in order to discriminate against them. I see the hon. member for Chambly shaking his head. What is the difference between membership in a club and—

An hon. Member: It is the hon. member for Labelle.

[Mr. Lambert (Edmonton West).]

ro[*Translation*]

An hon. Member: Nor for Chambly but for Labelle.

Mr. Lambert (Edmonton West): I beg your pardon, I meant Labelle. The hon. member for Labelle (Mr. Dupras) did not seem to believe me at that time.

[*English*]

I will ask this. What is the difference between privileges flowing from a membership in a club and the privilege of being able to buy hockey tickets for games of Les Canadiens. These season ticket holders are a club of a kind, and you are privileged if you can buy those tickets. A business concern can deduct the cost of those tickets as an expense. Therefore, the membership cost connected with belonging to a club in which one can entertain clients should be in the same category. Let us be logical about this. Either you take all such clubs and permit deductions, or you throw them all out.

I agree that there can be abuses. There is no way you can hold a bar mitzvah for your son and invite 500 or 600 prospective clients and write off the expense as a business expense. When I was attached to the Department of National Revenue that actually happened. Someone actually attempted this. Or, you could not write off the cost of, say, a 135-foot launch, or of one of those rather fancy yachts that larger businesses may use, or of some types of hunting or fishing lodge. However, amounts reasonably expended for the promotion of business should be allowed. I think, myself, that the proposed provisions go too far in that regard. There is a lack of logic in their presentation. The position adopted by the government has deviated more than somewhat from the position the government took in its white paper. It is the taxpayer who must be considered, Mr. Chairman. It is not government administration or the convenience of that administration. It is the taxpayer. Some people seem to think that the taxpayer is someone who exists in isolation, that he is a rather fat bird whose feathers may be plucked and, in some cases, whose throat may be slit. The taxpayer does not exist for the benefit of government bureaucracy. The government bureaucracy exists because of the taxpayer.

May I now mention professional expenses? The hon. member for Calgary North indicated that too often people have thought that, "Oh, well, in the past professionals enjoyed an advantage." Strangely enough, if one looks at the history of taxation one will see that in 1917, when the Income Tax Act was introduced, everybody was assessed on a cash basis. People were assessed when income was earned and received. It was earned then on a cash basis. Changes were made with regard to business practices. For instance, accounts receivable might be used at the bank to establish a line of credit. The government, seeking ever more revenues, decided that business must include accounts receivable; in other words the tax would apply on a sales basis not merely cash. In order to determine its income for taxation purposes, a business had to include sales. The change was made in regard to business. Over the years there have been continuing erosions. They have now reached the point that professionals have to prepay part of their taxes.

Incorporated business now has to pay tax more or less on a monthly basis, one month pretty well after the income is earned. Actually, there is no repayment for

business now. So, those supporters of the government on the finance committee and others who said that this was merely restoring the balance between business and the professional are wrong. They do not understand the law. The Income Tax Act does not insist on the prepayment of income taxes in any other type of operation. That is right, Mr. Chairman. Actually, at the beginning of the fiscal year you must estimate your income and then pay on a quarterly basis in advance. That tax must be paid in advance. If there is a short fall at the end of the year, you pay interest on that short fall. No other type of occupation in this country has to do that, Mr. Chairman. None. Yet, in some sort of spirit of getting even, or of so-called equity as between taxpayers, the government, in reaching a half-way station as between its original position and the position in the white paper, has said that professionals will have to pay their income tax on an accrual basis.

The lack of logic in the white paper proposals is just as bad as the lack of logic in this proposal. If you want to do justice to professionals and bring about equity, remove the prepayment provisions and the provisions requiring interest to be paid on short falls in tax payments. If you do that you will bring about justice as between the two groups. Now, it is said that the professionals will be assessed on an accrual basis that is based on billings. But nothing has been said about removing the prepayment provision. I do not think the hon. member for Calgary North mentioned that. Not only must you estimate your billings, 50 per cent of which you may not ever touch or collect, but you must prepay tax on the basis of estimated income. We hope that the accruals in billings will be subject to adequate write-off provisions. I think the man who devised this system has not the slightest idea of how professions conduct business and what is involved in the relationship between the doctor, the lawyer or the dentist and the client.

• (2:40 p.m.)

My colleague, the hon. member for Dauphin, told me this morning that in his home town in Manitoba a notice has been posted in a dentist's waiting room which states "Because of tax changes all work from here on in shall be on a cash basis. No billings." That is now being done in Ontario in anticipation of the passage of this bill. They will not go to the expense of issuing accounts and all the paper work that is involved.

The Assistant Deputy Chairman: Order, please. I regret to interrupt the hon. member, but his time has expired.

Mr. Crouse: Mr. Chairman, I am not sure if the hon. member wanted to continue.

Mr. Lambert (Edmonton West): That is all right.

Mr. Crouse: I wish to make a few comments on this bill. Ever since its introduction, Bill C-259 has been a nightmare for large and small businessmen and Canadians generally. We are faced with a massive bill which is incomprehensible to laymen as well as to tax specialists. Some idea of the concern among Canadians was evident only this week when some 38 of the leading businessmen, representing the wealthiest and most influential enterprises in this country, came to Ottawa for private talks with the Prime Minister and the leading members of his cabinet. When we see this turn of events, we must ask ourselves just what is going on and why our business leaders are disturbed. The answer is that the legislation prepared by the government is unacceptable to the vast majority of Canadians who are concerned about the turn of events and the direction in which they are being led by the present government.

Today, we are dealing with the business and property income section of what is commonly referred to as the "Benson bungle". This section covers a wide field. The summary provided by the minister lists no less than 13 headings covering taxation on business, property, business goodwill, membership fees in recreational and social clubs, entertainment and convention expenses, rental property and vacant land, taxation of the professions, farmers and fishermen, co-operatives, credit unions, mutual funds and investment corporations, estates and trusts and special rules for valuing trust property, trust interests and partnership interests for capital gains tax purposes. This is quite a plateful, Mr. Chairman, and it is only one section of this massive bill. This is why I claim it is a nightmare for Canadian businessmen and Canadian accountants.

All of these new demands for increasing amounts of funds from Canadian corporations and individuals cannot help but cause us to wonder why the government needs to increase its tax levels. We cannot help but wonder if these new tax levels are necessary to provide Canadians with better services or if this new power is sought in order to change our entire Canadian way of life. After all, the power to tax is the power to control. Unless this power is used wisely, we may well lose many of our basic freedoms under a paternalistic government which keeps saying "Have no fear, big brother will look after you."

I happen to be one of those who questions the present course being followed by this government for it is now evident that excessive socialism has killed business expansion in Canada. This was made evident to us only this week. It is now evident that socialism has destroyed initiative and it has placed a premium on individual incentive. My constituents continually ask me why the government requires more taxes and what it is doing with all the money. In my opinion, the scope of government operations and responsibilities has been expanded beyond the financing of essential and desirable services at the national, provincial and municipal levels. For example, with regard to this business and property income section, we read that farmers and fishermen may continue to calculate income on a cash basis and retain the special averaging provisions. The basic herd and straightline provisions are phased out. The explanation of these provisions reads:

> The new legislation continues to permit farmers and fishermen to compute their income on a cash basis and to average their income every five years.

That is a very interesting rule, Mr. Chairman. Many who live on the east coast of Canada are vitally concerned that within the next five years we will not have a fishing industry. The averaging of income over that period will not present any real concern for our fishermen. In a recent article, Mr. W. E. Moffatt, president of the Nova Scotia Fish Packers Association, stated that the industry will collapse within the next four or five years unless the

Canadian government acts on its own to extend fishing zones in the Atlantic.

This is an example of what little thought has been given by the government when preparing this tax law. They lump everyone together. They assume that everyone is making money, but unfortunately such is not the case. It has also become clear that the government's increasing influence over the economic climate in which business, labour and all active participants in the economy function, is having a serious effect on business expansion. Therefore, it has become of paramount importance that these participants and governments improve and make effective communications and working relationships with each other.

In addition to establishing working Canadian financial policies, the government must consider its international financial and trading relationships. We are faced with a startling fact at present. We must realize that the total expenditures by governments, including transfer payments, now represent more than one third of the country's total outlay on goods and services. They require levels of taxation which place a heavy burden on individuals and corporations and, in fact, upon all the productive resources of the country.

It is suggested that the degree of participation in the economy by the three levels of government, federal, provincial and municipal, may well have reached the saturation point and the complex relations between the various levels of government should not be allowed to obscure the fact that all tax revenue is collected from one and the same source, namely the individual taxpayer. Much of the government outlay is for essential services and much needed capital facilities, but in a rapidly growing and increasingly urbanized economy, there is a continuous demand for additional facilities and services. This poses a real need for evaluating those proposals put forth by any sector of the economy and for establishing some system of priorities.

A substantial share of the government's expenditures now go for social welfare purposes or simply represent transfers of income. I believe it is important that the federal government assign proper priorities to the activities of its various departments. The increase in the population and a more developed economy have resulted in the expansion of government operations. New welfare programs have been undertaken for the alleviation of unacceptably low living standards. While many of these programs are obviously socially desirable it should be recognized that the inflation which faces us today is due in no small measure to the expanded social welfare programs which have been instituted during the past decade. Furthermore, the resulting high tax level is having an adverse effect on our ability to remain competitive in world markets.

• (2:50 p.m.)

I believe there is urgent need for greater discipline and restraint on the part of all three levels of government when authorizing expenditures. Taxpayers can reasonably demand that their elected representatives should exercise the same care when spending tax dollars as they themselves must use when spending their own money. Government expenditures should be restrained so that on the average, over the business cycle, they do not grow faster than the gross national product. Efforts must be made to reduce the tendency of departments to engage in costly projects because they have unused funds in their budgets. I say this as a result of my years of experience on the Public Accounts Committee. Many times, when examining expenditures, we were told by the Auditor General that certain projects were continued for a further year simply because an amount had been voted for these programs but had not been used. Notwithstanding the fact that circumstances had changed and that it would have been better for the country had those developments been halted, decisions were taken to continue them. I believe this method of spending public funds should be thoroughly reviewed by the cabinet. If need be, bonuses could be offered to departments which did not use all their funds. In any case, something ought to be done to alter the present system.

I also believe that taxpayers should, as far as possible, be made aware of the extent to which they contribute to revenue through multiple taxation. Demand for the continuation of existing programs or for the establishment of new ones might be more restrained if a policy of full disclosure were applied so as to represent clearly to the taxpayer the impact such measures would have upon him and upon other productive elements in our society which already carry such a heavy tax burden. The complex relations between the various levels of government should not be allowed to obscure the fact that whether raised by one government or another, tax revenues all come from the same source, ultimately. The tax burden on the Canadian economy has become so heavy that it cannot fail to have serious and adverse effects. I believe it is vital to the well-being of this nation that there should be constant liaison through appropriate structures to bring the various taxing authorities together to the end that optimum results might be achieved at minimum expense to the public.

On the subject of budgetary procedure, I believe present arrangements are in need of revision, so as to permit the Minister of Finance, after making the necessary provision for security, to supplement the undoubted resources of the public service by seeking advice from outside quarters. It is now evident that despite the claim by those who now sit on the front benches opposite that they would practice what they call participatory democracy, no effort is being made to put this principle into practice. It would seem to me and to many Canadians that this promise has become a hollow phrase. It is evident from the number of briefs submitted to members of all political stripes that the Canadian business community is vitally concerned and very much confused. Quite frankly, it is showing a lack of confidence in itself, in Canada, and, certainly, in the government. This is a consequence of the many changes which have been made or proposed to the bill we are discussing today. When we see before us the proposals for changes in the various sections, amendments to those proposals and still further amendments to those amendments we cannot but recognize that the government is operating in a fog of uncertainty.

It is for this reason that I suggest the Minister of Finance should consider bringing in outside experts when putting his budget together. I realize this was tried in the

days of Walter Gordon, and that it was received then with some dissent in the House.

An hon. Member: Some dissent, indeed.

Mr. Crouse: It met with dissent, not because of the principle involved, but because of the manner in which the minister proceeded to carry out that policy. He carried it out in secrecy. There was a behind-closed-doors cloak and dagger quality about it which gave rise to the dissent to which I have referred. Had the minister clearly made known to the House his intention to hire a group of experts from outside, I believe hon. members would have approved the action. Such a course would give whoever adopted it an insight into thinking at the grass roots level, which is what the government claimed to have in mind when it sought a mandate in 1968, though, of course, nothing was ever done about it. Had the Minister of Finance followed such a course on this occasion, it is not likely he would have brought in a tax bill which is not acceptable to individuals, not acceptable to the business community and whose results can only be harmful to the future progressive development of this country.

I will not be facetious and say I have read the bill; I doubt whether there are many members in this chamber who have read this voluminous list of proposals put forward by the Minister of Finance. As I scan the bill I am concerned that in the formulation of tax policies primary emphasis has been placed on raising income, while little or no emphasis has been placed on the almost numbing effects of taxation of Canadian enterprise, business and initiative.

• (3:00 p.m.)

I submit that the need is for tax policies that will not discourage development or economic growth. I cannot help but wonder, as a concerned Canadian, just how many dollars worth of business expansion has been lost to this country since the Minister of Finance brought in his white paper on taxation. The confusion and frustration began at that point and without any clearcut objective or knowledge of where we were going, the business community, the investor and entrepreneur, sat still.

Where I come from in Atlantic Canada we know that a ship that embarks on a voyage must first be prepared. We know that the captain must take his chart and his compass and sit down and study the course on which he will sail or steam. Obviously, as a rule of thumb this is the practical way to do anything. I have not yet seen the Minister of Finance do this, and I commend it to him as a good course to follow. People like to know where they are going. Then, when the captain plans the voyage he does not tell the crew to show up on the Monday, Tuesday or perhaps Wednesday; he tells them which day he will sail and there is a definite time within which they can prepare for the voyage. This is all I am asking the Minister of Finance to do. He should stop waffling around, making amendments to amendments to amendments to a 707-page bill, because this can only produce confusion compounded for the Canadian people.

The Assistant Deputy Chairman: Order. I regret to interrupt the hon. member, but his time has expired.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I intervene this afternoon for a few minutes because I should like to comment on some of the remarks made by my close neighbour, the hon. member for Edmonton West. In his speeches today he covered a good many subjects but he seemed to be in fullest flight when he was talking of expense account living.

Mr. Lambert (Edmonton West): The logicality of it.

Mr. Knowles (Winnipeg North Centre): I agree with him that equity is called for. If we are going to be critical of expense account living, we must apply that criticism across the board. Persons should not get a hidden addition to their standard of living in that way, whether they be employed by private industry, the public service, trade unions, professional associations or other non-profit organizations. So perhaps I can start by saying that we agree that concern in this area should be expressed across the board.

However, it seems to me that what we have before us in this tax bill is the question of expense account living in so far as the taxpayers are called upon to pay 50 per cent of it. The hon. member talked about the expenses of trade union officials, public servants of various governments and representatives of various professional associations. When those people go to conventions or incur expenses that they charge back to their employer, organization or association, it is the association that checks those expenses and is responsible for seeing that its treasury is not being exploited.

Let me tell the hon. member that trade union officials do not get away with unnecessary expense account living; their expenses are checked and examined by union delegates. I can also tell him, having had the experience on three occasions of being a delegate to the International Labour Organization at Geneva, the expenses being paid by the federal government of Canada, that when one goes on a trip like that and submits an expense account to the government, that account is checked very carefully.

I remember once having an account corrected because, owing to weather conditions, we were not able to leave Geneva as planned early in the morning but had to stay until mid-morning or later, with the result that I had an extra breakfast in Geneva that had not been originally planned. So I charged for this breakfast on my account. My colleagues around the House know that I am not a lavish eater.

Some hon. Members: Oh, oh!

Mr. Knowles (Winnipeg North Centre): Yet my expense account was corrected and the amount of that one breakfast deducted because it was not provided for under the arrangements that had been made. I did not object to paying for that one breakfast; the few Swiss francs it cost did not amount to much. However, the point I am making is that when employees of the public service are on expense accounts, those accounts are checked very carefully by the treasury, and later by the Auditor General. And that is as it should be. I suggest the same practice is adopted by other associations. I can only assume it is adopted by the Canadian Bar Association, the Canadian Medical Association, and so on. Nevertheless, the people

who pay the shot should make sure they are not being exploited.

In the case of businesses that are subject to income taxation, the taxpayers are called upon to pay 50 per cent of the expense accounts. This is why it is the responsibility of the tax collector to see to it that the people of Canada are not being overcharged.

Mr. Lambert (Edmonton West): And you know they are not.

Mr. Knowles (Winnipeg North Centre): My hon. friend says that they are not.

Mr. Lambert (Edmonton West): If the business is in a loss position, the taxpayer pays nothing.

Mr. Knowles (Winnipeg North Centre): I am thinking of the general position of corporations that pay 50 per cent. My hon. friend says they do not pay if a company is in a loss position. If the expense accounts help to create that loss, I submit that in one way or the other it is a case of the taxpayers having to pay part of the expense. This is why I think the government is justified in putting in this bill provisions to curb expense account living. My only quarrel with this—and this was stated quite clearly by our two members on the committee when they issued their minority report—is that the government has soft-pedalled and backed away from the very sharp position that was taken on expense account living, firstly in the Carter report and later in the government's own white paper.

May I come back to the point of my hon. friend who sits to my right and say that we are agreed that the philosophy should be applied across the board that people should not get away with lavish expense account living, which can amount to a hidden increase in the standard of living. I also suggest that in all cases those who pay the shot are the ones who should see to it that there is no abuse. The private associations that are not taxable have a responsibility to see that there is no abuse in their case, but the taxpayers have a responsibility to see to it that they are not exploited in the case of businesses that are taxable. That is why I think this provision should be in the bill—and if we had our way its terms would be even stronger.

• (3:10 p.m.)

Mr. Ritchie: Mr. Chairman, I should like to say just a few words about what has been said by the hon. member for Winnipeg North Centre. I have had some experience in respect of what he says, that taxpayers are paying 50 per cent. I attended three conventions of 75 I might have attended and found that the income tax regulations did not allow me to deduct any expense unless the bill was receipted—and it is usually impossible to get receipts for everything. There is not much leeway in the law in respect of expense accounts. If you want to live a lavish, expense account life you have to work at it. You would have to drop some of your other activities in order to accomplish this sort of living.

Let me say a little about the treatment of goodwill and "nothings". I think this is important in relation to this tax bill. The Minister of Finance said certain business expenditures have come to be known as "nothings" because taxpayers could not deduct them in the year incurred as they were capital in nature, or over a number of years by way of depreciation as no assets were acquired on which this depreciation could be claimed.

Goodwill has been defined as an asset of this kind. If a taxpayer purchased a business, he could not deduct or depreciate the portion of his purchase price that related to the goodwill of the business. Other examples of "nothings" have been costs of incorporation and costs of acquiring rights of an indefinite duration. "Nothings" under the old law are not deductible in the year incurred because they are capital in nature, and they are not depreciable because they do not give rise to an asset which is listed in one of the capital cost allowance classes.

Under Bill C-259 a new 10 per cent capital cost allowance class is created for "nothings". One-half of the cost of these assets will be depreciable, in line with the one-half rule for taxing capital gains and deducting capital losses. This new class would apply only to costs incurred after the new system commences.

The sale of goodwill under the old law means the proceeds on the sale of goodwill are generally tax exempt. Under the new bill, proceeds on the sale of goodwill owned at the commencement of the new system will be included in income to the extent of 20 per cent if sold in the first year, 22.5 per cent if sold in the second year, 25 per cent if sold in the third year, and so on until the thirteenth and subsequent years when 50 per cent of the proceeds will be included in income. One-half of the proceeds of the sale of goodwill connected with a business acquired or commenced after the start of the new system is credited to the "nothings" class.

What is the analysis of this? It sounds fairly simple but it is not. First of all, most of the key definitions with regard to the treatment of goodwill and "nothings" are found in section 14 of the bill. However, one key definition is found in section 54 and other very important provisions are found in section 24. In other words, the Minister of Finance's new treatment of goodwill and "nothings" is not only complicated in terms of new terminology, which I will refer to later, but the provisions of the bill itself are spread out, creating even more confusion. It would be preferable and certainly beneficial to everyone concerned if all the relevant provisions were more closely set out in the bill.

Speaking of the new terminology, in order for the Minister of Finance to create a new treatment of goodwill and "nothings" he had to create new terminology. For purposes of the new system, goodwill and "nothings" or similar intangible assets are referred to as eligible capital expenditures, or ECE. Here I refer to section 14(5)(b). There are certain requirements that eligible capital expenditures must fulfil. They are as follows. Eligible capital expenditure applies only to a business and not to investment property, which I think is difficult to define; eligible capital expenditure is the part of any capital outlay made after 1971 to gain or produce business income that is not otherwise deductible or depreciable; the cost or value of goodwill or other intangibles owned by the taxpayer at the end of 1971 are not eligible capital expenditures, and certainly the intangible assets with a fixed life are depreciable as class 14 property and are not eligible capital expenditures. Eligible capital expenditure does not include non-deductible current expenses, pay-

ments to persons as shareholders, outlays or options to acquire depreciable property, the cost of interest in a trust or partnership, payments or cancellation or repayment of debt, or any outlay for the purchase of shares of a company.

Capital property is defined to exclude eligible capital expenditures as in section 54(b). This is just the definition of eligible capital expenditures. Depreciation of eligible capital expenditures is another matter. Here we get into something called CEC, or cumulative eligible capital. Cumulative eligible capital is defined to be 50 per cent of eligible capital expenditure incurred, minus cumulative eligible capital previously claimed as a deduction and cumulative eligible capital recovered as proceeds of disposition. This is to be found in section 14(5)(a). Taxpayers may deduct 10 per cent of their cumulative eligible capital, or CEC, on hand at the end of a taxation year.

The operation of the culmulative eligible capital pool is similar to that of a particular class of assets under the capital cost allowance system. CEC is on a pool basis by business so that the recapture and terminal loss provisions operate on a business basis. However, the 10 per cent deduction of CEC is provided by statute as opposed to regulation. When a taxpayer ceases to carry on a business there are terminal loss provisions for his CEC. However, if a spouse or controlled corporation continues the business, the terminal loss is denied and the CEC is assumed by the spouse or corporation. If the taxpayer sells the business after 1971 and part of the proceeds would be ECE to the purchaser, one-half of such part of the proceeds minus the CEC applicable to the business is included in the vendor's income.

Transitional rules reduce the 50 per cent taxation of proceeds of ECE to 20 per cent in 1972. This 20 per cent rate is increased by 2.5 percentage points per year until 1984, when the 50 per cent level is reached. Transitional rules also prevent the ECE of a non-arm's length purchaser to exceed the taxable proceeds of the vendor.

What about the analysis? In completing his income tax return the taxpayer must attempt to discover in this maze of new rulings whether he is in fact subject to the rules regarding eligible capital expenditures and attempt to discover how much cumulative eligible capital he has on hand at the end of a taxation year, whereupon he may deduct 10 per cent; and if he has sold the business he must attempt to discover whether part of the proceeds would be eligible capital expenditures to the purchaser and work out his taxation rates based on the formula contained in section 14(1).

In his summary of 1971 tax reform legislation the Minister of Finance says the government, in the first year of the new system based on 1968 incomes, will experience a $25 million loss of revenue due to the new deduction for "nothings" and for interest on money borrowed to buy shares. It is difficult to imagine how much revenue business will lose in its attempt to plow through the Minister of Finance's new rulings to find the deductions it has been promised under the new system. The Minister of Finance has made the new rulings in this area so complicated that is hardly worth the effort. Although this is another good example of the finance minister's determination to cause total confusion, one wonders why he has even made the effort since it results in a revenue loss for the government.

• (3:20 p.m.)

In its August 20 brief on tax reform, the Canadian Bar Association recommended that the minister at least tighten up the bill with regard to the placement of provisions concerning goodwill and "nothings". The brief goes on to say:

—also the new terminology is bound to confuse when one considers that "eligible capital property" is excluded from the definition of both "capital property" and "depreciable capital property". We think a change of terminology is essential.

One would think that the Minister of Finance with all his intricate new phrases and concepts would at least be thorough. Unfortunately, here too he has failed. And the incredible aspect of his failure is that in dealing with the treatment of goodwill and "nothings" in the area of business and property income the minister has neglected to adequately define "business." Section 14(1), which deals with taxation of the proceeds of eligible capital expenditures, if a business is sold after 1971, is one of the main provisions in the area of treatment of goodwill and "nothings". Section 14(1), when applied, results in the creation of separate pools of cumulative eligible capital for each business carried on by the taxpayer. Yet, says the Canadian Bar Association:

—no assistance is given in the determination of what constitutes a business, the definition in section 248 being completely inappropriate for this purpose. Where a business is carried on in several divisions it would seem preferable to pool all property into one group for the purpose of section 14 and section 20(1)(b).

The Minister of Finance has also failed to include provisions for the valuation of "nothings" and goodwill on valuation day and to consider such property as non-depreciable capital property. The Canadian Bar Association calls this inequitable and goes on to say:

—we are cognizant of the difficulty involved in obtaining acceptable valuation. If it is unacceptable to treat such property as ordinary capital property then we strongly recommend that it should simply be classified as a separate class of depreciable property eligible for a 5 per cent capital cost allowance on a diminishing balance basis, with normal tax on half of any gain over capital cost allowances claimed. Such property could be deemed to have a zero cost on valuation day. It would be necessary to provide transitional rates for phasing in the capital gains tax and we would suggest that the appropriate figure is one-half of the percentages now provided for in transitional rules section 21.

In his treatment of goodwill and "nothings" the Minister of Finance has failed to set out relevant provisions more closely in the bill to avoid confusion. He should change the terminology in order to clarify the new provisions. He should define adequately the term "business" as it applies to section 14(1) and section 20(1)(b) and he should treat goodwill and "nothings" as non-depreciable property and provide for the valuation of "nothings" and goodwill on valuation day.

The Assistant Deputy Chairman: Shall section 14 carry?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): No, Mr. Chairman. There is no question of section 14 carrying.

The Assistant Deputy Chairman: Order. I asked if section 14 carried, and this was agreed.

Mr. Lambert (Edmonton West): Mr. Chairman, I beg to differ. I was occupied in negotiations concerning the passage of a number of sections. There is a good deal more to be said concerning section 14. I would prefer if someone else would take the floor, because I wish to discuss certain matters with the parliamentary secretary.

An hon. Member: Oh, oh!

Mr. Lambert (Edmonton West): It is with regard to the passage of certain sections. If hon. members want to be awkward, I can be more awkward. I was negotiationg with my colleagues various points and sections on which we could agree and which could be passed before the expiry of the debate this afternoon. I want to communicate with the parliamentary secretary. Perhaps one of my colleagues might take the floor at this time; if not, I shall carry on and make the necessary observations with regard to this section.

I could raise the matter of section 19 and talk about the recommendations of the CRTC in respect of *Reader's Digest* and *Time* magazine, if it is the desire of hon. members.

Mr. Guay (St. Boniface): This is not in there.

Mr. Lambert (Edmonton West): If the hon. member for St. Boniface will consult the record he will see that section 19 has to do with the Canadianization of *Reader's Digest* and *Time* magazine and the restriction in respect of advertising. Does the hon. member wish more detail?

Mr. Guay (St. Boniface): No, but I can tell you—

The Assistant Deputy Chairman: Order.

Mr. Lambert (Edmonton West): This section is within the group which can be discussed.

[*Translation*]

Mr. Guay (St. Boniface): Mr. Chairman, I would like to direct a question to the hon. member for Edmonton West.

Mr. Lambert (Edmonton West): Very well.

Mr. Guay (St. Boniface): As for the section dealing with the one relating to the CRTC, I understand that it has nothing to do with this commission's recommendation regarding television. I agree with the hon. member in saying that this section applies to publications but not to television. I respectfully ask the hon. member for Edmonton West what comments he can possibly make in that regard?

Mr. Lambert (Edmonton West): I can reply to the hon. member for St. Boniface that we are going to study section 19. It was recommended to extend this section so that it would apply not only to publications but also to radio and television.

Mr. Guay (St. Boniface): I would like to put a supplementary to the hon. member for Edmonton West, Mr. Chairman.

[*English*]

In that case I would say that at the moment the bill does not take into consideration the recommendations of the CRTC in respect of television. You are saying it would require an amendment?

Mr. Lambert (Edmonton West): Yes, it would require an amendment. First, however, I want to examine section 19 to see whether it should continue. A number of people in this country feel section 19 should not continue. That is a point I could raise. If someone wants to do that, I shall carry on my negotiations. Perhaps the hon. member wishes me to continue. I have here a number of examples to show that section 14 is also a bad section. This could take me until after four o'clock; therefore, perhaps I should yield to my colleague from Parry Sound-Muskoka, who wishes to speak on section 19, and I can continue my negotiations.

The Assistant Deputy Chairman: Shall section 14 carry?

Mr. Lambert (Edmonton West): No.

Mr. Aiken: Mr. Chairman, ever since the commencement of the debate on the question of professional income, speaker after speaker on this side of the House has endeavoured to obtain an answer from the government concerning the reason the government has chosen at this time to change the rules of the game for professional people.

• (3:30 p.m.)

The Parliamentary Secretary to the Minister of Finance is doing his best to pilot the bill through the House, and the parliamentary secretary who is taking his place today is doing his best to answer questions, with the assistance of the officials sitting before him. But he has not yet answered the question in which I am interested. Why has there been a change with regard to professional income? Until we get an answer to that question, section 14 will be stalled.

No change was made with regard to farmers and fishermen. I have no complaint about that. A change was made only for one group. I hope the parliamentary secretary will explain the reason behind the government's changing the method of collecting income tax from professional people. Many reasons have been advanced against such a change. I am one of those affected and I know the problem. I suspect the government's reason is extremely simple but unfair. I suspect the reason is that the government knows it will be able to collect a lot more tax from professional people in 1972. Professional people will start, in 1972, on an accumulation basis and they will have to pay tax as they bill. Assuming a normal business year, they will pay a full year's tax in 1972 and in addition they will pay tax on the outstanding accounts of 1971 which have not been collected and which, under the old system, were not written off.

Under the old system the operation was on a cash receipt basis and it was not necessary to go through an imaginary writing-off of imaginary receipts. If a professional person had bills that were not paid, he did not pay tax on them. I am not certain whether the adjustment period has been fixed at five years, but during the adjustment period every professional person in Canada will be paying an additional 20 per cent income tax to the federal government.

This was the same type of reasoning given a few years ago for setting forward the payment of corporation taxes. People asked how it would benefit the government to have corporation taxes paid two or three months earlier. The fact is that the taxpayer never catches up on those two or three months' payments until he dies or goes out of business. This is what is now proposed with respect to professional income. The professional will be paying 20 per cent more income tax for five years, if it is a five-year write-off period. We should be told if that is the reason.

Under the old system a dentist, doctor, lawyer, accountant or professional person of any kind kept a reasonably simple set of books. He totalled up what he received in fees, wrote off what it cost him to operate his business and paid tax on the remainder. Now these people will need to hire bookkeepers to keep track of all their billings and their bad debts. We should be told the reason for the proposed change.

[*Translation*]

Mr. Clermont: Mr. Chairman, the hon. member for Parry Sound-Muskoka (Mr. Aiken), who just resumed his seat, mentioned in the course of his first remarks today on the sections under debate the changes brought about by Bill C-259 regarding professional income and he was wondering whether the purpose of those changes was not simply to increase government revenue.

I think the hon. member also mentioned in his speech this afternoon that small or big businessmen could also opt for the accountancy system of their choice. I think that two groups are entitled to this option under the current law: professionals and farmers.

The hon. member also had some misgivings in respect of accounts receivable. Let me give you an example. Supposing the accounts receivable of a professional amounted, as at December 31, 1971, to $5,000 and that these same accounts increase to $6,000 by December 31, 1972, only the increase of $1,000 would be considered for tax purposes and not the accumulated accounts receivable for the last 10 or 15 years.

Even the method suggested in Bill C-259, regarding professional income, would allow certain advantages, some of which I will detail, with your permission, at a later stage.

The hon. member for Parry Sound-Muskoka is not the only one who spoke on the income of professionals. The hon. member for Calgary North (Mr. Woolliams), the hon. member for Dauphin (Mr. Ritchie) and the hon. member for Edmonton West (Mr. Lambert) have also commented on the subject. As to the hon. member for Regina East (Mr. Burton), he has taken a completely different stand.

• (3:40 p.m.)

[*English*]

Several members have expressed concern about the government's proposal for a professional taxpayer to report income on the accrual basis. I should like to make a few comments to place the proposal in proper perspective. In the first place, this proposal affects only professional business; all other types of business except farming and fishing already report income on the usual basis.

Mr. Lambert (Edmonton West): It is the old excuse.

Mr. Clermont: Furthermore, their businesses have greater capital needs for inventory and other assets than does a professional business. Accordingly, I see no reason why a professional business will have difficulty in complying with this change in the method of reporting income. It should be pointed out that the professional will still have more flexibility than the wage earner in the time of reporting income. By choosing a fiscal year end early in the calendar year, the payment of tax may be delayed for one year.

Mr. Lambert (Edmonton West): That is nonsense.

Mr. Clermont: Furthermore, the professional may have several months of work-in-process which does not have to be recorded. The wage earner has no choice but to pay his tax as he receives his income.

[*Translation*]

Mr. Chairman, the hon. member for Edmonton West has repeatedly referred to the work the Committee on Finance, Trade and Economic Affairs did last year on the white paper. He is aware that various professional associations have made representations. The white paper proposal was of far more general than the proposal contained in Bill C-259. The white paper actually referred to the preparation of income returns based on an accounting system covering accounts receivable and work in progress.

Mr. Lambert (Edmonton West): That was sheer nonsense.

Mr. Clermont: I believe that people are not frank when suggesting that the government has not carefully listened to some representations. As concerns entertainment costs and convention expenses, according to the white paper, bill C-259 allows deductions for some expenses.

Concerning extra revenues that the government could get in 1972 following the new methods proposed for completion of income tax returns, I may say that whether a professional makes his computation on a cash basis or on an accrual basis, I doubt very much that the government will get a much larger revenue.

[*English*]

Mr. Aiken: I have one question that was not answered, Mr. Chairman. I should like to take the example of a professional person, let us say a medical doctor, who when the new act comes into force has outstanding, unpaid accounts of $15,000. He has not paid tax on those because he has been on a cash received basis. Under the new system he cannot be charged for this $15,000 because it was not earned in 1972. In what way is he taxed on that, or does he get away without paying tax on his outstanding, unpaid accounts?

[*Translation*]

Mr. Clermont: Mr. Chairman, according to the illustration furnished by the hon. member, if a medical doctor's accounts receivable amount to $15,000 in 1971 and to $12,000 in 1975, he will pay taxes on the difference of $3,000 between the two incomes.

[*English*]

Mr. Lambert (Edmonton West): Mr. Chairman, following consultations with my colleagues and representatives of

the other parties, I would ask that Your Honour call the sections which I shall enumerate. There has been general agreement that they be passed. First of all I would move the suspension of debate on section 14 so that we can deal with this matter.

The Chairman: Is it agreed that debate on section 14 be adjourned for the purpose of proceeding with other sections?

[*Translation*]

Mr. Clermont: Mr. Chairman, the hon. member for Sudbury (Mr. Jerome), the Parliamentary Secretary to the President of the Privy Council, announced that the same sections would be discussed on Monday. On November 22, 1971, as recorded at page 9777 of *Hansard*, the hon. member for Sudbury said the following:

—business and property income, which would be commenced on Friday and concluded on Monday—

So, if such is the case, I am not against section 14 being considered later.

• (3:50 p.m.)

Mr. Lambert (Edmonton West): Mr. Chairman, I think a false interpretation is given of the agreements between the leaders of the different parties since Monday we are going to discuss those sections grouped under the heading "Corporations" because the debate scheduled for last Wednesday has been postponed to Monday.

We are now dealing with business and property income. Since section 14 is the first one I asked that the debate on that section be postponed only because I wanted the House to carry certain sections.

Mr. Clermont: I have no objection, Mr. Chairman.

[*English*]

Mr. Lambert (Edmonton West): Mr. Chairman, if you would call sections 26, 36, 37, 138, 139, 140, 208, 209, 210, and 211 I think there would be disposition to agree to them.

[*Translation*]

Mr. Clermont: Mr. Chairman, I think I should suggest to the hon. member for Edmonton West that before sections 138 and 208 are carried we should pass the amendments moved by the Minister of Finance (Mr. Benson) and the Minister of National Revenue (Mr. Gray).

Mr. Lambert (Edmonton West): Mr. Chairman, the hon. member is right. We shall pass them.

[*English*]

The Chairman: The Chair agrees with the parliamentary secretary that with regard to the two sections he has mentioned amendments have been proposed by the Minister of National Revenue. Is the committee ready for the question on section 26?

Some hon. Members: Question.

Clause 1, section 26, agreed to.

Clause 1, sections 36 and 37 agreed to.

The Chairman: The Minister of National Revenue has moved an amendment to section 138, as recorded at page 8954 of *Hansard* for October 22. Shall the amendment carry?

Amendment (Mr. Gray) agreed to.

Clause 1, section 138, as amended, agreed to.

Clause 1, sections 139 and 140, agreed to.

The Chairman: The Minister of National Revenue has moved an amendment to section 208, as recorded at page 8958 of *Hansard* for October 22. Shall the amendment carry?

Amendment (Mr. Gray) agreed to.

Clause 1, section 208, as amended, agreed to.

Clause 1, sections 209 and 211 inclusive agreed to.

The Chairman: Does the committee wish to revert to section 14?

Some hon. Members: Agreed.

On clause 1—section 14: *Sale of goodwill and other "nothings".*

Mr. Lambert (Edmonton West): Mr. Chairman, section 14 deals with the sale of goodwill and other "nothings," or intangibles. The argument about this is old. Although officials of the department are fully cognizant of business arguments in this regard, they have failed to heed the representations of accountants and tax lawyers and have not listened to reasonable arguments. There are difficulties in certain areas. I am told that the whole concept of goodwill, as proposed by the government in this section, is unreasonable.

The taxation of the proceeds of the sale of goodwill without recognition of the cost can be a very serious problem. Let me give an example. We will assume that two companies which purchased goodwill for $1 million in 1971 resold it in 1974, and that in the first case the goodwill was resold for $2 million and in the second for $500,000. In one case, therefore, there has been an accretion of 100 per cent, and in the second case there has been a 50 per cent loss. In the case of the company that bought goodwill for $1 million and sold it for $2 million, the real gain is $1 million and the portion that is to be included in income, according to section 259, is $500,000 or 25 per cent. The portion that is taxable—deductible—or that may be treated as a capital asset is $500,000.

In the second case, where the proceeds of the sale represent half the original cost, or $500,000, there is still to be included in income 25 per cent or a total of $125,000. The real loss has been $500,000, yet the deductible portion, or that portion that is treated as a capital asset, is $250,000. Thus, the tax is appropriate to case A, but only in 1974, and is totally inappropriate in case B.

I am told that this results from the transitional rules that do not recognize the opening cost or value of goodwill. The provision should be modified to permit the valuation and amortization of existing goodwill at valuation day value and the deduction of this goodwill against subsequent sale proceeds and a capital gain or loss. The treatment of goodwill in this way would overcome many problems and would be much fairer.

It seems to me that goodwill is acquired in the way any other asset is acquired. On the acquisition of a business, an amount is paid for goodwill, which is recorded. It is

possible that it has been overvalued. If that happens, difficulties will follow. However, if the business has been well managed, if its reputation and the reputation of its officers has increased, there will be a profit when the business is sold and there will be a capital gain, if you accept that gain as a capital gain in principle. There is some question there. That gain is taxable. Yet if there should be a loss, it is only proper that allowances be made.

If $1 million was paid for goodwill when the business was acquired, and the business turns out to be what is commonly known as a turkey, or if the people who bought it cannot operate it and they sell it at the end of five years and the goodwill must be written down to $300,000, there is a capital loss. Surely, appropriate changes should be made to allow for this in the same way as allowances are made for tangible property that is acquired. I do not know why this provision is being perpetuated in this section.

May I call it four o'clock, Mr. Chairman?

Progress reported.

Mr. Deputy Speaker: It being four o'clock, the House will now proceed to the consideration of private members' business as listed on today's order paper, namely, public bills, notices of motions, private bills.

Mr. Deachman: Mr. Speaker, I understand there is disposition to consider item No. 137, on page 17 of *Routine Proceedings and Orders of the Day.* That item stands in the name of the hon. member for St. John's East (Mr. McGrath).

PRIVATE MEMBERS' PUBLIC BILLS

BROADCASTING ACT

AMENDMENT TO PROHIBIT ADVERTISING ON CHILDREN'S TELEVISION PROGRAMS

Mr. James A. McGrath (St. John's East) moved that Bill C-237, to amend the Broadcasting Act (advertising on children's programs) be read the second time and referred to the Standing Committee on Broadcasting, Films and Assistance to the Arts.

He said: Mr. Speaker, I thank the House for being disposed to give unanimous consent to bring this bill forward. This is a timely subject for discussion since we are now entering the season when television advertising will reach its greatest proportions. Perhaps to explain my principal reason for bringing this bill forward I can do no better than read the explanatory note which is as follows:

Children's programs have a captive audience. Although many of these programs are excellent and serve a useful purpose, they usually contain commercial messages directed at a highly impressionable and very susceptible audience.

• (4:00 p.m.)

The object of the bill is to prohibit advertising during the broadcasting of children's programs. More particularly, Mr. Speaker, the bill before the House is an ideal opportunity to discuss the whole topic of advertising directed toward children. It is particularly relevant at this time of year with Christmas and the advertising associated with this season.

The bill, as stated in the text, is to ban the broadcasting of advertising on children's programs. The principal objective of the bill—here I am being very realistic—is to focus public attention on this important issue and, consequently, to encourage public debate on what steps the federal government should be taking in this area. I will be dealing with my own views on this matter in a few moments, but before doing so I would like to state what I consider the problem to be. What prompted me to move this bill was the fact that as a parent I have become increasingly aware of the effect that television advertising is having on our children.

Television advertising is a refined and sophisticated way of selling a product. At times it runs the risk of crudely manipulating the needs and tastes of its viewing audience. In the case of children, it runs the risk of sadly misleading them. In fact, it is so common a part of our daily lives that few of us stop to look at the effect it is having on our children. Surely we as concerned legislators should begin to wonder if that effect is good or bad. I do not want to imply that television advertising is inherently evil or that it is an unnecessary part of our free enterprise system. I do want to stress that I personally feel it is in the best interests of a free market system that advertising be done on a fair and responsible basis with government providing general guidelines for the presentation of advertisements.

We have all seen the barrage of faddish gimmicks, tinsel toys and fantasy lands to which our children are subjected. We know the aura of fantasy which is created. The motivation in some cases is far from helping our children's normal development. Rather, the object is to spark and influence their imagination, indeed bringing pressure to bear on the parents through the children to buy a particular product. As a parent, I object to that.

I think there is growing concern throughout the country. Many people share my objection. For example, which one of us would permit a salesman to come to our door and ask to see our five, six or seven year-old child? Who in their right mind would permit their child to go to the door and be subjected to the high-pressured sales pitch which one normally gets from a door to door salesman? We would not have to think twice about this. However, we allow it to happen every day because every day we allow our children to be subjected to such high pressured salesmanship over television, perhaps even higher pressure than one would be subjected to by a door to door salesman. From the age of three, I firmly believe that our children should not be conditioned to programming their wants and desires on the basis of whatever television ad happens to be the most seductive at a given time.

It might be well to reflect for a minute on the situation in the United States because that is probably the greatest source of television programs that we view in Canada. Certainly it greatly influences the content of our commercial television programming. In December, 1970, two powerful U.S. federal regulatory agencies were sufficiently impressed with the importance of proper advertising for children that they decided to hold an unprecedented joint hearing into the issue. Both the federal trade commission

and the federal communications commission, which are respectively responsible for unfair business practices and broadcast licensing, were very concerned.

In the early part of this month the federal trade commission held a week of hearings exclusively on children's advertising. They did so because, I think it is fair to say, there is an escalating war over children's commercials taking place in the United States between concerned parent groups, broadcasting networks and the television industry. I hope that we in this country can look to this example and prevent its occurrence hereby taking quick steps to prevent a similar situation from developing on our own airwaves.

I would like, briefly, to pass along some of the comments made at the FTC hearing earlier this month. For example, one witness suggested that in the midst of a drug culture crisis, ads on television make taking a pill or vitamins no more serious than eating candy. This is the kind of thing to which our children are being subjected. Another said that in most food commercials, children are encouraged regularly to gobble up foodstuffs that contain almost nothing but syrup and sugar. Nutritionists in the states have expressed concern over this and have even labelled it "sugarition". For another example, we have all seen ads which deal with instant transfiguration on television where an individual takes something and suddenly life is beautiful or at least substantially improved. This transfiguration occurs right before our eyes.

I could go on for some time with examples of this kind which can be seen daily over our two television networks. However, suffice it to say we all agree we should start improving these forms of advertising wherever possible. I believe we as legislators, and certainly the government of Canada, have a real responsibility in this area. I repeat, Mr. Speaker, we have a golden opportunity in this country to learn from the experience in the United States and what is happening there. We would be remiss if we did not seize this opportunity and take advantage of it.

There are some frightening statistics which underline the persuasiveness of television for children. For example, our research indicates that a great deal of work has been done in this area by Ralph Nader's centre for the study of responsive law. This demonstrates that in the United States the normal pre-school child watches an average of 54 hours of television a week. I think the same applies to Canada, although statistics are not available.

• (4:10 p.m.)

On April 6 a sample was taken. It would probably be misleading to take a sample during the Christmas season when television advertising reaches its peak. But the result of that sample showed that the CBC ran 54 advertisements between 11 a.m. and 11.51 p.m. Assuming that a child watches, on average, between three and four hours of television a day, in that period he would have to absorb some 26 commercials ranging from those dealing with personal hygienic problems to the advantages of consuming or buying certain types of cereals.

There is no question that television in Canada, as in the United States, has become saturated with this kind of commercial message aimed at influencing parents through the children. What do we know about the psychological effects of this form of advertising upon our children? We know very little about it though it is an area of research which requires immediate attention. It has been calculated that children are subjected to some 350,000 television commercials by the time they leave high school. Is it not natural that they should grow to be deeply suspicious of a society which apparently lies systematically for profit? This is what happens many times in the course of the exaggeration and overselling we find on television today. Who knows, this may be one of the causes of the rebellion among youth which we are witnessing in our society.

I realize that both our public and private television networks have shown commendable initiative in preparing voluntary guides to govern their acceptance of advertisements aimed at children. One of these initiatives was taken quite recently—as a matter of fact within the past two months. The Canadian Association of Broadcasters, for example, has prepared and released a code of ethics to govern advertising on children's programs. It is an impressive code. It is a step in the right direction. The CBC has initiated a similar code.

Although these documents reflect what I feel to be a sincere effort on the part of television networks to ensure that fair and well motivated advertising becomes the norm, I have one major reservation to make, commendable though these codes are. In explanation of my misgivings perhaps it might be worth while to quote from a press release of the Minister of Consumer and Corporate Affairs (Mr. Basford) who has some responsibility in this matter. On October 13 he issued a statement and a press release quotes him as follows—he is referring to the code of conduct for advertisers devised by the Canadian Association of Broadcasters:

> This is a voluntary code, and its usefulness will be reflected far more in how well it is observed in letter and in spirit than in its actual wording. Adherence to its principles on radio and television will eliminate many of the cases for the frequent complaints which we have received about advertising directed at children. I hope that all advertisers will make a real effort to bring their messages into line with the code just as quickly as possible. We shall be watching with great interest.

The key word here is "voluntary". Regardless of all the good intentions in the world, advertising remains and will remain one of the basic sources of revenue for commercial television. I believe difficulty will arise if networks and local station managers refuse any part of this important source of income or place restrictions on it. I think it is a little too much to expect that they will do so.

The Minister of Consumer and Corporate Affairs has a great deal of responsibility in this area. He has many times, and justifiably so, boasted of the tremendous strides we have made in this country in the area of consumer protection. We are well ahead of the United States in many important respects. I would suggest to him that one of the ways of staying ahead would be to take the voluntary codes which have been promulgated by the CBC and CAB and have them enacted into law—incorporate them into the Broadcasting Act so that there may be no doubt as to the responsibility of broadcasters in this important area. They would know, then, exactly what their responsibilites were and would be in a better position to appreciate what was expected of them. I do not think we shall be able to take the action which is needed in respect of children's advertising if we rely upon con-

trols operated by the industry itself. I think it is necessary to make these regulations part of the law of the land.

I do not wish to be rash or arbitrary in imposing an unfair burden on business or advertising or the networks. All I am suggesting is that the codes which they themselves have provided be incorporated in the law. Surely this is not too much to ask. Further, I suggest that this bill be referred to one of the standing committees of the House, the committee on broadcasting, the committee on health, welfare and social affairs or the committee which usually handles consumer affairs questions.

It might be more realistic to suggest that the government make the appropriate reference. The committee would then have an opportunity to hear witnesses from consumer groups, from the industry, advertising agencies, government and the broadcasting networks. It would be able to evaluate the evidence and propose to the government a specific set of regulations to be included in the Broadcasting Act. With all these different sectors of society represented and placing their points of view before the committee, we could surely work toward an effective solution. I think it is important we should do so and that we should take the initiative in this regard, because I believe there is a serious crisis facing us in this area. After all, what could be more important than the welfare of our children?

Some hon. Members: Hear, hear!

Mrs. Grace MacInnis (Vancouver-Kingsway): Mr. Speaker, I am very glad to be able to rise in my place today and support the resolution in the name of the hon. member for St. John's East (Mr. McGrath). This matter is of far more general concern than most people realize. It goes back a long way. I am sorry the Minister of Consumer and Corporate Affairs (Mr. Basford) is not able to be here today. We understood he would be here in order to listen to this side of the story.

When he and I were members of the joint committee of the Commons and the Senate which investigated prices a few years ago we had a great deal of work to do in connection with advertising, and the subject of advertising as it affected children arose on a number of occasions. As the hon. member for St. John's East has observed, it came up in connection with such products as cereals, toys, and so on, where commercial advertisers were, to put it plainly, brainwashing babies into bludgeoning their parents into buying goods which their parents did not want to buy in many cases, or could not afford to buy. I noticed that the Minister of Consumer and Corporate Affairs was very impressed at the time by the need for control in this direction.

• (4:20 p.m.)

The hon. member who has just spoken gave a good deal of the background behind television advertising for children. Increasingly, television is becoming a sort of built-in baby sitter in a great many homes. This is one reason why I think day centres and child-care centres are a far more acceptable alternative.

The minister seems to be preparing to settle for a voluntary code such as that put forward by the Canadian Association of Broadcasters. While voluntary efforts made by certain organizations to police themselves might be useful, we are becoming more and more aware that where self-interest is involved voluntary policing does not do a satisfactory job. Even the minister has been driven to that conclusion. Earlier this year he brought in a bill dealing with packaging and labelling and there were very loud cries from merchandising interests that they were perfectly well able to police their own industry in this regard. But the minister had reached a position where he realized that that sort of policing had some very wide loopholes and left a great deal to be desired; consequently he brought in his packaging and labelling bill.

Almost every piece of legislation that the minister has brought in has evoked shrieks of anguish from some commercial interests. Nevertheless, the minister proceeded with the legislation because he had been persuaded that, while voluntary codes might be useful to a certain extent, they are not satisfactory from the standpoint of the consumer.

There are some rather odd situations in connection with the labelling of textiles. The minister has introduced a bill to make the labelling of the fibre content of textiles compulsory, but he did not go further than the voluntary code in the matter of care labelling. In other words, although labelling of the fibre content was made compulsory, once the fabric has been purchased women are on their own in regard to washing it, ironing it, dry cleaning it, and so on. I am convinced that within a year or so the minister will be forced to take the second step and make care labelling compulsory. Certainly I am getting many complaints about inadequate care labelling under the present voluntary code.

An examination of the code issued by the Canadian Association of Broadcasters reveals cause for discontent. It does not propose to do away with commercial advertising on children's programs. It provides that advertisements should respect the power of a child's imagination and should not exaggerate service, product or premium characteristics or stimulate unreasonable expectations by children of their performance. Just what is meant by "exaggerate service" and by "stimulate unreasonable expectations" on the part of children? I find those words very interesting.

It goes on to refer to "avoiding undue pressure upon parents". Just what is undue pressure? Is undue pressure having a child nag his parents in a toy store to buy some expensive toy because he has been brainwashed by a television ad to do so? The code is full of tendentious language of this sort that is very hard to pin down.

I think the minister will be forced to deal with this advertising code in the same manner as he has dealt with similar voluntary situations. He will have to recognize that groups interested in profit from merchandising cannot be trusted to enforce regulations that they make against themselves. A good example of what I mean will be seen shortly. The minister is going to introduce legislation to prohibit use of flammable material for children's clothing, since a child could be enveloped in a sheet of flame if he got too close to an open fire, a candle or something of that sort. Jequirty beans have already been withdrawn from the market since it was discovered that half a bean can take the life of a child. People say that war is too important to be left entirely to generals. I think that commercial

war is far too important to be left to those who are engaged in commerce. In both cases the victims should have something to say.

I want now to say something about the people on the other side of the fence, the victims of commercial advertising. I will say no more about the children at this point; the hon. member for St. John's East covered that subject very adequately. I have two pieces of evidence from parents groups, one of which is located in the city of Ottawa. The Citizen's Committee on Children sent a brief to all members on January 28 of this year on the subject of television advertising that was directed to children. Their brief pointed out that most advertisements directed to children are not only socially useless but are positively destructive of the values that many parents want to encourage. That is a reference to values other than material things such as toys or food that are commercially advertised on television.

The brief goes on to say that television advertisers, through attractive audio-visual techniques and continual repetition, create real desire in the child, thereby calculatingly utilizing children to bring pressure on their parents to buy the products advertised. For example, I may say they use Yogi Bear to tell the children that since the children are pals of Yogi Bear they should go along with him and get after their parents to buy cornflakes or some other kind of breakfast food that the advertisers want to sell. The brief goes on to point out that the television networks and local station managers are unlikely to refuse voluntarily this important source of revenue. I think that to expect them to do so would be rather like inviting one to give up one's lifeblood. To expect television stations to sacrifice this revenue and to consider the well-being of the community is just too much. The brief puts forward this resolution:

> Be it resolved, that the Citizens' Committee on Children request the Minister of Consumer and Corporate Affairs to introduce legislation; and the Canadian Radio-Television Commission to amend existing regulations—
>
> (1) to eliminate commercialism, but allow underwriting of children's television programmes.
>
> (2) to prohibit all advertising material from programmes, or blocks of programmes, specifically designed for the pre-schooler.
>
> (3) to remove spot commercial advertisements and
>
> (4) to restrict public service announcements and programme promotion trailers to those topics pertaining to children's needs and interests, when the majority of the viewing audience is under 12 years of age.

This brief was submitted last January. Since the voluntary code is now out, I think we should go to the lengths proposed by the hon. member for St. John's East and provide, in the words of this bill, that no advertisements shall be permitted during the broadcasting of a program devoted to children. The other piece of evidence from parents is from Montreal in the form of a newspaper article of October 15 last. It reads as follows:

• (4:30 p.m.)

> Guidelines controlling advertisements aimed at children have received a lukewarm reaction from a group of citizens dedicated to abolishing such advertisements.
>
> "The guidelines leasen the evil, but we want the evil to disappear completely," said Marie Vallée spokesman for the Mouvement pour l'Abolition de la Publicité aux Enfants—Movement to Abolish Advertisements Aimed at Children.
>
> "Our aim is nothing short of the abolition of publicity aimed at children," she added.
>
> The code of advertising to children announced on Wedesday by the Canadian Association of Broadcasters, was adopted voluntarily by CAB members.
>
> Praised by consumers affairs minister Ronald Basford, the code requires radio and television advertising for children not to exaggerate the quality of products or service and to avoid undue pressure on parents.

As I say, I do not think that goes far enough. The hon. member for St. John's East made a further important point when he indicated that advertising commercials may well be responsible for a great deal of the dissatisfaction and turning away from the continual preoccupation with material interests that we see in so many of the younger people today. This television advertising may also be responsible for the extreme cynicism of children today. If you have known a child who had seen a toy advertised and then saw one in a store or got one for Christmas, and had it break down, indicating it was far less in quality than indicated during the advertisement on TV, you would appreciate the depth of cynicism that can be inculcated in children today.

A woman said to me the other day that she had noticed another thing in advertisements which is of importance. She said her little child came home and asked about the toy that she had on television and that had been bought for her. She said another little girl had told her that the toy cost only $1.95 but that her mother got one for $3.95 which was a far better toy. This is the sort of emphasis on competition and antisocial values imparted to children by television. This is the result, very largely, of television advertisements.

One further thing which has not been mentioned regarding television is the amount of violence inculcated in children when they see these weird animals running around, doing each other in, throwing each other off mountain tops and shooting at each other with guns. This all seems unrealistic and fairy tale-like. But this is only one step from watching cowboys running around, shooting up the town, or people dropping bombs and doing other things to each other which is beginning to be expected today as a regular occurrence. If a child is unable to get anything but that on television, he is unable to distinguish in his early years between fact and fantasy. When he grows up he is still unable to distinguish fact from fantasy. I would warrant that the man who recently hijacked an aircraft near Calgary was not very far from being unable to distinguish between fact and fantasy. He acted like a schizophrenic child.

I think commercial advertisements on television are thoroughly bad for children. I think they are bad for grown-ups too, but we can deal with that another day. In the meantime, I hope the House will give serious consideration to sending the subject matter of this bill to a committee. I should like to see it sent to the Standing Committee on Health, Welfare and Social Affairs, on which committee both the hon. member for St. John's East and I sit and at into which the minister can be drawn in order that we may brainwash him a little more thoroughly in this regard. Perhaps at such a committee session we could go over these things thoroughly to make sure we not only

get good packaging and labelling in respect of the food products we eat but to make sure we have proper regulations and laws to ensure that the products which feed the minds of our children are pure, unadulterated and not dictated by the self-interest of some manufacturer who wants to sell as much as possible regardless of the consequences.

Mr. Lloyd Francis (Parliamentary Secretary to Minister of Veterans Affairs): Mr. Speaker, there was a bill standing in my name on the order paper today but I was very pleased to let it stand and give precedence to the bill we are now discussing, in view of its timeliness during the Christmas season and its importance in terms of policy which must be developed in this area.

I congratulate the mover of the bill, the hon. member for St. John's East (Mr. McGrath), and the hon. member for Vancouver-Kingsway (Mrs. MacInnis) with whose remarks I find myself in substantial agreement. Unfortunately, I will have to restrict my remarks because of the limitation of time and because I know the hon. member for Algoma (Mr. Foster) is anxious to speak in this debate.

The hon. member who introduced the bill has on previous occasions raised this matter. He had a very interesting exchange with the Minister of Consumer and Corporate Affairs (Mr. Basford) before the Standing Committee on Health, Welfare and Social Affairs on March 16, 1971. The minister at that time recognized that a good deal of concern had been expressed by consumer groups, parent-teacher associations, committees for the welfare of children and other organizations concerning food and toy advertising which is directed not only at the adult, who will presumably make the purchase, but at the child himself.

The minister admitted that in a modern society this is a matter of very deep concern and one which was quite rightly receiving the attention of the Department of Consumer and Corporate Affairs and of the Canadian Radio-Television Commission. He said on that occasion that it seemed desirable some attempt should be made to draw up acceptable rules according to which the television salesman, so to speak, should be able to bring his message into our homes and speak to our children.

The minister went on to point out that his department already has considerable jurisdiction over advertising. Under the Combines Investigation Act it has jurisdiction over misleading advertising generally, including, of course, television advertising. If there were in any advertising directed at children something which could be presented in court as materially misleading, that would be a basis on which to consider launching a prosecution under the Combines Investigation Act. As hon. members know, there has been greatly stepped-up activity over the last couple of years by the Combines people in investigating and prosecuting cases of misleading advertising.

Furthermore, the department has the responsibility, on behalf of the Canadian Radio-Television Commission, to review and approve food advertising on radio and television to ensure that it contains no element of fraud or misrepresentation within the meaning of the Food and Drugs Act and regulations. Such supervision is designed to ensure the truthfulness of advertising with respect to food products whether directed at adults or children. The responsibilities of the department, as the minister said, are quite precise, whereas the Canadian Radio-Television Commission has a much more general responsibility under its regulatory powers to determine the nature and kind of advertising that is carried on the electronic media.

The hon. member for St. John's East urged before the House committee that there be even closer liaison between the Department of Consumer and Corporate Affairs and the CRTC to see what jointly could be done to deal with the question of advertising directed at children. He agreed with the minister that it was necessary that there be greater in-depth studies as to what would be the best way of regulating such advertising on radio and television. The member suggested that any such study should include the advice of child psychologists and psychiatrists who would be able to assess the effect on a child of the constant barrage of high-pressure sales messages to which children watching television are subjected every day.

I understand that the complaints section of the Department of Consumer and Corporate Affairs has received a limited number of complaints about TV advertising directed at children and that most of these were received toward the end of 1970 during the Christmas toy buying season. That is why our debate is particularly appropriate at this time. One type of complaint which evidently related to toys—this was referred to by the hon. member for Vancouver-Kingsway—was that the commercials were likely to mislead children, through trick photography and the like, about the actual dimensions, the speed at which the toy ran or the parts that came with it, thus giving the impression that the toy being advertised was something other than what it really was.

Another type of complaint was that TV advertising of this kind could cause parents of very modest means to spend beyond their incomes and go into debt to buy advertised toys so as not to appear stingy or careless of their children's happiness. Feelings ran so high about the alleged malpractices or unethical or undesirable practices in the field of advertising directed at children that there emerged in the province of Quebec at least one organization specifically and exclusively concerned with the subject, calling itself the Movement for the Abolition of Advertising Aimed at Children.

• (4:40 p.m.)

It seems to me that while there are some special concerns related to advertising directed at children, the attention being paid to it is but one part of the proper questioning which is going on concerning the role of advertising in our society. Leaving aside the question of false or misleading advertising which everyone agrees should be eliminated from the market, there is a feeling in some quarters that there is an excess of advertising as such. We feel that we are being bombarded with demands to buy, and often in terms which bear little relationship to the actual merits of the product concerned and little attention to why we ought to buy.

I want to make it clear that I am not attempting to knock the role of advertising as such. Clearly, it seems to me, advertising plays a very important and necessary role in our type of society and economy. It helps to bring to the attention of the buying public the great variety of goods

available to us in our relative affluence, and to let us know about the new products which the ingenuity of our system is constantly bringing forward. I none the less think it is a good thing that we should all be asking ourselves, consumers, manufacturers, retailers and advertisers alike, whether we have not gone overboard in this direction, whether we are not engaging in what someone described as advertising overkill and have pushed the amount of advertising to the point where it starts to become self-defeating. Some people have started to "turn off" on advertising in general because of their dislike of the quantity of it or the poor quality or poor taste of some of it.

In these circumstances, I find it a very encouraging sign, if I read the indications correctly, that some of the more thoughtful members of the advertising profession itself are now asking themselves the same questions and are re-examining in their minds the basic principles which should govern the use of advertising in our society. Both speakers who preceded me referred to the amount of cynicism generated in respect of advertising and the great dangers of the kind of cynicism which is inculcated in young minds. I think there should be a great deal more study in depth in respect of this question. If all of us should be examining our consciences as to how we think advertising fits into the kind of society which we want to have, we should be doing so even more with respect to advertising directed at children—for here we are dealing with less discriminating, more impressionable minds, the minds of those who are less able, perhaps, to distinguish between fact and fancy; less able to distinguish between reality and puffery.

I do not think I would go along with the proposition, however, that we ban all advertising directed at children. Advertising is a fact of contemporary society and it seems to me that it is unwise to attempt to insulate the child completely from such a fact. He will have to come to grips with it some day and it is well that he should start to come to grips with it, within the limits of his capacity, at a comparatively early age.

For that matter, neither the bill itself nor the hon. member who proposed it dealt with the question of who is a child and at what age a person ceases to be a child. Neither are the guiding principles to be incorporated in the legislation set out. Someone else would have to work out these. Someone will have to come to grips with the problem of what is a children's program. Some advertisements in respect of cereals have a plausible direction toward an adult audience. There would have to be an administrative decision concerning what age group a program is aimed at and what age group should or should not be exposed to certain advertising. There is a great deal which has not been brought out so far in this debate.

Because of the limited powers of discrimination which a young child has, far greater care must be taken with respect to advertising directed at children than is necessarily applicable to advertising directed at adults, lest the child acquire a totally distorted view as to what is reality. I think it is wrong, for instance, in any advertising directed at children that the impression should be given that a toy is much larger or faster than it actually is, that it will perform certain functions which in fact it will not perform, and that in normal purchase it comes complete with all sorts of additional parts which in fact must be bought separately. I also find particularly objectionable the so-called hard sell when directed at children.

Mr. Speaker, I hope you will excuse this philosophizing but I feel it is necessary for us to look at some of the fundamentals in order to come to the best understanding of this bill. I think the purpose of private members' hour is very well served by the introduction of bills of this nature in order to explore an area in which regulatory difficulties may be involved. We must ask ourselves what we are trying to do, what is our aim.

To revert to the discussion which took place in a committee of this House, I understand that there were further meetings between the Department of Consumer and Corporate Affairs and the Canadian Radio-Television Commission, and as a result of what took place voluntary codes emerged and discussions resulted between the department, the producers involved and the regulatory agencies.

Mr. Speaker, time does not permit me to develop some of the other themes I had hoped to develop. In deference to other hon. members who are anxious to speak in this debate, I shall conclude by saying I agree with the purpose of the bill and the views of the two previous speakers. However, I believe it would be wise and proper to have a full and complete debate, which I hope will take place in this House and in the other place. I look forward to the development of appropriate measures by the Department of Consumer and Corporate Affairs as well as the other regulatory agencies involved.

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, I shall take only a few minutes to discuss one aspect of advertising and the type of product sold to households and young people. I am referring particularly to popular breakfast cereals. A survey has been made in connection with breakfast cereals served to young people in the standard, well known boxes. The result of the survey is shocking, to say the least. It indicates that many of the breakfast cereals that are well known through television and newspaper advertising—particularly television advertising—are almost completely lacking in nutritional value.

There has been a good deal of comment on this. One of the comments referred to a notice on a cereal box. I do not have the exact wording but it said something to the effect that with milk and sugar "this cereal provides a balanced nutritional snack." When it was analysed it was found that the only value in the cereal bowl was the milk and sugar, and that the cereal itself contained no nutritional value.

What bothers me so much about this problem is that here we are in a land of plenty where we have goods on the shelves which housewives can buy in quantity, with great boxes apparently bursting with foods which provide energy, and yet we find that many of our children suffer from malnutrition. Experiments have been conducted in connection with some of these cereals. I do not want to single out any of them because the results were published long ago, just as the results of cigarette testing were published. However, it was shown that even the well-known breakfast cereals are almost completely lacking in nutritional value. Most of the best substances have been taken out of them. In fact, I understand that most breakfast cereals are now reconstituted. They appear to be in

their original form but in fact were reduced to flour or mush and later reconstituted, the end product being mostly air.

• (4:50 p.m.)

We make cigarette manufacturers put a notice on packages of cigarettes stating that the product can be dangerous to health. I do not think we can expect cereal manufacturers to advertise their product over the air and say they are no good, but I do say that cereal foods require a great deal more honest promotion. For this reason I support the purposes of the bill and hope it can be adopted in principle so that further study can be given to it and the many aspects of advertising that it covers, including the one with which I am particularly concerned.

Mr. Maurice Foster (Algoma): Mr. Speaker, Bill C-237, sponsored by the hon. member for St. John's East (Mr. McGrath), refers to the effects of television advertising on young children. The hon. member has done a commendable job of reviewing the history of this problem in our society. He outlined some of the steps taken in the United States of America with respect to it and he mentioned the hearings that have been held in that country. I was impressed by the figures the hon. member quoted which indicate that a pre-school child spends 54 hours per week watching television. I know that he has several children, as I have, and that they probably had this number of hours of televiewing during their pre-school days.

I think it is important that we have an opportunity to discuss the bill this afternoon. I am sure the hon. member would want to see it thoroughly discussed. But I believe we should attempt to clarify in our minds what we are trying to achieve and the best way of achieving it. With respect to the bill which is before us, its operative proposal is that no advertising should be permitted during the broadcasting of a program devoted to children. I know that the sponsor of the bill is not a man of extreme views, but I wonder whether he has thought through the full implications of his proposals.

A number of children's programs are presently put out over radio and television. Some of them are good and some of them are bad. In saying this I, of course, tend to put in some subjective judgments. I believe that some of the programs are carried by the CBC without sponsorship, but I think I am correct in saying that the great majority of children's programs, both good and bad, are sponsored—that is to say, paid for by advertisers.

The adoption of the bill could well mean that a large number of even good children's programs would disappear from the airways because of lack of sponsorship, unless the CBC or CTV were willing to accept the full cost of putting on those programs. This would require a pretty drastic re-examination of the budgets of both the public and private networks. I think it would be wrong for us to approve this bill, however much we may sympathize with its purposes, without knowing what the implications would be for those budgets.

It may be that the sponsor of the bill only intended that advertisements should not interrupt children's programs but should be grouped together at the beginning or at the end of a program, and did not mean that children's programs should not have advertising sponsorship. If this is the case, then I suggest that the proposal is one that might well be discussed by the CRTC with the sponsors of the programs in question, to see what effect this arrangement would have on their willingness to sponsor those programs. Until we know more about what the results would be, I think we should hesitate in granting approval to the bill.

In sounding this cautionary note I should like to refer to the remarks of the hon. member for Ottawa West (Mr. Francis), who so thoughtfull put forward the case for having rather special rules to govern the kind of advertising which should and should not be addressed to the impressionable minds of young children. He mentioned the broadcast code for advertising to children which was developed under the aegis of the Canadian Advertising Advisory Board and which has been agreed to by the Association of Canadian Advertisers, Incorporated, the Canadian Association of Broadcasters, the Canadian Toy Manufacturing Association, the CTV network, the Institute of Canadian Advertising, the Radio Sales Bureau and the Television Bureau of Canada. That code has also been endorsed in principle by the Canadian Broadcasting Corporation.

The code is very thoughtful and comprehensive and I should like to quote a few sections of it which, if strictly adhered to, should do away with a number of the practices which many of us have found objectionable with respect to advertising directed at young children.

Mr. Speaker: Order, please. The hour set aside for the consideration of private members' business has now expired. It being five o'clock, this House stands adjourned until two o'clock Monday afternoon.

At five o'clock the House adjourned, without question put, pursuant to Standing Order.